Report to Shareholders

Q1 2019 Sienna Senior Living Inc.

Sienna SENIOR LIVING

LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

In Q1 2019, we continued to focus on operations and integration. Supported by strategic acquisitions of retirement residences, strong industry fundamentals and disciplined management, we experienced strong organic growth, provided high quality resident services and strengthened our balance sheet yet again.

Over the past four quarters, we spent much of our efforts on integrating our Q1 2018 acquisition of 10 retirement residences, comprising 1,200 suites and over 1,000 new team members, into Sienna's operating platform. Our results this quarter highlight the benefits of running a balanced, larger-scale retirement/long-term care platform. Further, Sienna's 12,000 team members have made an invaluable contribution to the Company through their commitment to helping residents live fully every day.

Operations

In Q1 2019, the Company's overall net operating income ("**NOI**") increased by 20.1% to $38.9 million as a result of the previously completed acquisitions and strong same property NOI growth. In our retirement segment, same property NOI grew by 7.3% year-over-year, largely driven by an increase in rental growth. Contributors to this growth were a combination of annual rental rate increases, higher market rates and the timing of expenses due to the Good Friday statutory holiday. In our long-term care segment, same property NOI grew by 4.3% year-over-year, also predominantly as a result of the timing of expenses due to Good Friday. Excluding the timing of this statutory holiday, the long-term care portfolio delivered stable same property growth of 1.9%.

Diluted Operating Funds from Operations ("**OFFO**") increased by 4.2% year-over-year to $0.322 per share, mainly due to income generated from our Q1 2018 acquisition of 10 retirement residences, as well as strong organic growth, partially offset by incremental interest expense on these acquired properties and an increase in mark-to-market adjustments on share-based compensation.

Average occupancy in our retirement segment was 90.4% in Q1 2019. Higher resident attrition rates and softer occupancy in the acquisition portfolio were factors in this year-over-year decline of 220 basis points. However, the benefits of running a larger-scale platform coupled with a strong overall operating performance, contributed to positive results in our retirement portfolio.

Average occupancy in our long-term care segment remained high at 98.2% in Q1 2019. Sienna's high ranking among its peers in terms of quality and service provided, coupled with generally high demand for long-term care, is reflected in the waiting list at each of Sienna's long-term residences.

Capital Structure

Continuing with the trend we set in 2018, we further strengthened our balance sheet during Q1 2019, ending the quarter with a debt to gross book value of 47.8%, a 250 basis point decrease from Q1 2018. In addition, we further lowered our average cost of debt to 3.8% in Q1 2019 from 3.9% in Q1 2018, and increased our average debt maturities to 4.4 years from 4.1 years a year earlier. We intend to continue to optimize our capital structure by effectively managing our upcoming debt maturities, by maintaining a healthy level of liquidity and a favourable credit rating. In March, DBRS confirmed the A (low) credit rating with stable outlook for Sienna's $322 million Series B Debentures. This is one of the best ratings in the real estate sector and highlights the stability of Sienna's long-term care portfolio.

Industry Fundamentals

Fundamentals in the Canadian seniors’ living sector remain strong as there is significant growth projected over the next 20 years. According to available data, the population of seniors aged 80 and above is expected to grow by 3% – 4% annually over the next two decades. One of the sector’s key challenges is to match the growing demand for seniors’ residences and services with additional supply in key markets. As a result, we may experience some short-term occupancy pressures in certain markets for retirement residences, although market research indicates that most of the new supply is concentrated in markets with unprecedented strength and demand. With respect to Sienna’s platform, we expect continued occupancy softness in three Ottawa properties and one property in Durham Region, all related to current oversupply. We believe that our balanced portfolio provides additional stability as the seniors’ living sector meets the needs of the aging demographic and the rapidly growing need for services outside of hospitals.

Outlook

As part of our commitment to a strong operating platform, we are constantly working to improve the resident experience and are making further enhancements to services and care, responding to the changing needs and preferences of our residents. We know that high levels of employee engagement are directly linked to resident satisfaction and we are making sure to maintain a high performing team and a workplace culture built on shared values with a commitment to innovation and quality.

Looking ahead, we expect the long-term care portfolio to deliver quality resident care with stable low growth consistent with 2018. As the retirement acquisition portfolio will be reflected in our same property results starting in Q2 2019, we expect moderate single digit growth from the retirement segment. We further intend to continuously strengthen the balance sheet with strategic capital allocation.

I am confident about the Company’s future as increasing demand for seniors’ living solutions are expected to provide Sienna with immense opportunities as one of Canada's leading high-quality providers.

On behalf of our management team and our Board of Directors, I would like to thank our team members for their outstanding dedication to make a difference in the lives of our residents and our shareholders for their continued support.

If you have any questions, please contact me at 905-477-4006 or at lois.cormack@siennaliving.ca.

Yours truly,

Lois Cormack
President and Chief Executive Officer

Management's Discussion and Analysis

(in thousands of Canadian Dollars)

Q1 2019 Report to Shareholders

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Basis of Presentation

The following Management's Discussion and Analysis ("**MD&A**") for Sienna Senior Living Inc. (the "**Company**" or "**Sienna**") provides a summary of the financial results for the three months ended March 31, 2019. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements ("**interim consolidated financial statements**") for the three months ended March 31, 2019. This material is available on the Company's website at www.siennaliving.ca. Additional information about the Company, including its Annual Information Form ("**AIF**") for the year ended December 31, 2018, can be found on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

All references to "**we**", "**our**", "**us**", "**Sienna**", or the "**Company**", unless otherwise indicated or the context otherwise requires, refer to Sienna Senior Living Inc. and its direct and indirect subsidiaries. For ease of reference, the "Company" is used in reference to the ownership and operation of seniors' living residences and its third party management business. Subsidiaries of the Company are the direct owners and operators of such residences.

Financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). 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; and "**Q4**" refers to the three-month period ended December 31.

Unless otherwise stated, all dollar amounts referred to in this MD&A, including tabular amounts, are expressed in thousands of Canadian dollars.

This MD&A contains forward-looking information based on management's expectations, estimates and projections about the future results, performance, achievements, prospects or opportunities for Sienna and the seniors' living industry as of the date of this MD&A. Please refer to the "Forward-looking Statements" section and the "Risk Factors" section of this MD&A for more information.

Additional Information

Additional information relating to the Company can be found on the Company's website at www.siennaliving.ca, by accessing the Company's public filings on SEDAR, or by contacting Nitin Jain, the Company's Chief Financial Officer and Chief Investment Officer, at 905-489-0787 or nitin.jain@siennaliving.ca.

Review and Approval by the Board of Directors

This MD&A is dated as of May 8, 2019, the date this report was approved by the Board of Directors of the Company, and is based on information available to management of the Company as of that date.

Company Profile

The Company and its predecessors have been operating since 1972. The Company is one of Canada's leading seniors' living providers serving the continuum of independent living ("**IL**"), independent supportive living ("**ISL**"), assisted living ("**AL**"), memory care ("**MC**") and long-term care (“**LTC**” or “**Long-term Care**”) through the ownership and operation of seniors' living residences in the Provinces of British Columbia and Ontario. The Company owns and operates a total of 70 seniors' living residences: 27 retirement residences ("**RRs**" or "**Retirement Residences**"); 35 LTC residences; and eight seniors' living residences providing both private-pay IL/AL and funded LTC (including the Company's joint ownership in two residences in British Columbia). The Company also provides management services to 17 seniors' living residences in British Columbia and Ontario.

The table below represents the number of suites or beds owned and operated by the Company, by business segment.

		Retirement (Suites)	Long-term Care (Beds)		Total[1]
Business Segment	**Residences**	**Private**	**Private**	**Funded**	**Beds / Suites**
Retirement	27	3,223	—	—	3,223
Long-term Care[2]	43	—	180	6,688	6,868
Total	**70**	**3,223**	**180**	**6,688**	**10,091**

Notes:
1. 82.6% and 17.4% of total beds/suites are located in Ontario and British Columbia, respectively.
2. 3.7% of total LTC beds and suites are partially owned. Nicola Lodge and Glenmore Lodge are referred to collectively as the "**Option Properties**", of which the Company owns 40% of Nicola Lodge and 77% of Glenmore Lodge as at March 31, 2019.

The Company was incorporated under the Business Corporations Act (Ontario) on February 10, 2010 and was subsequently continued under the Business Corporations Act (British Columbia) on March 18, 2010. The Company closed the initial public offering of its common shares on March 23, 2010 and is traded on the Toronto Stock Exchange ("**TSX**") under the symbol "SIA".

The Company's business is carried on through its wholly owned subsidiaries in the form of limited partnerships formed under the laws of Ontario, except for the Option Properties (as defined in footnote 2 above), which are owned through joint ventures between the Company and each of WVJ II General Partnership and WVJ Properties (Nicola) Ltd. (each an affiliate of Pacific Seniors Management Investments Ltd.).

As at May 8, 2019, the Company had 66,348,661 common shares outstanding.

Non-IFRS Performance Measures

In this MD&A, the Company uses certain supplemental measures of key performance that are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. These performance measures are net operating income ("**NOI**"), funds from operations ("**FFO**"), operating funds from operations ("**OFFO**"), adjusted funds from operations ("**AFFO**") and earnings before interest, taxes, depreciation and amortization ("**EBITDA**").

The Company adopted IFRS 16, Leases ("**IFRS 16**") on January 1, 2019 with no retrospective adjustment to the Company's consolidated opening retained earnings and prior year's consolidated financial statements. The comparative period's non-IFRS performance measures for FFO, OFFO and AFFO are restated to reflect IFRS 16 as if it was adopted on January 1, 2017. The IFRS adjustment to increase FFO represents a reduction in operating expenses and administrative expenses, offset by lease interest expense and depreciation of right-of-use assets. The IFRS 16 adjustment to increase OFFO and AFFO represents the add-back of depreciation on right-of-use corporate assets. The comparative period's financial ratios in the "Financial Covenants" section are not restated for IFRS 16 as the impact is not material.

"**NOI**" is defined as property revenue net of property operating expenses.

"**FFO**" is defined as NOI less certain adjustments including finance charges and current income taxes. FFO is a recognized earnings measure that is widely used by public real estate entities, particularly by those entities that own and/or operate income-producing properties. The Company presents FFO in accordance with the Real Property Association of Canada ("**REALpac**") White Paper on Funds From Operations for IFRS (Source: White Paper on Funds From Operations & Adjusted Funds From Operations for IFRS - February 2019). The use of FFO, combined with the required IFRS presentations, has been included for the purpose of improving the understanding of the Company's operating results. The IFRS measure most directly comparable to FFO is "net income". Please refer to the "Business Performance" section of this MD&A for a reconciliation of net income to FFO.

"**OFFO**" is FFO adjusted for non-recurring items, and presents finance charges on a cash interest basis. Management of the Company is of the view that OFFO is a relevant measure of the operating performance of the Company.

"**AFFO**" is defined as OFFO plus the principal portion of construction funding received and amounts received for revenue guarantees, less actual maintenance capital expenditures ("**maintenance capex**"). Management of the Company believes AFFO is a cash flow measure, which is relevant in understanding the Company's ability to earn cash and pay dividends to shareholders. The IFRS measure most directly comparable to AFFO is "cash flow from operating activities." Please refer to the "Business Performance" section of this MD&A for a reconciliation of cash flow from operating activities to AFFO.

"**Adjusted EBITDA**" is defined as earnings before interest, taxes, depreciation and amortization, construction funding proceeds and non-recurring items.

The above measures should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS as indicators of the Company's performance. The Company's method of calculating these measures may differ from other issuers' methods and accordingly, these measures may not be comparable to measures presented by other publicly traded entities.

"**Maintenance Capital Expenditures**" are defined as capital investments made to maintain or improve the Company's residences to meet residents' needs and enhance residents' experience. These expenditures include building improvements, mechanical and electrical spend, suite renovations, common area upgrades, communications and information systems, furniture, fixtures and equipment. Please refer to the "Maintenance Capital Expenditures" section of this MD&A for additional financial information.

Key Performance Indicators

Management of the Company uses the following key performance indicators (the "**Key Performance Indicators**") to assess the overall performance of the Company's operations:

- **Occupancy**: Occupancy is a key driver of the Company's revenues.
- **NOI**: This value represents the underlying performance of the operating business segments. Please refer to the "Non-IFRS Performance Measures" section of this MD&A.
- **OFFO and OFFO per Share**: Management of the Company uses OFFO as an operating performance measure. Please refer to the "Non-IFRS Performance Measures" section of this MD&A.
- **AFFO and AFFO per Share**: Management of the Company uses AFFO as a cash flow measure to assess the Company's ability to earn cash and pay dividends. Please refer to the "Non-IFRS Performance Measures" section of this MD&A.
- **Payout Ratio**: Management of the Company monitors the ratio of dividends per share to basic AFFO per share to ensure the Company adheres to its dividend policy, in line with the Company's objectives.
- **Debt Service Coverage Ratio**: This ratio is useful for management of the Company to ensure it is in compliance with its financial covenants.
- **Debt to Gross Book Value**: In conjunction with the debt service coverage ratio, management of the Company monitors this to ensure compliance with certain financial covenants.
- **Weighted Average Cost of Debt**: This is a point in time calculation which is useful in comparing interest rates, either period over period, or to market rates.
- **Debt to Adjusted EBITDA Ratio**: This ratio measures the number of years required for current cash flows to repay all indebtedness.
- **Interest Coverage Ratio**: Interest coverage ratio is a common measure used to assess an entity's ability to service its debt obligations.
- **Weighted Average Term to Maturity**: This indicator is used by management of the Company to monitor its debt maturities.
- **Same Property**: Measures with "same property" are similar to "same-store" measures used in the retail business and are intended to measure the period over period performance of the same asset base. The same property portfolio excludes acquired properties owned for less than one year and assets undergoing new development, redevelopment or demolition. Properties undergoing new development or redevelopment are considered "same property" once they are operating at stabilized occupancy levels.
- **Acquisitions**: The acquisitions portfolio includes acquired properties that are owned for less than one year. Properties undergoing new development or redevelopment are considered "acquisitions" until they are operating at stabilized occupancy levels.

