

Report to Shareholders

Q1 2018

Sienna Senior Living Inc.

Management's Discussion and Analysis

(in thousands of Canadian Dollars)

Q1 2018

Sienna Senior Living Inc.

Sienna SENIOR LIVING

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2018. 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, 2018. 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, 2017 can be found on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com. In accessing the Company's information, readers are reminded of the Company's predecessor name, Leisureworld Senior Care Corporation, and that the information of Leisureworld Senior Care Corporation is the information of the Company.

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 the third party management business of the Company. 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 document, including tabular amounts, are expressed in thousands of Canadian dollars.

This document contains forward-looking information based on management's expectations, estimates and projections about the future results, performance, achievements, prospects or opportunities for 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 10, 2018, the date on which 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/residential care (“**LTC**” or “**Long-term Care**”/ “**RC**” or “**Residential Care**”) through the ownership and operation of seniors' living residences in the Provinces of British Columbia and Ontario. As at March 31, 2018, 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 RC (including the Company's partial ownership in two residences in British Columbia), previously referred to as the "**Baltic Properties**". Under its management services division, the Company provides management services to 15 seniors' living residences in British Columbia and Ontario.

The Company was incorporated under the Business Corporations Act (Ontario) as Leisureworld Senior Care Corporation 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. In connection with a Company-wide rebranding initiative that took effect on May 1, 2015, the Company changed its name from Leisureworld Senior Care Corporation to Sienna Senior Living Inc., pursuant to the filing of a Notice of Alteration with the British Columbia Registry Services on April 23, 2015. In connection with the name change to Sienna Senior Living Inc., the Company's common shares commenced trading on the Toronto Stock Exchange under the symbol "SIA".

The Company's business is carried on through a number of wholly owned limited partnerships formed under the laws of the Province of Ontario, except for two properties (referred to as the Option Properties and defined elsewhere in this MD&A), 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 of May 10, 2018, the Company had outstanding 63,716,595 common shares and $43,414 in aggregate principal amount of convertible unsecured subordinated debentures, which, in the aggregate, are convertible into 2,591,880 common shares (the "**Convertible Debentures**"). The Company gave notice that it will redeem all of its outstanding Convertible Debentures on May 23, 2018 (the "**Redemption Date**").

The table below presents the properties owned and operated by the Company:

NAME OF COMMUNITY	LOCATION	FUNDED	PRIVATE	TOTAL BEDS/ SUITES
Retirement				
Astoria Retirement Residence	Port Coquitlam, BC	—	135	135
Bearbrook Retirement Residence	Ottawa, ON	—	101	101
Carolina Retirement Residence	Perth, ON	—	140	140
Cedarvale Lodge Retirement & Care Community	Keswick, ON	—	130	130
Doon Village Retirement Residence	Kitchener, ON	—	97	97
Heatherwood Retirement Residence	St. Catharines, ON	—	167	167
Island Park Retirement Residence	Campbellford, ON	—	85	85
Island View Retirement Residence	Arnprior, ON	—	107	107
Kawartha Lakes Retirement Residence	Bobcaygeon, ON	—	93	93
Kensington Place Retirement Residence	Toronto, ON	—	101	101
Kingsmere Retirement Residence	Alliston, ON	—	98	98
Lincoln Park Retirement Residence	Grimsby, ON	—	70	70
Martindale Gardens Retirement Residence	Milton, ON	—	75	75
Mayfair Terrace Retirement Residence	Port Coquitlam, BC	—	88	88
Midland Gardens Seniors Apartments	Scarborough, ON	—	53	53
Pacifica Retirement Residence	Surrey, BC	—	131	131
Peninsula Retirement Residence	Surrey, BC	—	127	127
Quinte Gardens Retirement Residence	Belleville, ON	—	235	235
Red Oak Retirement Residence	Kanata, ON	—	158	158
Rideau Retirement Residence	Burnaby, BC	—	138	138
Rosewood Retirement Residence	Kingston, ON	—	68	68
Royale Place Retirement Residence	Kingston, ON	—	136	136
Traditions of Durham Retirement Residence	Oshawa, ON	—	141	141
Trillium Retirement and Care Community	Kingston, ON	—	41	41
Villa Da Vinci Retirement Residence	Woodbridge, ON	—	124	124
Waterford Barrie Retirement Residence	Barrie, ON	—	202	202
Waterford Kingston Retirement Residence	Kingston, ON	—	182	182
Total Retirement		**—**	**3,223**	**3,223**
Residential Care				
Brookside Lodge	Surrey, BC	102	14	116
Glenmore Lodge (1)	Kelowna, BC	100	18	118
Lake Country Lodge	Lake Country, BC	45	45	90
Lakeview Lodge	West Kelowna, BC	100	14	114
Mariposa Gardens	Osoyoos, BC	114	31	145
Nicola Lodge (1)	Port Coquitlam, BC	238	18	256
Ridgeview Lodge	Kamloops, BC	106	23	129
The Cascades	Chilliwack, BC	140	27	167
Total Residential Care		**945**	**190**	**1,135**