The above Key Performance Indicators used by management of the Company to assess the overall financial performance of the Company's operations should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS as indicators of the Company's performance. The Company's use of these measures and its method of calculation may differ from other issuers' use and methods and accordingly, may not be comparable to the key performance indicators of other publicly traded entities.

The following table represents the Key Performance Indicators for the periods ended March 31:

	Three Months Ended		
Thousands of Canadian dollars, except occupancy, share and ratio data	**2019**	2018	Change
OCCUPANCY			
Retirement same property - Average occupancy	**91.6%**	92.6%	(1.0%)
Retirement acquisitions - Average occupancy	**88.4%**	93.3%	(4.9%)
Retirement - Average total occupancy	**90.4%**	92.6%	(2.2%)
Retirement - As at total occupancy	**89.4%**	92.6%	(3.2%)
LTC - Average total occupancy	**98.2%**	97.9%	0.3%
LTC - Average private occupancy	**98.3%**	97.9%	0.4%
FINANCIAL			
Revenue	**163,669**	145,357	18,312
Operating Expenses	**124,757**	112,953	11,804
Same Property NOI	**32,825**	32,404	421
Acquisitions NOI	**6,087**	—	6,087
Total NOI	**38,912**	32,404	6,508
EBITDA	**31,999**	27,754	4,245
Net income	**442**	1,033	(591)
OFFO	**21,322**	18,609	2,713
AFFO[1]	**23,383**	20,774	2,609
Total Assets[2]	**1,738,577**	1,759,189	(20,612)
PER SHARE INFORMATION			
Net income per share, basic	**0.007**	0.018	(61.1%)
Net income per share, diluted	**0.007**	0.018	(61.1%)
OFFO per share, basic[3]	**0.322**	0.316	1.9%
OFFO per share, diluted[3]	**0.322**	0.309	4.2%
AFFO per share, basic[1][3]	**0.353**	0.353	—%
AFFO per share, diluted[1][3]	**0.353**	0.344	2.6%
Dividends per share	**0.230**	0.225	2.2%
Payout ratio (basic AFFO)[1]	**65.2%**	63.7%	1.5%
FINANCIAL RATIOS			
Debt service coverage ratio	**1.9**	2.0	(0.1)
Debt to gross book value as at period end	**47.8%**	50.3%	(2.5%)
Weighted average cost of debt as at period end	**3.8%**	3.9%	(0.1%)
Debt to Adjusted EBITDA as at period end	**7.1**	8.2	(1.1)
Interest coverage ratio	**3.8**	3.8	—
Weighted average term to maturity as at period end	**4.4**	4.1	0.3
CHANGE IN SAME PROPERTY NOI			
Retirement			7.3%
LTC[4]			4.3%
Total			5.4%

Notes:
1. Effective as of Q3 2018, deferred share unit compensation earned is not added back to calculate AFFO. The prior quarters have been restated to reflect this change.
2. Property and equipment included in total assets are measured at cost less accumulated depreciation and amortization.

3. Basic and diluted OFFO and AFFO per share for the three months ended March 31, 2018 include a prior year tax refund of $1,254. Excluding this refund, basic and diluted OFFO per share would be $0.295 and $0.289, respectively, and basic and diluted AFFO per share would be $0.332 and $0.324, respectively, for the three months ended March 31, 2018.
4. Year-over-year change in same property NOI for LTC excludes the prior year tax refund recorded in Q1 2018.

First Quarter 2019 Summary

Sienna's Q1 2019 results were in line with its expectations. OFFO per share was $0.322, which includes mark-to-market adjustments on share-based compensation of $1,401, and excluding these adjustments, OFFO per share would be $0.343. Overall, same property NOI growth was strong in both Retirement and LTC segments. Although Q1 2019 had a decline in Retirement occupancy, rental growth from annual rate increases, higher market rates and adjustments to variable expenses resulted in overall positive results. The Company's debt to gross book value improved year-over-year by 250 bps to 47.8% as at March 31, 2019.

Occupancy - Average occupancy in Sienna's LTC portfolio remained high at 98.2% in Q1 2019, compared to 97.9% in Q1 2018. Average occupancy in the Retirement portfolio was 90.4% in Q1 2019 compared to 92.6% in Q1 2018. The decline was largely due to higher resident attrition rates and softer occupancy in the acquisition portfolio.

Revenue increased by 12.6% in Q1 2019, or $18,312, to $163,669 over the comparable prior year period. The increase was mainly a result of the revenues generated from acquisitions completed in late Q1 2018, in addition to strong same property results driven by additional funding revenues and inflationary funding increases in the flow-through envelopes of the LTC segment, as well as in-place annual rent increases and higher market rates in the Retirement segment.

NOI increased by 20.1% in Q1 2019, or $6,508, to $38,912 over the comparable prior year period due to strong same property NOI growth, contributions from acquisitions, and timing of expenses due to the Good Friday statutory holiday.

Net income was $442 for Q1 2019, representing a decrease of $591 over the comparable prior year period. The decrease was primarily related to incremental interest expense, depreciation and amortization incurred from the acquisitions completed in late Q1 2018, and an increase in mark-to-market adjustments on share-based compensation, partially offset by lower transaction costs and incremental net operating income from the Acquired Properties (as defined in the "Net Operating Income by Segment" section).

OFFO increased by 14.6% in Q1 2019, or $2,713, to $21,322 over the comparable prior year period. The increase was primarily related to the income generated from the acquisitions completed in late Q1 2018 and strong organic growth, partially offset by incremental interest expense on these acquired properties and an increase in mark-to-market adjustments on share-based compensation. On a per share basis, diluted OFFO increased by 4.2%.

AFFO increased by 12.6% in Q1 2019, or $2,609, to $23,383 over the comparable prior year period. The increase was primarily related to the increase in OFFO noted above, partially offset by a decrease in income support that ended in 2018 related to a prior acquisition. On a per share basis, diluted AFFO increased by 2.6%.

Outlook

Over the past four quarters, our team spent much of their efforts on integrating the 2018 acquisitions into Sienna's operating platform. Our Q1 2019 results highlight the benefits of running a balanced, larger-scale retirement/long-term care platform. In addition, fundamentals in the Canadian seniors' living sector remain strong as there is significant growth projected over the next 20 years and higher affluence among seniors. Based on available data from Statistics Canada, the population of seniors aged 80 and above is expected to grow by 3-4% annually over the next two decades.

With the growing demand for seniors' living, governments are increasingly looking for solutions to meet the fast-growing demand for seniors' living and seniors' health care in the most appropriate setting and to reduce hallway medicine and alternate levels of care. New development and redevelopment of seniors' living residences are key components to meet this increasing demand. With a strong balance sheet, a very talented management team and a sophisticated operating platform, the Company is well positioned for both organic and external growth in 2019 and beyond.

Retirement

With the addition of ten high-quality properties in 2018, Sienna's Retirement portfolio now represents 46.0% of the Company's total NOI in Q1 2019. These ten acquired properties represent 15.6% of the Company's total NOI in Q1 2019. The goal is to generate at least 50% of the overall NOI in this segment within the next three years. The Company continues to focus on enhancing its strong operating platform, and aligning its marketing strategy and services offerings to the needs of local markets to drive occupancy in the acquired portfolio.

For the balance of 2019, management expects to generate moderate single digit organic growth through occupancy, rate increases in accordance with market conditions and disciplined cost management.

LTC

The Company continues to deliver strong results in its LTC segment, as reflected by the year-over-year same property NOI increase of 4.3% predominantly resulting from the timing of Good Friday. Excluding the timing of this statutory holiday, same property NOI growth would be 1.9%. In addition, Sienna's LTC operating platform is consistently ranked above provincial and national averages in terms of quality of service provided, as reported quarterly by the Canadian Institute for Health Information as of December 2018.

For the balance of 2019, Sienna expects to continue to manage the complexities of its LTC segment with its experienced team and sophisticated operating platform, while providing quality resident care services. The Company also expects its LTC segment's performance to be consistent with previous years on a normalized basis.

Capital Structure Optimization

In Q1 2019, the Company further lowered its debt to gross book value to 47.8%, a 250 bps reduction year-over-year from 50.3%, and decreased its debt to Adjusted EBITDA ratio to 7.1 years from 8.2 years in Q1 2018.

For the balance of 2019, management expects to refinance approximately $98,764 of property-level debt at rates and on terms relatively consistent with its debt as at March 31, 2019, which has a weighted average rate of interest of 3.8% and weighted average term to maturity of 4.4 years. The Company continues to focus on optimizing leverage and managing refinancing risk by creating a balanced 10-year debt maturity ladder.

Development

Sienna intends to develop a number of seniors' living campuses (comprised of AL and LTC). During Phase 1 of this development program, the Company plans to redevelop 1,000 older Class B and Class C LTC beds, and add 280 new LTC beds and 500 retirement suites to create seniors' living campuses. Sienna is actively engaged with government authorities in obtaining approvals for certain projects. The Company anticipates that the development projects will be greenfield projects and plans to build campuses subject to regulatory approvals and financial feasibility. The feasibility of such projects is assessed against hurdle rates of return, which are in excess of the Company's cost of capital.

Our Vision, Mission and Values

Our Vision

To awaken our communities to the positive possibilities of life's next chapters.

Our Mission

To help you live fully, every day.

Our Values

Respect

We value each other. From our clients and residents to our co-workers, we take the time to appreciate each person's story, understand their perspective, and recognize their contribution.

Passion

This job isn't for everybody. We love working with older people. We feel it's a privilege to have them in our lives, and there's nothing more important to us than their safety and well-being.

Teamwork

To honour someone's voice and advocate for their choice, it's up to every one of us to communicate, collaborate, and support one another. We're in this together - co-workers, volunteers, physicians and health care providers, suppliers, communities, families, clients and residents.

Responsibility

Holding ourselves to the highest standards of safety and quality is only the beginning. If we see a problem or an opportunity, we own it. If we say we'll do something, we do it. "Not my job" is not in our vocabulary.

Growth

We are always pushing ourselves - to learn, to develop, to find a better way and we strive to help our clients, residents and staff grow, encouraging them to stretch and do more than they might have thought possible.

The Sienna team is dedicated to helping seniors live fully, every day with an aim to constantly improve the resident experience, and develop a high-performing team and workplace culture built on shared values and a commitment to innovation and quality, while focusing on priorities that translate into long-term accretive growth for the Company's shareholders.

Company Strategy and Objectives

Sienna's strategic objectives and progress are summarized as follows:

Strengthening Operating Platform:

- Implementing a strong people strategy focused on finding, keeping and growing the most talented team in the seniors' living sector;
- Providing a great resident experience by helping residents to live fully every day;
- Adopting innovative technology and practices to support the operations team;
- Advancing Sienna's brand in every community served.

Progress:

- Sienna continues to outperform the provincial and national averages on the majority of publicly reported quality indicators
- Implementing strategies to improve recruitment and attract a larger talent pool
- Ongoing investments in technology and process improvements to residents' electronic health records
- Ongoing investments in people strategy, including enhancements to recruitment, on-boarding and leadership development

Maintaining Strong Balance Sheet and Liquidity:

- Financing of acquisitions/development for the continued growth of the Company;
- Creating a 10-year debt maturity ladder to reduce refinancing risk and enhance the ability to refinance at favourable rates;
- Optimizing leverage (measured as debt to gross book value);
- Maintaining liquidity (measured as available funds from existing credit facilities plus available cash on hand) to deliver on Sienna's growth objectives;
- Maintaining a favourable A (low) credit rating on the 3.474% Series B Senior Secured Debentures, with an aggregate principal amount of $322,000 and a maturity date of February 3, 2021 ("**Series B Debentures**").

Progress:

- Confirmed A (low) rating by Dominion Bond Rating Service ("**DBRS**") with a stable outlook for the Series B Debentures in March 2019
- Decreased year-over-year debt to gross book value by 250 basis points ("**bps**") to 47.8% as at March 31, 2019
- Decreased year-over-year debt to Adjusted EBITDA to 7.1 years as at March 31, 2019, compared to 8.2 years in the comparable prior year period

Growing the Company:

Sienna's growth plan is based on three key components:

Organic Growth:

- Growing Sienna's portfolio organically through rate increases, stabilized occupancy and expanding services to meet resident needs;
- Maintaining existing assets with preventative maintenance and ongoing capital improvements;
- Continuing to invest in Sienna's team culture and operating platform to deliver a great resident experience and maintain disciplined cost management.

Development:

- Developing seniors' living campuses in key Ontario markets that provide a wide range of care options and services, including IL, AL, MC and LTC;
- Developing free standing RRs in certain markets with adequate demand;
- Expanding seniors' living capacity in existing RRs with excess land;
- Responding to requests for proposals, where feasible.

Acquisitions*:*

- Strategic and disciplined acquisitions of high-quality seniors' living residences in key markets in Canada;
- Expanding Sienna's private-pay Retirement portfolio.

Progress:

- ○ Strong year-over-year organic growth in the Retirement and LTC segments, representing a 7.3% and 4.3% increase in same property NOI, respectively
- ○ Launching an enhanced company website in Q2 2019 and continuing to use various social media, digital platforms and local marketing campaigns to increase market reach
- ○ Expanding the Island Park Retirement Residence in Campbellford, Ontario, which is expected to be completed by mid-2019
- ○ Received preliminary approval from the Ministry of Health and Long-term Care ("**MOHLTC**") for two development/ redevelopment projects

Social, Governance and Environmental Responsibility

Sienna's approach to corporate social responsibility is based upon the premise that each of the communities in which we operate is unique. The Company has committed to initiatives aimed at creating positive experiences for its stakeholders and making its operations more sustainable. Sienna's commitment to corporate social responsibility includes the following social, governance and environmental initiatives and results:

Social

We are strongly committed to our communities and give back in a number of profound ways, which plays an important role in our ongoing activities involving team members, residents, families and members of the local communities where Sienna operates.

We are an active leader in the Canadian Association of Long Term Care, Ontario Long Term Care Association, Ontario Retirement Communities Association, British Columbia Care Providers Association and British Columbia Seniors Living Association.

In July 2018, Sienna's British Columbia long-term care residences received a four-year Accreditation with Exemplary Standing - the highest distinction awarded by Accreditation Canada. This recognizes Sienna's long-term care residences in British Columbia for going beyond the requirements of the national accreditation program and demonstrates excellence in quality improvement.

In 2017, Sienna was named one of Canada's Most Admired Corporate Cultures by Waterstone Human Capital. This award highlights the Company's commitment to cultivating and sustaining a culture that promotes social responsibility and is supportive of employees.

Through Sienna for Seniors, an integrated, company-wide charitable giving program, we support marginalized seniors facing economic and social challenges in the local communities that the Company serves. Since inception, we raised approximately $318,000. Funds remain in the community in which they were raised, supporting charities with seniors-focused programs that include the United Way, regional Alzheimer Societies, and other local charities.

Sienna is also committed to support and participate in research in seniors' living. In cooperation with our partners, we focus on making advancements in innovative and collaborative care practices that help improve the lives of residents and support them in meaningful ways.

Governance

As one of Canada's leading providers of Seniors' residences, we are committed to maintaining the highest ethical standards through a strong governance framework and an experienced Board of Directors.

We are a leader in gender diversity and in 2018, Sienna was among the top 5 companies listed on the TSX in terms of gender diversity, with 50% of the Company's Board of Directors comprised of female leaders.

In addition, as of March 31, 2019, 80% of the Company's senior executive team is comprised of female leaders, a testament to Sienna's commitment to recruiting, promoting and retaining women in leadership roles in the organization.

Environmental

The Company is continuously implementing strategies to make its operations more sustainable and focuses on updating its infrastructure through key initiatives, including increasing water conservation by installing Flow Management Devices, a water-saving technology; and decreasing energy consumption by replacing lighting systems, older appliances, fixtures and equipment with more energy-efficient alternatives and whenever possible, participate in ENERGY STAR programs.

Industry Overview

Please refer to the Company's MD&A and the AIF for the year ended December 31, 2018 for a discussion of the Industry Overview.

Business of the Company

Please refer to the Company's AIF for the year ended December 31, 2018 for a discussion of the Business Overview.

Quarterly Financial Information

	2019	2018				2017		
Thousands of Canadian dollars, except occupancy and per share data	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	163,669	169,455	165,048	162,124	145,357	146,330	139,867	137,527
Operating Expenses	124,757	130,556	124,529	122,734	112,953	115,831	109,109	108,117
Income before net finance charges, transaction costs and provision for (recovery of) income taxes	12,624	13,970	15,737	15,292	14,757	15,508	15,659	15,464
Net income	442	302	5,000	3,548	1,033	4,195	6,214	6,726
Per share basic	0.007	0.006	0.076	0.055	0.018	0.078	0.131	0.144
Per share diluted	0.007	0.006	0.076	0.055	0.018	0.078	0.131	0.144
OFFO	21,322	23,550	23,973	24,343	18,609	17,968	16,682	15,865
Per share basic	0.322	0.357	0.365	0.380	0.316	0.356	0.360	0.343
Per share diluted	0.322	0.357	0.365	0.374	0.309	0.346	0.349	0.332
AFFO(1)	23,383	21,738	24,414	26,137	20,774	17,082	18,334	17,289
Per share basic(1)	0.353	0.329	0.372	0.405	0.353	0.334	0.397	0.373
Per share diluted(1)	0.353	0.329	0.372	0.400	0.344	0.323	0.382	0.362
Dividends declared	15,196	15,145	14,995	14,620	13,523	11,437	10,430	10,429
Per share	0.230	0.230	0.228	0.225	0.225	0.225	0.225	0.225
Occupancy								
Retirement - Average total occupancy	90.4%	91.8%	91.4%	91.6%	92.6%	93.2%	94.1%	94.2%
Retirement - As at total occupancy	89.4%	91.6%	91.8%	91.3%	92.6%	92.3%	94.1%	94.7%
LTC - Average total occupancy	98.2%	98.5%	98.7%	98.3%	97.9%	98.5%	98.6%	98.5%
LTC - Average private occupancy(2)	98.3%	98.6%	98.6%	98.0%	97.9%	98.5%	98.5%	98.4%
Total assets(3)	1,738,577	1,753,200	1,746,612	1,800,952	1,759,189	1,394,858	1,221,813	1,210,433
Total debt(4)	987,640	984,917	985,694	1,025,857	1,022,128	818,951	762,044	746,583
Debt to gross book value as at period end	47.8%	47.7%	48.3%	49.4%	50.3%	49.6%	51.8%	51.5%

Notes:
1. Effective Q3 2018, deferred share unit compensation earned is not added back to calculate AFFO. The prior quarters have been restated to reflect this change.
2. The comparative periods have been restated to include both private-pay IL and AL.
3. Property and equipment included in total assets are measured at cost less accumulated depreciation and amortization.
4. Total debt includes the Company's 4.65% extendible convertible unsecured debentures ("**Convertible Debentures**"), which were fully redeemed as at May 23, 2018 (the "**Redemption Date**"). The total debt includes the Convertible Debentures up to the Redemption Date and is net of amounts paid into the principal reserve fund on the Series B Debentures.

The Company's quarterly financial results are impacted by various factors including, but not limited to, the timing of acquisitions, occupancy levels, timing of maintenance capital expenditures, seasonality of utility expenses, timing of resident co-payment increases, timing of funding rate increases or additional funding, and capital market and financing activities.

Financial results for the past eight quarters have been positively impacted primarily by the completion of $583,093 in acquisitions of 14 high-quality seniors' living residences, as well as a strong operating platform and management team. Specifically, two retirement residences were acquired in each of Q2 2017 and Q4 2017 for a combined total of $194,800, a portfolio of ten seniors' living residences was acquired in Q1 2018 for $382,000, and an additional interest in an Option Property was acquired in Q2 2018 for $6,293. Please refer to the "Significant Events" sections in the Company's 2017 and 2018 annual MD&As for further discussion of these acquisitions.

The Company increased its monthly dividend per share by 2% in 2018 starting with the September payment. The Company's balance sheet continues to strengthen as its total asset base has increased from $1,210,433 to $1,738,577 and its debt to gross book value has decreased from 51.5% as at Q2 2017 to 47.8% as at Q1 2019.

A discussion of the operating results for the three months ended March 31, 2019 compared to the same period in the prior year is provided in the section "Operating Results."

Operating Results

Retirement

The Company's Retirement portfolio consists of 27 RRs, five of which are located in British Columbia and 22 are located in Ontario. The Company's RR portfolio operates in well located markets and generated 23.6% of overall revenues and 46.0% of total NOI in Q1 2019.

Long-term Care

The Company's LTC portfolio contributed 76.4% of the Company's revenues and generated 54.0% of its NOI in Q1 2019. Effective July 1, 2018, the MOHLTC announced that the regulated per diem premiums had increased to $26.04 per bed per day for new admissions to private accommodation in Class A homes, with existing residents in such preferred accommodations being grandfathered at substantially historical rates. The rates for Class C homes are currently $18.74 and $8.33 per bed per day, respectively, for private and semi-private accommodation.

The following table represents the operating results for the periods ended March 31:

	Three Months Ended		
Thousands of Canadian dollars	**2019**	2018	Change
Revenue	**163,669**	145,357	18,312
Expenses			
Operating	**124,757**	112,953	11,804
Depreciation and amortization	**19,375**	12,997	6,378
Administrative	**6,913**	4,650	2,263
	151,045	130,600	20,445
Income before net finance charges, transaction costs and provision for (recovery of) income taxes	**12,624**	14,757	(2,133)
Net finance charges	**11,356**	6,466	4,890
Transaction costs	**979**	6,875	(5,896)
Total other expenses	**12,335**	13,341	(1,006)
Income before provision for (recovery of) income taxes	**289**	1,416	(1,127)
Provision for (recovery of) income taxes			
Current	**2,050**	2,255	(205)
Deferred	**(2,203)**	(1,872)	(331)
	(153)	383	(536)
Net income	**442**	1,033	(591)
Total assets	**1,738,577**	1,759,189	(20,612)
Total debt (net of principal reserve fund)	**987,640**	1,022,128	(34,488)

Net Operating Income Consolidated

The following table represents the Company's interim consolidated net operating income for the periods ended March 31:

	Three Months Ended		
Thousands of Canadian dollars	**2019**	2018	Change
Revenue			
Same property(1)	**149,742**	145,357	4,385
Acquisitions(1)	**13,927**	—	13,927
Total Revenue	**163,669**	145,357	18,312
Operating Expenses			
Same property(1)	**116,917**	114,207	2,710
Same property - prior year tax refund	**—**	(1,254)	1,254
Acquisitions(1)	**7,840**	—	7,840
Total Operating Expenses	**124,757**	112,953	11,804
NOI			
Same property(1)	**32,825**	31,150	1,675
Same property - prior year tax refund	**—**	1,254	(1,254)
Acquisitions(1)	**6,087**	—	6,087
Total NOI	**38,912**	32,404	6,508

Note:

1. Effective March 28, 2019, the results of the portfolio of ten Ontario seniors' living residences acquired in March 2018, consisting of 1,245 private-pay ISL and AL suites (the "**Acquired Properties**"), were re-classified from Acquisitions to Same property.

The Company's total same property revenues for Q1 2019 increased by $4,385 to $149,742, compared to Q1 2018. LTC's same property revenues for Q1 2019 increased by $3,531 to $124,981, compared to Q1 2018, and Retirement's same property revenues for Q1 2019 increased by $854 to $24,761, compared to Q1 2018. The Acquired Properties contributed $13,927 (2018 - $nil) for Q1 2019 to revenues.

The Company's total same property operating expenses for Q1 2019 increased by $3,964 to $116,917, compared to Q1 2018. This increase is mainly due to LTC's same property operating expenses, which increased by $3,911 to $103,980, compared to Q1 2018. The Acquired Properties contributed $7,840 (2018 - $nil) for Q1 2019 to operating expenses.

The Company's total same property NOI for Q1 2019 increased by $1,675 to $32,825, compared to Q1 2018, excluding the prior year tax refund. Retirement's same property NOI for Q1 2019 increased by $801 to $11,824, compared to Q1 2018 and LTC's same property NOI for Q1 2019, excluding the prior year tax refund, increased by $874 to $21,001 compared to Q1 2018. The Acquired Properties contributed $6,087 (2018 - $nil) for Q1 2019 to NOI.

Due to the seasonality of certain operating expenses such as utilities and maintenance, occupancy levels and annual adjustments to government funding, trends which may appear in operating margins may be merely coincidental, and readers should not rely on net operating margin calculations herein.

Net Operating Income by Segment

The Company's consolidated net operating income consists of its Retirement and LTC business segments.

Retirement

The following table represents the results of the Company's Retirement segment for the periods ended March 31:

	Three Months Ended		
Thousands of Canadian dollars	**2019**	2018	Change
Retirement Revenue			
Same property[1]	**24,761**	23,907	854
Acquisitions[1]	**13,927**	—	13,927
Total Retirement Revenue	**38,688**	23,907	14,781
Retirement Expenses			
Same property[1]	**12,937**	12,884	53
Acquisitions[1]	**7,840**	—	7,840
Total Retirement Expenses	**20,777**	12,884	7,893
Retirement NOI			
Same property[1]	**11,824**	11,023	801
Acquisitions[1]	**6,087**	—	6,087
Total Retirement NOI	**17,911**	11,023	6,888

Note:
1. Effective March 28, 2019, the results of the Acquired Properties were re-classified from Acquisitions to Same property.

First Quarter 2019 Retirement Results

Retirement's same property revenues for Q1 2019 increased by $854 to $24,761, compared to Q1 2018, primarily attributable to market rate adjustments and annual rate increases. The Acquired Properties contributed $13,927 (2018 - $nil) for Q1 2019 to revenues.

Retirement's same property operating expenses for Q1 2019 increased by $53 to $12,937, compared to Q1 2018, due to inflationary increases mainly in wages and food, and increases in property taxes and utilities, partially offset by timing of expenses due to a statutory holiday. The Acquired Properties contributed $7,840 (2018 - $nil) for Q1 2019 to operating expenses.

Retirement's same property NOI for Q1 2019 increased by $801 to $11,824, compared to Q1 2018, primarily attributable to market rate adjustments, annual rate increases and disciplined cost management as well as timing of expenses due to a statutory holiday. The Acquired Properties contributed $6,087 (2018 - $nil) for Q1 2019 to NOI.

Long-term Care

The following table represents the results of the Company's LTC segment for the periods ended March 31:

	Three Months Ended		
Thousands of Canadian dollars	**2019**	2018	Change
Long-term Care Revenue			
Same property	**124,981**	121,450	3,531
Total Long-term Care Revenue	**124,981**	121,450	3,531
Long-term Care Expenses			
Same property	**103,980**	101,323	2,657
Same property - prior year tax refund	—	(1,254)	1,254
Total Long-term Care Expenses	**103,980**	100,069	3,911
Long-term Care NOI			
Same property	**21,001**	20,127	874
Same property - prior year tax refund	—	1,254	(1,254)
Total Long-term Care NOI	**21,001**	21,381	(380)

First Quarter 2019 Long-term Care Results

LTC's same property revenues for Q1 2019 increased by $3,531 to $124,981, compared to Q1 2018, primarily attributable to additional funding revenues and inflationary funding increases in the flow-through envelopes.

LTC's same property operating expenses for Q1 2019, excluding the prior year tax refund, increased by $2,657 to $103,980, compared to Q1 2018, due to additional expenses associated with additional funding revenues and annual inflationary increases, partially offset by timing of expenses due to a statutory holiday.

LTC's same property NOI for Q1 2019, excluding the prior year tax refund, increased by $874 to $21,001 compared to Q1 2018, primarily attributable to inflationary funding increases, partially offset by the timing of expenses due to a statutory holiday.

Depreciation and Amortization

Depreciation and amortization for Q1 2019 increased by $6,378 to $19,375, compared to Q1 2018, due to the acquisition of the Acquired Properties in Q1 2018.

Administrative Expenses

Administrative expenses for Q1 2019 increased by $2,263 to $6,913, compared to Q1 2018, due to an increase in mark-to-market adjustments on share-based compensation and increases in employee costs commensurate with the Company's growth.

Net Finance Charges

	Three months ended March 31,	
	2019	2018
Finance costs		
Interest expense on long-term debt[(1)]	**9,207**	7,338
Interest expense on Convertible Debentures	**—**	531
Fees on revolving credit facilities	**100**	32
Amortization of financing charges and fair value adjustments on acquired debt	**448**	260
Amortization of loss on bond forward contract	**232**	223
Fair value loss (gain) on interest rate swap contracts	**3,412**	(834)
	13,399	7,550
Finance income		
Interest income on construction funding receivable	**570**	657
Other interest income[(2)]	**1,473**	427
	2,043	1,084
Net finance charges	**11,356**	6,466

Notes:

1. Includes interest expense on lease liability of $29 for the three months ended March 31, 2019. The comparative period is not applicable as IFRS 16, Leases was adopted by the Company on January 1, 2019.
2. Includes $1,346 interest income on a GST rebate for a prior year for the three months ended March 31, 2019 (2018 - $nil).

Net finance charges for Q1 2019 increased by $4,890 to $11,356, compared to Q1 2018, primarily attributable to a fair value loss on interest rate swap contracts in Q1 2019 and incremental interest expense due to the acquisition of the Acquired Properties in Q1 2018. This increase was partially offset by interest income received on a GST rebate for a prior year and a decrease in the interest expense on the Convertible Debentures, which were fully redeemed in May 2018.

Transaction Costs

Transaction costs for Q1 2019 decreased by $5,896 to $979 compared to Q1 2018, primarily attributable to the acquisition costs for the Acquired Properties in late Q1 2018.

Income Taxes

Income tax expense for Q1 2019 decreased by $536 resulting in a recovery of $153, compared to Q1 2018. The current income tax expense for Q1 2019 decreased by $205 to $2,050 compared to Q1 2018, primarily attributable to an increase in tax depreciation associated with the acquisitions in late Q1 2018 and an increase in deferred financing charges. This was partially offset by an increase in NOI and mark-to-market adjustments on share-based compensation which are currently not deductible. These mark-to-market adjustments contribute to the deferred income tax recovery increase of $331 to $2,203 in Q1 2019 compared to Q1 2018. The current income tax expense in Q1 2019 has been calculated at the weighted average combined corporate tax rate of 26.57% (2018 - 26.46%).

Business Performance

Adjusted Funds from Operations

The IFRS measure most directly comparable to FFO and OFFO is "net income." The following table represents the reconciliation of "net income" to FFO and OFFO for the periods ended March 31. The reconciliation from FFO to AFFO is provided as supplementary information.

	Three Months Ended		
Thousands of Canadian dollars, except share and per share data	**2019**	2018	Change
Net income	**442**	1,033	(591)
Deferred income tax recovery	**(2,203)**	(1,872)	(331)
Depreciation and amortization	**18,634**	12,583	6,051
Transaction costs	**979**	6,875	(5,896)
Fair value loss (gain) on interest rate swap contracts	**3,412**	(834)	4,246
IFRS 16 adjustment	**—**	47	(47)
Funds from operations (FFO)	**21,264**	17,832	3,432
Depreciation and amortization - corporate	**741**	414	327
Amortization of financing charges and fair value adjustments on acquired debt	**448**	260	188
Amortization of loss on bond forward contract	**232**	223	9
Net settlement payment on interest rate swap contracts	**(78)**	(270)	192
Tax shield due to the settlement of the bond-lock hedge	**61**	59	2
Interest income on a GST rebate for a prior year	**(1,346)**	—	(1,346)
IFRS 16 adjustment	**—**	91	(91)
Operating funds from operations (OFFO)	**21,322**	18,609	2,713
Income support	**—**	416	(416)
Construction funding	**2,752**	2,613	139
Maintenance capex	**(691)**	(864)	173
Adjusted funds from operations (AFFO)[(1)]	**23,383**	20,774	2,609
Adjusted funds from operations (AFFO)[(1)]	**23,383**	20,774	2,609
Dividends declared	**(15,196)**	(13,523)	(1,673)
AFFO retained	**8,187**	7,251	936
Basic FFO per share	**0.321**	0.303	0.018
Basic OFFO per share	**0.322**	0.316	0.006
Basic AFFO per share[(1)]	**0.353**	0.353	—
Weighted average common shares outstanding - Basic	**66,171,723**	58,829,148	
Diluted FFO per share	**0.321**	0.297	0.024
Diluted OFFO per share	**0.322**	0.309	0.013
Diluted AFFO per share[(1)]	**0.353**	0.344	0.009
Weighted average common shares outstanding - Diluted	**66,171,723**	61,485,143	

Note:

1. Effective Q3 2018, deferred share unit compensation earned is not added back to calculate AFFO. The comparative periods have been restated to reflect this change.

Reconciliation of diluted FFO, OFFO and AFFO

Thousands of Canadian dollars	Three Months Ended 2019	2018	Change
FFO, Basic	**21,264**	17,832	3,432
Net financing charges on convertible debt	—	631	(631)
Current income tax expense adjustment	—	(181)	181
FFO, Diluted	**21,264**	18,282	2,982
OFFO, Basic	**21,322**	18,609	2,713
Interest expense on convertible debentures	—	531	(531)
Current income tax expense adjustment	—	(141)	141
OFFO, Diluted	**21,322**	18,999	2,323
AFFO, Basic	**23,383**	20,774	2,609
Interest expense on convertible debentures	—	531	(531)
Current income tax expense adjustment	—	(141)	141
AFFO, Diluted	**23,383**	21,164	2,219

First Quarter 2019 Performance

For Q1 2019, basic FFO increased by $3,432 to $21,264, compared to Q1 2018. The increase was primarily attributable to the Acquired Properties acquired in late Q1 2018 and same property growth, partially offset by incremental interest expense and increase in mark-to-market adjustments on share-based compensation.

For Q1 2019, basic OFFO increased by $2,713 to $21,322, compared to Q1 2018. The increase was primarily attributable to the increase in basic FFO noted above.

For Q1 2019, basic AFFO increased by $2,609 to $23,383, compared to Q1 2018. The increase in AFFO was principally related to the increase in basic OFFO noted above, partially offset by a decrease in income support that ended in 2018 related to a prior acquisition.

Construction Funding

The Company receives construction funding subsidies from the Ontario government on a per bed per day basis to support the costs of developing or redeveloping an eligible LTC home. There are several eligibility requirements, including receiving MOHLTC approval on the development or redevelopment and completing the construction in accordance with a development agreement signed with the MOHLTC. This funding is non-interest bearing, and are received subject to the condition that the residences continue to operate as long-term care residences for the period for which they are entitled to the construction funding. As at March 31, 2019, the condition for funding has been met.

The construction funding amount to reconcile from OFFO to AFFO represents the change in the construction funding receivable balance, which consists of the cash to be received, offset by the interest income on the construction funding receivable recognized in "net income." For the years ending December 31, 2019 through 2023, and thereafter, the Company estimates that the construction funding amount will be as follows:

Thousands of Canadian dollars	Construction funding interest income	Construction funding principal[1]	Total construction funding to be received
2019	2,149	10,807	12,956
2020	1,692	10,907	12,599
2021	1,252	9,797	11,049
2022	859	9,120	9,979
2023	536	6,253	6,789
Thereafter	1,139	10,232	11,371
	7,627	**57,116**	**64,743**

Note:
1. The construction funding principal received is an adjustment to reconcile from OFFO to AFFO.

For the three months ended March 31, 2019, $570 of interest income on construction funding receivable was recognized and an adjustment of $2,752 was made to AFFO for construction funding principal received.

Maintenance Capital Expenditures

The Company monitors all of its properties for ongoing maintenance. As part of the capital investments' monitoring process, items are assessed and prioritized based on the urgency and necessity of the expenditure to improve or upgrade the condition of buildings, or to meet residents' needs and enhance residents' experience. The following table summarizes the Company's maintenance capital expenditures for the periods ended March 31:

	Three Months Ended	
Thousands of Canadian dollars	**2019**	2018
Building improvements	**178**	96
Mechanical and electrical	**166**	177
Suite renovations and common area upgrades	**70**	266
Communications and information systems	**56**	27
Furniture, fixtures and equipment	**221**	298
Total maintenance capital expenditures	**691**	864

Building Improvements

Building improvement expenditures include the costs for structures, roofing, exterior grounds, fire safety and sprinklers.

Mechanical and Electrical

Mechanical and electrical expenditures include the costs for heating, air conditioning and ventilation systems, generators, boilers and pumps. These investments are made to extend the life of or improve the Company's capital assets and can also result in energy savings and lower maintenance costs over time.

Suite Renovations and Common Area Upgrades

Suite renovations and common area upgrades are expenditures to maintain or improve the marketability of the Company's properties, to enhance the residents' experience and can contribute to higher rental rates on suite turnover. Flooring and carpeting replacements and upgrades are often done in conjunction with suite renovations.

Communication and Information Systems

Communication and information systems' expenditures include the costs for purchasing and installing computer equipment, software applications, telecommunication systems and wireless solutions.

Furniture, Fixtures and Equipment

Furniture, fixtures and equipment expenditures include the costs for replacing, upgrading, or improving residences' furnishings and equipment, including those in residents' rooms, as well as kitchen facilities, laundry facilities and dining furnishings.

Reconciliation of Cash Flow from Operations to Adjusted Funds from Operations

The IFRS measure most directly comparable to AFFO is "cash flow from operating activities." The following table represents the reconciliation of cash provided by operating activities to AFFO for the periods ended March 31:

	Three Months Ended		
Thousands of Canadian dollars	**2019**	2018	Change
Cash provided by operating activities	**9,840**	5,292	4,548
Construction funding principal	**2,752**	2,613	139
Transaction costs	**979**	6,875	(5,896)
Tax shield due to settlement of the bond-lock hedge	**61**	59	2
Maintenance capex	**(691)**	(864)	173
Net change in working capital, interest and taxes[1]	**11,967**	6,758	5,209
Restricted share units and long-term incentive plan expense	**(179)**	(97)	(82)
Interest income on a GST rebate for a prior year	**(1,346)**	—	(1,346)
IFRS 16 adjustment	**—**	138	—
Adjusted funds from operations (AFFO)[1]	**23,383**	20,774	2,747
Adjusted funds from operations (AFFO)[1]	**23,383**	20,774	2,609
Dividends declared	**(15,196)**	(13,523)	(1,673)
AFFO retained[1]	**8,187**	7,251	936
Dividend reinvestment	**3,529**	1,767	1,762
AFFO retained after dividend reinvestment[1]	**11,716**	9,018	2,698

Note:

1. Effective Q3 2018, deferred share unit compensation earned is not added back to calculate AFFO. The comparative periods have been restated to reflect this change.

The Board of Directors of the Company determines the appropriate dividend levels based on its assessment of cash provided by operations normalized for unusual items, expected working capital requirements and actual and projected capital expenditures.

The following table summarizes the dividends declared in relation to cash flows from operating activities for the periods ended March 31:

	Three Months Ended		
Thousands of Canadian dollars	**2019**	2018	Change
Cash flows from operating activities	**9,840**	5,292	4,548
Dividends declared	**15,196**	13,523	1,673
Deficit of cash flows from operating activities over dividends declared	**(5,356)**	(8,231)	2,875

The excess of dividends declared over cash flows from operating activities in Q1 2019 is primarily attributable to seasonality in the Company's operating results and changes in working capital balances, which are expected to normalize during the course of the year. This excess was financed utilizing the Company's credit facilities and available cash on hand. The Company believes that its current dividend level is sustainable.

Financial Position Analysis

Balance Sheet Analysis

The following table summarizes the significant changes in assets, liabilities and equity for March 31, 2019 compared to December 31, 2018.

Thousands of Canadian dollars	**2019**	2018	Change
Total assets	**1,738,577**	1,753,200	(14,623)
Total liabilities	**1,181,809**	1,185,549	(3,740)
Total equity	**556,768**	567,651	(10,883)

Total assets decreased by $14,623 to $1,738,577 primarily due to the amortization of intangible assets and depreciation of property and equipment acquired from the acquisition of the Acquired Properties in late Q1 2018.

Total liabilities decreased by $3,740 to $1,181,809 primarily due to the repayment of long-term debt of $21,025, a decrease of $13,394 in accounts payable and accrued liabilities. This was partially offset by $26,432 from the re-financing of long-term debt, which includes the addition of the lease liability, and an increase of $2,154 to the share-based compensation liability driven by mark-to-market adjustments.

Total equity decreased by $10,883 to $556,768 primarily due to the payment of dividends, partially offset by dividend reinvestments.

Cash Flow Analysis

The following table represents the summary of cash flows for the periods ended March 31, 2019:

	Three Months Ended		
Thousands of Canadian dollars	**2019**	2018	Change
Cash provided by (used in):			
Operating activities	**9,840**	5,292	4,548
Investing activities	**1,652**	(301,870)	303,522
Financing activities	**(9,373)**	291,237	(300,610)
Increase (decrease) in cash during the period	**2,119**	(5,341)	7,460
Cash, end of period	**24,987**	13,424	

First Quarter 2019

Cash flows provided by operating activities for the three months ended March 31, 2019 increased by $4,548 to $9,840 primarily due to NOI generated by the Acquired Properties and lower transaction costs, partially offset by an increase in interest paid on long-term debt due to the acquisitions since Q1 2018.

Cash flows provided by investing activities for the three months ended March 31, 2019 increased by $303,522 to $1,652 primarily due to the acquisition of the Acquired Properties in Q1 2018 of $297,708 and a GST rebate for a prior year received in Q1 2019 of $4,147.

Cash flows provided by financing activities for the three months ended March 31, 2019 decreased by $300,610 to $9,373 primarily due to the Company's offering of common shares in Q1 2018 to finance the acquisition of the Acquired Properties of $175,758 net of share issuance costs, a decrease in net proceeds from the financing/re-financing of long-term debt and a decrease in the Company's net drawdowns on its credit facilities.

Liquidity and Capital Resources

Liquidity

The Company's primary source of liquidity is cash flow generated from operating activities. The Company expects to meet its operating cash requirements through fiscal 2019 and beyond, including required working capital, capital expenditures, and currently scheduled interest payments on debt, from cash on hand, cash flow from operations and its committed, but unutilized borrowing capacity.

The Company measures its liquidity as the available funds of $112,278 from existing credit facilities of $173,778 plus available cash on hand of $24,987. The Company's liquidity was $137,265 as at March 31, 2019, which is an increase of $51,341 or 59.8%, compared to Q1 2018.

As at March 31, 2019, the Company had a working capital deficiency (current liabilities less current assets) of $209,920, primarily attributable to the current portion of long-term debt of $176,637, which includes credit facilities and loans of $61,500, and mortgage liabilities that are due within a 12-month period. To support the Company's working capital deficiency, the Company plans to use its operating cash flows, proceeds from refinancing its debt and, if necessary, its undrawn credit facilities, all of which management of the Company believes to be sufficient to address this working capital deficiency. Subsequent to March 31, 2019, the Company repaid $14,000 of its credit facilities and loans.

Debt

The Company's objectives are to access and maintain the lowest cost of debt with the most flexible terms available. The Company's debt strategy involves primarily secured debentures, conventional property-level secured mortgages and bank credit facilities and loans.

The Company's goal is to continue to optimize its debt maturity schedule over a 10-year period in order to manage interest rate and financial risks. The Company's strategy is to build a 10-year debt maturity ladder by refinancing approximately 10% of its debt annually, which is equivalent to $98,764 as at March 31, 2019. The Company plans to capitalize on external growth opportunities and refinance mortgages to build its debt maturity ladder around the Series B Debentures to reduce risk when these debentures mature in 2021. In March 2019, DBRS confirmed the A (low) rating for the Series B Debentures.

The Company's total debt is comprised as follows:

Thousands of Canadian dollars	**March 31, 2019**	December 31, 2018
Series B Debentures	**322,000**	322,000
Mortgages	**644,123**	626,617
Credit facilities and loans	**61,500**	76,500
Lease liability	**2,900**	—
	1,030,523	1,025,117
Mark-to-market adjustments on acquisitions	**4,097**	4,243
Less: Deferred financing costs	**(13,989)**	(13,234)
Less: Series B Debentures principal reserve fund	**(32,991)**	(31,209)
Total debt	**987,640**	984,917

The Company's total debt as at March 31, 2019 was $987,640 (December 31, 2018 - $984,917), which is net of the Series B Debentures' principal reserve fund of $32,991 (December 31, 2018 - $31,209). The increase of $2,723 was primarily related to the re-financing of property-level mortgages, partially offset by repayments to the Company's credit facilities and mortgages, and monthly contributions to the Series B Debentures' principal reserve fund.

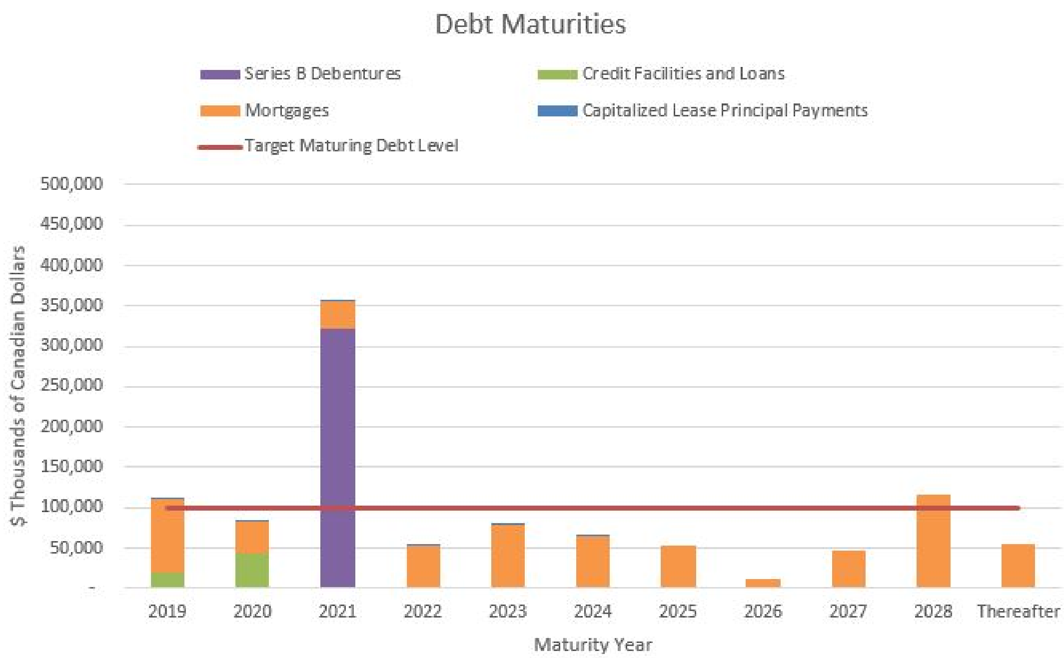
The following table summarizes the scheduled principal maturities of the Company's long-term debt commitments as at March 31, 2019:

				Mortgages				
Year	Series B Debentures[1]	Credit Facilities and Loans[1]	Capitalized Lease Principal Payments[1]	Regular Principal Repayments	Principal Due at Maturity	Weighted Average Interest Rate[2]	**Total**	Total Weighted Average Interest Rate[2]
2019	—	18,500	453	17,650	73,382	**4.40%**	**109,985**	4.48%
2020	—	43,000	631	20,434	19,992	**3.49%**	**84,057**	3.55%
2021	322,000	—	525	20,559	13,426	**3.35%**	**356,510**	3.47%
2022	—	—	494	19,130	33,199	**4.36%**	**52,823**	4.36%
2023	—	—	435	17,228	60,824	**4.14%**	**78,487**	4.14%
2024	—	—	362	15,426	50,104	**4.10%**	**65,892**	4.09%
2025	—	—	—	11,874	41,065	**4.81%**	**52,939**	4.81%
2026	—	—	—	11,893	—	-	**11,893**	-
2027	—	—	—	11,178	35,115	**3.29%**	**46,293**	3.29%
2028	—	—	—	5,995	110,320	**3.32%**	**116,315**	3.32%
Thereafter	—	—	—	16,004	39,325	**4.34%**	**55,329**	4.34%
	322,000	**61,500**	**2,900**	**167,371**	**476,752**	**3.94%**	**1,030,523**	3.79%
Mark-to-market adjustments on acquisitions							**4,097**	
Less: Deferred financing costs							**(13,989)**	
							1,020,631	

Notes:

1. The interest rate for the Series B Debentures is 3.474%. The weighted average interest rates for credit facilities and loans maturing in 2019 and 2020 are 4.80% and 3.57%, respectively. The weighted average interest rate for capitalized lease principal payments is 3.87% for each year.
2. Calculation based on debt maturing in the respective year.

The following graph provides a breakdown of the Company's debt maturities:



Series B Senior Secured Debentures

The Series B Debentures mature on February 3, 2021, and are collateralized by the assets of Leisureworld Senior Care LP and its subsidiary partnerships and guaranteed by the subsidiary partnerships. The Series B Debentures bear interest at a rate of 3.474%, payable semi-annually in February and August of each year.

As part of the issuance of the Series B Debentures, a principal reserve fund was established by the Company and is controlled by an external third party trustee for the benefit and security of the holders of the Series B Debentures. The Company is required to fund the principal reserve fund in accordance with a defined schedule over the term of the Series B Debentures. The Company can only use the fund to redeem, purchase or repay principal of the Series B Debentures. The Company, in conjunction with the issuance of the Series B Debentures, entered into an interest rate swap contract, to effectively fix the interest rate earned on the principal reserve fund at 2.82%.

The balances related to the Series B Debentures are as follows:

Thousands of Canadian dollars	**March 31, 2019**	December 31, 2018
Series B Debentures	**322,000**	322,000
Less: Series B principal reserve fund	**(32,991)**	(31,209)
Less: Deferred financing costs	**(1,055)**	(1,190)
	287,954	289,601

Mortgages

The Company holds both fixed and variable rate mortgages with various financial institutions. The Company is subject to interest rate risk on mortgages at variable rates associated with certain residences, which is offset by interest rate swap contracts. Property-level mortgages are secured by each of the underlying properties' assets, guaranteed by the Company and are subject to certain customary financial and non-financial covenants.

The Company has increased its low-cost mortgage financing with Canada Mortgage and Housing Corporation ("**CMHC**"). As at March 31, 2019, 23.0% of the Company's total property-level mortgages were insured by CMHC, which is a year-over-year increase of 11.8%.

The balances related to property-level mortgages are as follows:

Thousands of Canadian dollars	**March 31, 2019**	December 31, 2018
Mortgages	**644,123**	626,617
Mark-to-market adjustments on acquisitions	**4,097**	4,243
Less: Deferred financing costs	**(12,711)**	(11,754)
	635,509	619,106

The following table summarizes some metrics on the Company's property-level mortgages:

	March 31, 2019			December 31, 2018
	Fixed Rate(1)	**Variable Rate**	**Total**	Total
Weighted average interest rate	3.95%	3.32%	**3.94%**	4.00%
Weighted average term to maturity (years)	6.2	0.5	**6.1**	6.6

Note:
1. Includes floating rate mortgages that have been fixed through interest rate swaps.

Credit Facilities and Loans

The Company has credit facilities of $173,778, and, as at March 31, 2019, has drawn $61,500 from the facilities. Subsequent to March 31, 2019, the Company repaid $14,000 of its credit facilities and loans.

The Royale LP Revolving Credit Facility (the "**Royale Credit Facility**") has a borrowing capacity of $96,778 and matures on January 18, 2020. The Royale Credit Facility is intended to be used for general corporate purposes, including the short-term financing of future acquisitions. Borrowings under the Royale Credit Facility can take place by way of loans (at Canadian prime rate plus 75 bps per annum), bankers' acceptances ("**BAs**") (at 175 bps per annum over the floating BA rate published by the Bank of Canada) and letters of credit (at 175 bps per annum). The Royale Credit Facility is secured by the assets of three retirement residences and guaranteed by Sienna, and is subject to certain customary financial and non-financial covenants, including restrictions on the pledging of assets and the maintenance of various financial covenants.

The Company has a credit agreement with a Canadian lender for a non-revolving facility of $29,000 which is due on March 27, 2020 and is available by way of BAs (at the BA rate plus 175 bps) or loans (at prime plus 50 bps per annum). This loan is secured by the assets of one of the Company's residences and is subject to certain customary financial and non-financial covenants.

The balances related to the Company's credit facilities and loans are as follows:

Thousands of Canadian dollars	March 31, 2019	December 31, 2018
Credit facilities and loans drawn	**61,500**	76,500
Less: Deferred financing costs	**(223)**	(290)
	61,277	76,210

Lease Liability

The lease liability as at March 31, 2019 of $2,900 represents the Company's lease on its office equipment and Markham corporate office space.

Financial Covenants

The Company is in compliance with all financial covenants on its borrowings as at March 31, 2019. However, there can be no assurance that covenant requirements will be met at all times. If the Company does not remain in compliance, its ability to amend the covenants or refinance its debt could be adversely affected.

The Company has adopted interest coverage guidelines which are consistent with the coverage covenants contained in its bank credit facility agreements. Interest coverage ratios are used to assess the Company's ability to service its debt obligations. The interest coverage ratio calculations may differ depending on the lender.

Interest Coverage Ratio

The Interest Coverage Ratio is a common measure used to assess an entity's ability to service its debt obligations. In general, higher ratios indicate a lower risk of default. The interest coverage ratio is calculated as follows for the periods ended March 31:

	Three Months Ended	
Thousands of Canadian dollars, except ratio	**2019**	2018
Net finance charges	**11,356**	6,466
Add (deduct):		
Amortization of financing charges and fair value adjustments on acquired debt	**(448)**	(260)
Amortization of loss on bond forward contract	**(232)**	(223)
Interest income on construction funding receivable	**570**	657
Other interest income	**1,473**	427
(Loss)/gain on interest rate swap contracts	**(3,334)**	1,104
Net finance charges, adjusted	**9,385**	8,171
Adjusted EBITDA	**35,321**	31,024
Interest coverage ratio	**3.8**	3.8

The following table represents the reconciliation of net income to Adjusted EBITDA for the periods ended March 31:

	Three Months Ended	
Thousands of Canadian dollars	**2019**	2018
Net income	**442**	1,033
Net finance charges	**11,356**	6,466
Provision for income taxes	**(153)**	383
Depreciation and amortization	**19,375**	12,997
Transaction costs	**979**	6,875
Proceeds from construction funding	**3,322**	3,270
Adjusted EBITDA	**35,321**	31,024

Debt Service Coverage Ratio

The Debt Service Coverage Ratio is a common measure used to assess an entity's ability to service its debt obligations. Maintaining the debt service coverage ratio forms part of the Company's debt covenant requirements. In general, higher ratios indicate a lower risk of default. The following calculation includes the payments to the Series B Debentures' principal reserve fund as part of the debt service costs. Adjusted EBITDA as referenced below, is presented in accordance with defined terms in certain covenant calculations. The following is the calculation for the periods ended March 31:

	Three Months Ended	
Thousands of Canadian dollars, except ratio	**2019**	2018
Net finance charges	**11,356**	6,466
Add (deduct):		
Amortization of financing charges and fair value adjustments on acquired debt	**(448)**	(260)
Amortization of loss on bond forward contract	**(232)**	(223)
Interest income on construction funding receivable	**570**	657
Other interest income	**1,473**	427
(Loss)/gain on interest rate swap contracts	**(3,334)**	1,104
Net finance charges, adjusted	**9,385**	8,171
Principal repayments(1)	**6,025**	4,279
Principal reserve fund	**1,782**	1,768
Total debt service	**17,192**	14,218
Adjusted EBITDA	**35,321**	31,024
Deduct:		
Maintenance capex	**(691)**	(864)
Cash income taxes	**(1,800)**	(1,690)
Adjusted EBITDA (for covenant calculations)	**32,830**	28,470
Debt service coverage ratio	**1.9**	2.0

Note:

1. During the three months ended March 31, 2019, the Company made voluntary payments of $15,000 (2018 - $50,000) toward its credit facilities which have been excluded from the debt service coverage ratio calculation. Debt repayments on maturity have also been excluded from the debt service coverage ratio calculation.

Debt to Adjusted EBITDA Ratio

The Debt to Adjusted EBITDA ratio is an indicator of the approximate number of years required for current cash flows to repay all indebtedness. The Adjusted EBITDA below is annualized using the Adjusted EBITDA for the three months ended March 31, 2019.

	March 31	
Thousands of Canadian dollars, except ratio	**2019**	2018
Total indebtedness		
Series B Debentures	**322,000**	322,000
Series B Debentures - Principal reserve fund	**(32,991)**	(25,692)
Credit facilities and loans	**61,500**	218,500
Mortgages	**644,123**	463,403
Convertible Debentures	**—**	44,465
Lease liability	**2,900**	—
	997,532	1,022,676
Adjusted EBITDA	**141,284**	124,096
Debt to Adjusted EBITDA	**7.1**	8.2

Debt to Gross Book Value

Debt to gross book value indicates the leverage applied against the total gross book value (original costs) of the entity.

	March 31	
Thousands of Canadian dollars, except ratio	**2019**	2018
Total indebtedness		
Series B Debentures	**322,000**	322,000
Series B Debentures - Principal reserve fund	**(32,991)**	(25,692)
Credit facilities and loans	**61,500**	218,500
Mortgages	**644,123**	463,403
Convertible Debentures	**—**	44,465
Lease liability	**2,900**	—
	997,532	1,022,676
Total assets	**1,738,577**	1,759,189
Accumulated depreciation on property and equipment	**226,570**	185,719
Accumulated amortization on intangible assets	**123,428**	86,776
Gross book value	**2,088,575**	2,031,684
Debt to gross book value	**47.8%**	50.3%
Debt, excluding Convertible Debentures, to gross book value	**N/A**	48.1%

Capital Disclosure

The Company defines its capital as the total of its long-term debt and shareholders' equity less cash and cash equivalents.

The Company's objectives when managing capital are to:

(i) maintain a capital structure that provides options to the Company for accessing capital on commercially reasonable terms, without exceeding its debt capacity, or the limitations in its credit facilities, or taking on undue risks;
(ii) maintain financial flexibility in order to meet financial obligations, including debt service payments and regular dividend payments; and
(iii) deploy capital to provide an appropriate investment return to its shareholders.

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue additional shares, additional long-term debt, or long-term debt to replace existing long-term debt with similar or different characteristics, or adjust the amount of dividends paid to the Company's shareholders. The Company's financing and refinancing decisions are made on a specific transaction basis and depend on factors such as the Company's financial needs and the market and economic conditions at the time of the transaction.

The Board of Directors of the Company reviews and approves monthly dividends in advance on a quarterly basis.

There were no changes in the Company's approach to capital management during the period.

Contractual Obligations and Other Commitments

Leases

The Company has a 10-year lease with respect to its Markham corporate office, which expires on October 31, 2024. As well, the Company has various leases for office and other equipment that expire over the next five years and thereafter.

Critical Accounting Estimates and Accounting Policies

The accounting policies and estimates that are critical to the understanding of the Company's business operations and results of operations are identified in Note 3 of the Company's annual audited consolidated financial statements for the year ended December 31, 2018. Changes in accounting policies are identified in Note 3 of the interim consolidated financial statements for the three months ended March 31, 2019. Please refer to those statements for further details.

Significant Judgments and Estimates

The critical accounting estimates used by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual audited consolidated financial statements for the year ended December 31, 2018, which are available on SEDAR or the Company's website. Please refer to those consolidated financial statements for further detail.

Risk Factors

Please refer to the AIF for a discussion of the Company's risk factors.

Controls and Procedures

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company, inclusive of its subsidiaries, is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is necessarily required to use judgment in evaluating controls and procedures.

There were no material changes in the Company's disclosure controls and procedures and internal controls over financial reporting since year-end that have a material effect, or are reasonably likely to have a material effect, on the Company's control environment.

Forward-Looking Statements

This MD&A contains forward-looking information based on management's current expectations, estimates and projections about the future results, performance, achievements, prospects or opportunities for the Company as of the date of this MD&A. Forward-looking statements involve significant known and unknown risks and uncertainties and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. Such known and unknown risks, uncertainties and other factors may cause the actual results to be materially different from any future results expressed or implied by such forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "projects", "estimates", "forecasts", "intends", "continues", "anticipates", "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "should", "would", "might" or "will" "be taken", "occur", "continue" or "be achieved". The forward-looking statements contained in this MD&A are based on information currently available to management of the Company and that management currently believes are based on reasonable assumptions. However, neither the Company nor management of the Company can ensure actual results will be consistent with these forward-looking statements. These forward-looking statements are as of the date of this MD&A, and the Company and its management assume no obligation to update or revise them to reflect new events or circumstances, except as required by securities laws. Readers are cautioned not to place undue reliance on any forward-looking statements.

Consolidated Financial Statements

(in thousands of Canadian Dollars)

Q1 2019 Report to Shareholders

Sienna SENIOR LIVING

Condensed Interim Consolidated Financial Statements

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Condensed Interim Consolidated Statements of Financial Position (Unaudited)

Thousands of Canadian dollars

	Notes	**March 31, 2019**	December 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents		**24,987**	22,868
Accounts receivable and other assets		**14,658**	11,566
Prepaid expenses and deposits		**4,388**	4,031
Government funding receivable	4	**3,754**	4,582
Construction funding receivable	4, 6	**10,835**	10,893
Interest rate swap contracts	4	**272**	409
Income taxes receivable		**142**	392
		59,036	54,741
Non-current assets			
Government funding receivable	4	**139**	626
Interest rate swap contracts	4	**344**	1,631
Restricted cash	5	**35,305**	33,462
Construction funding receivable	4, 6	**43,529**	46,223
Property and equipment	7	**1,174,489**	1,182,483
Intangible assets	8	**258,069**	266,368
Goodwill		**167,666**	167,666
Total assets		**1,738,577**	1,753,200
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**85,022**	98,416
Government funding payable	4	**6,609**	5,261
Current portion of long-term debt	4, 9	**176,637**	113,888
Interest rate swap contracts	4	**688**	401
		268,956	217,966
Non-current liabilities			
Long-term debt	4, 9	**843,994**	902,238
Deferred income taxes	11	**52,367**	54,246
Government funding payable	4	**4,071**	2,456
Share-based compensation liability	14	**8,974**	6,820
Interest rate swap contracts	4	**3,447**	1,823
Total liabilities		**1,181,809**	1,185,549
EQUITY			
Shareholders' equity		**556,768**	567,651
Total equity		**556,768**	567,651
Total liabilities and equity		**1,738,577**	1,753,200

See accompanying notes.

Approved by the Board of Directors of Sienna Senior Living Inc.

"Dino Chiesa"

Dino Chiesa
Chair and Director

"Janet Graham"

Janet Graham
Director

Thousands of Canadian dollars

	Notes	**Share capital**	**Equity portion of convertible debentures**	**Contributed surplus**	**Shareholders' deficit**	**Accumulated other comprehensive income (loss)**	**Total shareholders' equity**
Balance, January 1, 2019		**859,005**	**—**	**203**	**(290,059)**	**(1,498)**	**567,651**
Issuance of shares	12	**154**	**—**	**—**	**—**	**—**	**154**
Reinvested dividends		**3,529**	**—**	**—**	**—**	**—**	**3,529**
Net income		**—**	**—**	**—**	**442**	**—**	**442**
Other comprehensive income		**—**	**—**	**—**	**—**	**171**	**171**
Long-term incentive plan	12, 14	**11**	**—**	**—**	**—**	**—**	**11**
Share purchase loan	12	**6**	**—**	**—**	**—**	**—**	**6**
Dividends	12, 13	**—**	**—**	**—**	**(15,196)**	**—**	**(15,196)**
Balance, March 31, 2019		**862,705**	**—**	**203**	**(304,813)**	**(1,327)**	**556,768**

	Notes	Share capital	Equity portion of convertible debentures	Contributed surplus	Shareholders' deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, January 1, 2018		639,361	515	157	(241,659)	(2,174)	396,200
Issuance of shares	12	178,024	—	—	—	—	178,024
Reinvested dividends		1,767	—	—	—	—	1,767
Net income		—	—	—	1,033	—	1,033
Other comprehensive income		—	—	—	—	164	164
Long-term incentive plan	12, 14	21	—	46	—	—	67
Share purchase loan	12	5	—	—	—	—	5
Dividends	12, 13	—	—	—	(13,523)	—	(13,523)
Balance, March 31, 2018		819,178	515	203	(254,149)	(2,010)	563,737

See accompanying notes.

Condensed Interim Consolidated Statements of Operations
(Unaudited)
Thousands of Canadian dollars, except share and per share data

	Notes	Three months ended March 31, 2019	2018
Revenue	17	**163,669**	145,357
Expenses			
Operating		**124,757**	112,953
Depreciation and amortization		**19,375**	12,997
Administrative		**6,913**	4,650
	18	**151,045**	130,600
Income before net finance charges, transaction costs and provision for (recovery of) income taxes		**12,624**	14,757
Net finance charges	10	**11,356**	6,466
Transaction costs		**979**	6,875
Total other expenses		**12,335**	13,341
Income before provision for (recovery of) income taxes		**289**	1,416
Provision for (recovery of) income taxes			
Current		**2,050**	2,255
Deferred		**(2,203)**	(1,872)
	11	**(153)**	383
Net income		**442**	1,033
Basic and diluted net income per share	12	**$0.01**	$0.02
Weighted average number of common shares outstanding - basic	12	**66,171,723**	58,829,148
Weighted average number of common shares outstanding - diluted	12	**66,171,723**	61,485,143

See accompanying notes.

Condensed Interim Consolidated Statements of Comprehensive Income (Unaudited)

Thousands of Canadian dollars

	Notes	Three months ended March 31, 2019	2018
Net income		**442**	1,033
Other comprehensive income			
Items that may be subsequently reclassified to the consolidated statements of operations:			
Amortization of loss on bond forward contracts, net of tax	11	171	164
Total comprehensive income		**613**	1,197

See accompanying notes.

Thousands of Canadian dollars

	Notes	Three months ended March 31, 2019	2018
OPERATING ACTIVITIES			
Net income		**442**	1,033
Add (deduct) items not affecting cash			
Depreciation of property and equipment		**10,550**	8,464
Amortization of intangible assets		**8,825**	4,533
Current income taxes		**2,050**	2,255
Deferred income tax recoveries		**(2,203)**	(1,872)
Share-based compensation	14	**1,907**	277
Net finance charges	10	**11,356**	6,466
		32,927	21,156
Non-cash changes in working capital			
Accounts receivable and other assets		**(3,075)**	270
Prepaid expenses and deposits		**(357)**	(821)
Accounts payable and accrued liabilities		**(9,781)**	(7,567)
Income support		**—**	416
Government funding, net		**4,278**	3,193
		(8,935)	(4,509)
Interest paid on long-term debt and convertible debentures		**(12,274)**	(9,395)
Net settlement payment on interest rate swap contracts		**(78)**	(270)
Income taxes paid		**(1,800)**	(1,690)
Cash provided by operating activities		**9,840**	5,292
INVESTING ACTIVITIES			
Purchase of property and equipment, net of adjustments	7	**(2,556)**	(6,859)
Purchase of intangible assets	8	**(526)**	(794)
Amounts received from construction funding	6	**3,322**	3,270
Interest received from cash	10	**1,473**	427
Acquisition of ten seniors' living residences		**—**	(297,708)
Change in restricted cash	5	**(61)**	(206)
Cash provided by (used in) investing activities		**1,652**	(301,870)
FINANCING ACTIVITIES			
Gross proceeds from issuance of common shares	12	**—**	184,017
Share issuance costs		**—**	(8,259)
Repayment of long-term debt	9	**(21,025)**	(59,138)
Proceeds from long-term debt, including addition of lease liability	9	**26,432**	188,481
Deferred financing costs		**(1,350)**	(1,135)
Change in Series B Debenture principal reserve fund	5	**(1,782)**	(1,768)
Dividends paid	13	**(11,648)**	(10,961)
Cash (used in) provided by financing activities		**(9,373)**	291,237
Increase (decrease) in cash and cash equivalents during the period		**2,119**	(5,341)
Cash and cash equivalents, beginning of period		**22,868**	18,765
Cash and cash equivalents, end of period		**24,987**	13,424

See accompanying notes.

1 Organization

Sienna Senior Living Inc. (the "**Company**") and its predecessors have been operating since 1972. The Company is one of Canada's leading seniors' living providers serving the continuum of independent living ("**IL**"), independent supportive living ("**ISL**"), assisted living ("**AL**"), memory care ("**MC**") and long-term care ("**LTC**"or "**Long-term Care**") through the ownership and operation of seniors' living residences in the Provinces of British Columbia and Ontario. As at March 31, 2019, the Company owns and operates a total of 70 seniors' living residences: 27 retirement residences ("**RRs**" or "**Retirement Residences**"); 35 LTC residences; and eight seniors' living residences providing both private-pay IL and AL and funded LTC (including the Company's joint ownership in two residences in British Columbia). The Company also provides management services to 17 seniors' living residences in British Columbia and Ontario.

The Company was incorporated under the Business Corporations Act (Ontario) on February 10, 2010 and was subsequently continued under the Business Corporations Act (British Columbia) on March 18, 2010. The Company closed the initial public offering of its common shares on March 23, 2010 and is traded on the Toronto Stock Exchange ("**TSX**") under the symbol "SIA".

The Company's business is carried on through its wholly owned subsidiaries in the form of limited partnerships formed under the laws of Ontario, except for two properties (referred to as the Option Properties and defined in Note 20), which are owned through a joint venture between the Company and each of WVJ II General Partnership and WVJ Properties (Nicola) Ltd. (each an affiliate of Pacific Seniors Management Investments Ltd.).

As at March 31, 2019, the Company had outstanding 66,290,580 common shares.

The head office of the Company is located at 302 Town Centre Blvd., Suite 300, Markham, Ontario, L3R 0E8. The registered office of the Company is located at 1900 - 355 Burrard Street, Vancouver, British Columbia, V6C 2G8.

2 Basis of preparation

These unaudited condensed interim consolidated financial statements ("**interim consolidated financial statements**") have been prepared in accordance with International Accounting Standard ("**IAS**") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("**IASB**"). The interim consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2018, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

The interim consolidated financial statements were approved by the Board of Directors on May 8, 2019.

3 Summary of significant accounting policies, judgments and estimation uncertainty

In preparing these interim consolidated financial statements, the accounting policies utilized are consistent with those utilized in the preparation of the annual audited consolidated financial statements for the year ended December 31, 2018, except as described in the "Changes in accounting policies" section below.

Changes in accounting policies

IFRS 16, Leases

In January 2016, the IASB issued the new standard that sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17 Leases for reporting periods beginning on or after January 1, 2019. This new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Company adopted and applied this standard effective January 1, 2019 using the modified retrospective approach. As at January 1, 2019, the Company recognized $3,049 as a right-of-use asset and a lease liability using a simplified approach where the asset and liability are identical. The right-of-use asset is depreciated over the remaining term of the lease and recognized as depreciation expense. The lease liability was initially recognized at the present value of the remaining lease payments discounted at the Company's incremental borrowing rate of 3.87%. After initial recognition, the lease liability is subsequently measured at its amortized cost using the effective interest method. There was no restatement of prior year interim consolidated financial statements as a result of the changes in the Company's accounting policies.

IFRIC 23, Uncertainty over Income Tax Treatments

In June 2017, the IASB issued International Financial Reporting Interpretations Committee ("**IFRIC**") Interpretation 23, Uncertainty over Income Tax Treatments, which is effective for reporting periods beginning on or after January 1, 2019. IFRIC 23 clarifies the recognition and measurement requirements under IAS 12, Income Taxes, when there is uncertainty over income tax treatments. As at January 1, 2019, the Company has applied IFRIC 23. The Company has determined that there is no material impact on the Company's interim consolidated financial statements as there are no known material uncertain tax positions.

Accounting standards issued but not yet applied

Amendments to IFRS 3, Business Combinations

In October 2018, the IASB published amendments to IFRS 3 in relation to whether a transaction meets the definition of a business combination. The amendments clarify the definition of a business, as well as provides additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, and to asset acquisitions that occur on or after the beginning of that period. Early application is permitted. There will be no impact on transition since the amendments are effective for business combinations for which the acquisition date is on or after the transition date.

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

4 Financial instruments

Fair value of financial instruments

The Company uses a fair value hierarchy to categorize the type of valuation techniques from which fair values are derived. Financial instruments are valued using unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), inputs that are observable for the assets or liabilities either directly or indirectly (Level 2) and inputs for assets or liabilities that are not based on observable market data (Level 3). The interest rate swap contracts and the Series B Debentures' principal reserve fund are the only financial instruments carried at fair value through profit or loss and are considered to be Level 2 instruments. The carrying value of government funding receivables and payables approximates fair value.

The following financial instruments are at amortized cost and the fair value is disclosed as follows as at March 31, 2019 and December 31, 2018:

	As at March 31, 2019		As at December 31, 2018	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets:				
Construction funding receivable	**54,364**	**56,723**	57,116	58,958
Financial Liabilities:				
Debt	**1,020,631**	**1,009,071**	1,016,126	1,003,057

Liquidity risk

Liquidity risk is the risk the Company may encounter difficulties in meeting its obligations associated with financial liabilities and commitments. The Company has credit agreements in place related to its long-term debt. These credit agreements contain a number of standard financial and other covenants. The Company was in compliance with all covenants on its borrowings as at March 31, 2019. A failure by the Company to comply with the obligations in these credit agreements could result in a default that, if not rectified or waived, could permit acceleration of the relevant indebtedness.

As at March 31, 2019, the Company had negative working capital (current liabilities less current assets) of $209,920 (December 31, 2018 - $163,225). To support the Company’s working capital deficiency, the Company has available cash from operations and, if necessary, may draw from its credit facilities.

5 Restricted cash

Restricted cash comprises the Series B Debentures' principal reserve fund and capital maintenance reserve funds required for certain property-level mortgages.

	March 31, 2019	December 31, 2018
Series B Debentures' principal reserve fund	**32,991**	31,209
Capital maintenance reserve	**2,314**	2,253
Restricted cash	**35,305**	33,462

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

6 Construction funding receivable

As at March 31, 2019, the Company is eligible to receive gross funding from the Ontario government of approximately $54,364 (December 31, 2018 - $57,116) related to the costs of developing or redeveloping eligible LTC residences. The receipt of this funding is subject to the condition that the residences continue to operate as long-term care residences for the period for which the residences are entitled to the construction funding. As at March 31, 2019, the condition for the funding has been met.

As at March 31, 2019, the weighted average remaining term of the construction funding is approximately 7.8 years. The discount rate used on the construction funding receivable is based on the applicable Ontario government bond rates.

The following table summarizes the construction funding activity:

As at January 1, 2018	64,614
Additions[1]	3,177
Add: Interest income earned	2,553
Less: Construction funding payments received	(13,228)
As at December 31, 2018	57,116
Add: Interest income earned	570
Less: Construction funding payments received	(3,322)
As at March 31, 2019	**54,364**

[1]During 2018, the Company received an increase in construction funding for its Bloomington Cove Care Community retroactive to the date of construction completion of the residence. This additional construction funding was recorded as a reduction to the property and equipment cost.

7 Property and equipment

	Land	Buildings	Furniture and fixtures	Automobiles	Computer hardware	Circulating equipment	Construction in progress	Right-of-use building and equipment[1]	Total
Cost									
As at January 1, 2019	139,063	1,176,111	63,227	1,194	9,113	1,121	8,674	—	1,398,503
Adjustments[1] [2]	—	(4,147)	—	—	—	—	—	3,049	(1,098)
Additions	1	1,090	391	7	212	3	1,950	—	3,654
As at March 31, 2019	139,064	1,173,054	63,618	1,201	9,325	1,124	10,624	3,049	1,401,059
Accumulated depreciation									
As at January 1, 2019	—	193,467	20,406	594	1,553	—	—	—	216,020
Charges for the quarter	—	8,501	1,476	46	360	—	—	167	10,550
As at March 31, 2019	—	201,968	21,882	640	1,913	—	—	167	226,570
Net book value as at March 31, 2019	**139,064**	**971,086**	**41,736**	**561**	**7,412**	**1,124**	**10,624**	**2,882**	**1,174,489**

[1]Due to the adoption of IFRS 16, Leases, on January 1, 2019 as discussed in Note 3, the right-of-use building and related depreciation of $2,250 and $96, respectively, and the right-of-use equipment and related depreciation of $799 and $71, respectively, were added to Property and Equipment.
[2]The adjustment to buildings is related to a GST rebate for a prior year.

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

8 Intangible assets

	Licences	Resident relationships	Service contracts	Computer software	Total
Cost					
As at January 1, 2019	190,945	167,572	10,968	11,486	380,971
Additions	—	—	—	526	526
As at March 31, 2019	190,945	167,572	10,968	12,012	381,497
Accumulated amortization					
As at January 1, 2019	—	101,225	9,800	3,578	114,603
Charges for the quarter	—	8,215	90	520	8,825
As at March 31, 2019	—	109,440	9,890	4,098	123,428
Net book value as at March 31, 2019	**190,945**	**58,132**	**1,078**	**7,914**	**258,069**

9 Long-term debt

	Interest rate	Maturity date	March 31, 2019	December 31, 2018
Series B Debentures	3.474%	February 3, 2021	**322,000**	322,000
Credit facilities	Floating	2019-2020	**61,500**	76,500
Mortgages at fixed rates	2.83%-5.80%	2019-2041	**455,897**	436,668
Mortgages at variable rates	Floating	2019-2029	**188,226**	189,949
Lease liability	3.87%	2021-2024	**2,900**	—
			1,030,523	1,025,117
Mark-to-market adjustments on acquisitions			**4,097**	4,243
Less: Deferred financing costs			**(13,989)**	(13,234)
Total debt			**1,020,631**	1,016,126
Less: Current portion			**176,637**	113,888
			843,994	902,238

Credit facilities and loans

The following table summarizes the Company's credit facilities activity:

	March 31, 2019	December 31, 2018
Credit facilities available	**173,778**	291,000
Amounts drawn under credit facilities	**61,500**	218,500
Remaining available balance under credit facilities	**112,278**	72,500

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

Mortgages

The following table summarizes the scheduled maturities of the Company's property-level mortgages as at March 31, 2019:

	Mortgages			
Year	Regular principal payments	Principal due at maturity	**Total**	% of Total
2019	17,650	73,382	**91,032**	14.1%
2020	20,434	19,992	**40,426**	6.3%
2021	20,559	13,426	**33,985**	5.3%
2022	19,130	33,199	**52,329**	8.1%
2023	17,228	60,824	**78,052**	12.1%
2024	15,426	50,104	**65,530**	10.2%
2025	11,874	41,065	**52,939**	8.2%
2026	11,893	—	**11,893**	1.8%
2027	11,178	35,115	**46,293**	7.2%
2028	5,995	110,320	**116,315**	18.1%
Thereafter	16,004	39,325	**55,329**	8.6%
	167,371	476,752	**644,123**	100.0%

10 Net finance charges

	Three months ended March 31,	
	2019	2018
Finance costs		
Interest expense on long-term debt[(1)]	**9,207**	7,338
Interest expense on Convertible Debentures	**—**	531
Fees on revolving credit facilities	**100**	32
Amortization of financing charges and fair value adjustments on acquired debt	**448**	260
Amortization of loss on bond forward contract	**232**	223
Fair value loss (gain) on interest rate swap contracts	**3,412**	(834)
	13,399	7,550
Finance income		
Interest income on construction funding receivable	**570**	657
Other interest income[(2)]	**1,473**	427
	2,043	1,084
Net finance charges	**11,356**	6,466

[(1)]Includes interest expense on lease liability of $29 for the three months ended March 31, 2019. The comparative period is not applicable as IFRS 16, Leases, was adopted using the modified retrospective approach by the Company on January 1, 2019 with no restatement of the prior year interim consolidated financial statements.
[(2)]Includes $1,346 interest income on a GST rebate for a prior year recorded in the three months ended March 31, 2019 (2018 - $nil).

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

11 Income taxes

Total income tax expense for the period can be reconciled to the interim consolidated statements of operations as follows:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Income before (recovery of) provision for income taxes	**289**	1,416
Canadian combined income tax rate	**26.57%**	26.46%
Income tax expense	**77**	375
Adjustments to income tax provision:		
Non-deductible items	**62**	104
Book to filing adjustment	**—**	150
Other items	**(292)**	(246)
(Recovery of) provision for income taxes	**(153)**	383

The following are the major deferred tax assets (liabilities) recognized by the Company and movements thereon during the three months ended March 31, 2019:

	Depreciable tangible and intangible assets	Share issuance	Construction funding interest	Other	Total
As at January 1, 2018	(66,495)	2,057	3,067	1,709	(59,662)
Due to acquisitions during the year	—	—	—	399	399
Credit (charge) to net income	5,738	(150)	(656)	(533)	4,399
Book to filing adjustment	(85)	108	—	(215)	(192)
Charge to other comprehensive income	—	—	—	(243)	(243)
Credit to equity	—	1,164	—	(111)	1,053
As at December 31, 2018	(60,842)	3,179	2,411	1,006	(54,246)
Credit (charge) to net income	284	—	(151)	2,061	2,194
Charge to other comprehensive income	—	—	—	(61)	(61)
Charge to equity	—	(254)	—	—	(254)
As at March 31, 2019	**(60,558)**	**2,925**	**2,260**	**3,006**	**(52,367)**

The loss on bond forward contracts on the interim consolidated statements of comprehensive income is net of tax for the three months ended March 31, 2019 of $61 (2018 - $59).

12 Share capital

Authorized

Unlimited number of common shares, without nominal or par value
Unlimited number of preferred shares, without nominal or par value

Issued and outstanding

Common shares

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

	Common shares	Amount
Balance, January 1, 2018	53,054,642	639,361
Long-term incentive plan, net of loans receivable	13,712	52
Share-based compensation	—	24
Dividend reinvestment plan	663,131	10,962
Issued common shares, net of issuance costs	12,326,664	208,606
Balance, December 31, 2018	66,058,149	859,005
Long-term incentive plan, net of loans receivable (Note 14)	—	11
Share-based compensation (Note 14)	—	6
Dividend reinvestment plan	208,851	3,529
Issued common shares, net of share issuance costs (Note 14)	23,580	154
Balance, March 31, 2019	**66,290,580**	**862,705**

On February 9, 2018, the Company completed an offering of 9,066,000 common shares at a price of $17.65 per common share, on a bought deal basis, for gross proceeds of $160,015. On February 22, 2018, the syndicate of underwriters elected, pursuant to the terms of the underwriting agreement in respect of the offering, to exercise its over-allotment option in full, resulting in the issuance of an additional 1,359,900 common shares for additional gross proceeds of $24,002. The aggregate gross proceeds of the offering, including the exercise of the over-allotment option, were $184,017.

Dividend reinvestment plan

The Company has established a dividend reinvestment plan for eligible holders of common shares, which allows participants to reinvest cash dividends paid in respect of their common shares in additional common shares at a 3% discount.

Net income per share

Basic net income per share is calculated using the weighted average number of common shares outstanding during the year. Diluted net income per share is calculated by assuming all convertible securities have been converted at the time of issuance. Any charges or returns on the convertible securities, on an after-tax basis, are removed from net income.

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

The following table reconciles the numerator and denominator of the basic and diluted income per share calculation:

	Three months ended March 31,	
	2019	2018
Reconciliation of net income used as the numerator		
Net income	**442**	1,033
Net income used in calculating basic income per share	**442**	1,033
Net finance charges on Convertible Debentures	—	631
Current income tax adjustment	—	(167)
Net income used in calculating diluted income per share	**442**	1,497
Weighted average number of common shares used as the denominator		
Weighted average number of common shares - basic	**66,171,723**	58,829,148
Shares issued if all Convertible Debentures were converted	—	2,655,995
Weighted average number of common shares - diluted[1]	**66,171,723**	61,485,143

[1]The weighted average number of diluted common shares calculation accounts for the convertible unsecured subordinated debentures ("**Convertible Debentures**") that converted into common shares. All outstanding Convertible Debentures were redeemed as at May 23, 2018.

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

13 Dividends

For the three months ended March 31, 2019, the Company paid monthly dividends of $0.0765 per common share totaling $11,648 (2018 - $10,961). Dividends payable of $5,073 are included in accounts payable and accrued liabilities as at March 31, 2019 (December 31, 2018 - $5,054). Subsequent to March 31, 2019, the Board of Directors declared dividends of $0.0765 per common share for April 2019 totaling $5,076.

14 Share-based compensation

The Company has share-based compensation plans, which are described below:

*Long-term incentive plan ("**LTIP**")*

The LTIP has been terminated. The grant on February 15, 2018 was the final grant under the LTIP, and no further grants will be made. The outstanding loan balances pertain to previous years' LTIP grants.

On February 15, 2018, incentive award amounts entitling eligible senior executives ("**Participants**") to purchase 13,712 common shares pursuant to the LTIP were granted in connection with the year ended December 31, 2017. Each Participant may borrow from the Company an amount not greater than 95% of the purchase price for the common shares in order to purchase the shares. On the grant date, the Company provided loans to the Participants for a portion of the common shares purchased, and the Participants collectively paid $12 towards the purchase of common shares. This payment was recorded as an increase to share capital. Related to the LTIP in the three months ended March 31, 2019, the Company recorded an increase of $11 to share capital (2018 - $21) and $nil to contributed surplus (2018 - $46). As at March 31, 2019, the outstanding loan balance totalled $947 in the aggregate (December 31, 2018 - $958). Total expense related to the LTIP for the three months ended March 31, 2019 was $nil (2018 - $46).

The fair value of LTIP awards granted was determined by using the Cox-Ross-Rubinstein binomial tree model. The following table summarizes the market based rates and assumptions as well as projections of certain inputs used in determining the fair values used in this model:

Valuation date	February 15, 2018
Fair value at grant date	$17.36
Volatility	17.96%
Monthly discrete dividend	$0.075
Risk-free rate	2.72%
Annual interest rate on Participants' loan	3.00%
Forfeiture rate	0.00%

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

*Restricted share unit plan ("**RSUP**")*

During the three months ended March 31, 2019, 11,045 restricted share units ("**RSUs**") (2018 - 23,508) were granted pursuant to the RSUP. Total expenses related to the RSUP for the three months ended March 31, 2019 were $179 (2018 - $51), including mark-to-market adjustments and net of forfeitures, which were recognized in administrative expenses. During the three months ended March 31, 2019, 23,579 RSUs vested and 19,353 were settled in common shares, resulting in a decrease of $416 to the share-based compensation liability. The total liability recorded as part of the share-based compensation liability as at March 31, 2019 was $192 (December 31, 2018 - $429).

A summary of the movement of the RSUs granted is as follows:

	Number of RSUs
Outstanding, January 1, 2018	37,736
Granted	23,508
Dividends reinvested	2,341
Settled in cash	(8,222)
Settled in shares	(8,787)
Outstanding, December 31, 2018	46,576
Granted	11,045
Dividends reinvested	601
Settled in cash	(4,226)
Settled in shares	(19,353)
Outstanding, March 31, 2019	34,643

*Deferred share unit plan ("**DSUP**")*

Total expenses related to the DSUP for the three months ended March 31, 2019 were $1,048 (2018 - $100), including mark-to-market adjustments, which were recognized in administrative expenses. The total liability recorded related to the DSUP as a part of the share-based compensation liability as at March 31, 2019 was $5,268 (December 31, 2018 - $4,220). The value of each deferred share unit is measured at each reporting date and is equivalent to the fair value of a common share at the reporting date.

*Executive deferred share unit plan ("**EDSUP**")*

During the three months ended March 31, 2019, 52,038 (2018 - 33,481) executive deferred share units ("**EDSUs**") were granted. Total expenses related to the EDSUP for the three months ended March 31, 2019 were $680 (2018 - $80), including mark-to-market adjustments, which were recognized in administrative expenses. The total liability recorded related to the EDSUP as a part of the share-based compensation liability as at March 31, 2019 was $3,514 (December 31, 2018 - $2,171).

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

15 Key management compensation

The remuneration of key management is set out in aggregate for each of the categories below:

	Three months ended March 31,	
	2019	2018
Salaries and short-term employee benefits	**1,132**	910
Share-based compensation	**1,907**	277
	3,039	1,187

16 Related party transactions

As at March 31, 2019, the Company had amounts outstanding from certain key management of $1,317 (December 31, 2018 - $1,334) in relation to grants under the LTIP and related share purchase loans (see Note 14), which have been recorded as a reduction to shareholders' equity. The terms of the LTIP provide for the loans to bear interest at the Canadian prime rate prevailing at the Company's bank at the time of grant. The underlying common shares have been pledged as security against the respective loans.

17 Economic dependence

The Company holds licences related to each of its LTC residences and receives funding from the applicable health authorities related to those licences, which are included in revenues. During the three months ended March 31, 2019, the Company received approximately $89,865 (2018 - $87,261) in respect of these licences.

18 Expenses by category

	Three months ended March 31,	
	2019	2018
Salaries, benefits and other people costs	**96,171**	88,782
Depreciation and amortization	**19,375**	12,997
Food	**7,086**	6,542
Purchased services and non-medical supplies	**5,847**	3,535
Property taxes	**3,820**	3,273
Utilities	**4,944**	4,334
Other	**13,802**	11,137
Total expenses	**151,045**	130,600

19 Segmented information

Segmented information is presented in respect of the Company's business segments. The business segments are based on the Company's management and internal reporting structure. The Company operates solely within Canada, hence no geographical segment disclosures are presented. Inter-segment pricing is determined on an arm's length basis. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Company is comprised of the following main business segments:

- Retirement - this segment consists of 27 RRs, five of which are located in the British Columbia and 22 of which are located in the Ontario, and the RR management services business;
- LTC - this segment consists of 35 LTC residences located in Ontario, eight seniors' living residences located in British Columbia and the LTC management services business; and
- Corporate, Eliminations and Other - this segment represents the results of head office, intercompany eliminations and other items that are not allocable to the segments.

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

	Three months ended March 31, 2019			
	Retirement[1]	**LTC**	**Corporate, eliminations and other**	**Total**
Gross revenue	**38,688**	**128,904**	**15,906**	**183,498**
Less: Internal revenue	**—**	**3,923**	**15,906**	**19,829**
Net revenue	**38,688**	**124,981**	**—**	**163,669**
Operating expense	**20,777**	**103,980**	**—**	**124,757**
Depreciation and amortization	**12,681**	**5,739**	**955**	**19,375**
Administrative expense	**—**	**—**	**6,913**	**6,913**
Income (loss) before net finance charges, transaction costs and recovery of income taxes	**5,230**	**15,262**	**(7,868)**	**12,624**
Finance costs	**7,457**	**5,921**	**21**	**13,399**
Finance income	**—**	**(1,991)**	**(52)**	**(2,043)**
Transaction costs	**—**	**—**	**979**	**979**
Recovery of income taxes	**—**	**—**	**(153)**	**(153)**
Net income (loss)	**(2,227)**	**11,332**	**(8,663)**	**442**
Purchase of property and equipment	**2,869**	**556**	**229**	**3,654**
Purchase of intangible assets	**—**	**—**	**526**	**526**

[1] For the three months ended March 31, 2019, the Retirement segment recognized accommodation revenues of $17,312 and service revenues of $21,376.

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

	Three months ended March 31, 2018			
	Retirement[1]	LTC	Corporate, eliminations and other	Total
Gross revenue	23,907	125,279	13,961	163,147
Less: Internal revenue	—	3,829	13,961	17,790
Net revenue	23,907	121,450	—	145,357
Operating expense	12,884	100,069	—	112,953
Depreciation and amortization	6,969	5,429	599	12,997
Administrative expense	—	—	4,650	4,650
Income (loss) before net finance charges, transaction costs and provision for income taxes	4,054	15,952	(5,249)	14,757
Finance costs	1,262	5,261	1,027	7,550
Finance income	—	(787)	(297)	(1,084)
Transaction costs	—	—	6,875	6,875
Provision for income taxes	—	—	383	383
Net income (loss)	2,792	11,478	(13,237)	1,033
Purchase of property and equipment, net of disposals	275,241	4,267	851	280,359
Purchase of intangible assets, net of disposals	64,070	—	794	64,864

[1] For the three months ended March 31, 2018, the Retirement segment recognized accommodation revenues of $10,733 and service revenues of $13,174.

	As at March 31, 2019			
	Retirement	**LTC**	**Corporate, eliminations and other**	**Total**
Total assets	**817,931**	**898,189**	**22,457**	**1,738,577**

	As at December 31, 2018			
	Retirement	LTC	Corporate, eliminations and other	Total
Total assets	828,815	907,970	16,415	1,753,200

All amounts are in thousands of Canadian dollars, except share and per share data, or unless otherwise noted

20 Joint arrangements

The following tables outline the net assets and net income for Nicola Lodge and Glenmore Lodge (collectively, the "**Option Properties**"), and the Company's share of 40% of Nicola Lodge and 77% of Glenmore Lodge that has been recognized in the interim consolidated financial statements.

	March 31, 2019	December 31, 2018[1]
Current assets	**3,061**	2,829
Long-term assets	**104,197**	104,937
Total assets	**107,258**	107,766
Current liabilities	**4,575**	3,874
Long-term liabilities	**66,275**	66,547
Total liabilities	**70,850**	70,421
Net assets	**36,408**	37,345
Share of net assets	**18,653**	19,113

[1] On May 1, 2018 the Company acquired an additional 16% interest in Glenmore Lodge, increasing the Company's interest in Glenmore Lodge from 61% to 77%.

As at March 31, 2019, the Company's share of net assets in Nicola Lodge and Glenmore Lodge was $10,169 and $8,484 (2018 - $10,453 and $8,600), respectively.

	Three months ended March 31,	
	2019	2018
Revenue	**7,230**	7,042
Expenses		
Operating	**5,206**	4,843
Depreciation and amortization	**723**	625
	5,929	5,468
Income before net finance charges	**1,301**	1,574
Net finance charges	**704**	745
Net income	**597**	829
Share of net income	**296**	388

For the three months ended March 31, 2019, the Company's share of net income in Nicola Lodge and Glenmore Lodge was $178 and $118 (2018 - $222 and $166), respectively.

21 Comparative figures

Certain comparative figures have been reclassified from the interim consolidated financial statements previously presented to conform to the presentation adopted in the current period.

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