NAME OF COMMUNITY	LOCATION	FUNDED	PRIVATE	TOTAL BEDS/ SUITES
Long-term Care				
Altamont Care Community	West Hill, ON	159	—	159
Barnswallow Place Care Community	Elmira, ON	96	—	96
Bloomington Cove Care Community	Stouffville, ON	112	—	112
Bradford Valley Care Community	Bradford, ON	246	—	246
Camilla Care Community	Mississauga, ON	237	—	237
Case Manor Care Community	Bobcaygeon, ON	96	—	96
Cedarvale Lodge Retirement & Care Community	Keswick, ON	60	—	60
Cheltenham Care Community	Toronto, ON	170	—	170
Creedan Valley Care Community	Creemore, ON	95	—	95
Deerwood Creek Care Community	Etobicoke, ON	160	—	160
Fieldstone Commons Care Community	Scarborough, ON	224	—	224
Fountain View Care Community	Toronto, ON	158	—	158
Fox Ridge Care Community	Brantford, ON	122	—	122
Granite Ridge Care Community	Stittsville, ON	224	—	224
Harmony Hills Care Community	Toronto, ON	160	—	160
Hawthorn Woods Care Community	Brampton, ON	160	—	160
Langstaff Square Care Community	Richmond Hill, ON	160	—	160
Madonna Care Community	Orleans, ON	160	—	160
Maple Grove Care Community	Brampton, ON	160	—	160
Midland Gardens Care Community	Scarborough, ON	299	—	299
Muskoka Shores Care Community	Gravenhurst, ON	206	—	206
Norfinch Care Community	North York, ON	160	—	160
Owen Hill Care Community	Barrie, ON	57	—	57
Rockcliffe Care Community	Scarborough, ON	204	—	204
Secord Trails Care Community	Ingersoll, ON	80	—	80
Silverthorn Care Community	Mississauga, ON	160	—	160
Spencer House, Orillia (2)	Orillia, ON	160	—	160
St. George Care Community	Toronto, ON	238	—	238
Streetsville Care Community	Mississauga, ON	118	—	118
Trillium Retirement and Care Community	Kingston, ON	190	—	190
Tullamore Care Community	Brampton, ON	159	—	159
Waters Edge Care Community	North Bay, ON	148	—	148
Weston Terrace Care Community	Toronto, ON	224	—	224
Woodbridge Vista Care Community	Woodbridge, ON	224	—	224
Woodhall Park Care Community	Brampton, ON	147	—	147
Total Long-term Care		**5,733**	**—**	**5,733**
Total Long-term Care / Residential Care		**6,678**	**190**	**6,868**
Total Retirement and Long-term Care / Residential Care		**6,678**	**3,413**	**10,091**

Notes:

1. Nicola Lodge and Glenmore Lodge are referred to collectively as the "**Option Properties**", of which the Company owns 40% of Nicola Lodge (acquired in Q3 2016) and 61% of Glenmore Lodge (acquired in Q1 2017) as at March 31, 2018. The Company has the option to acquire up to a 100% interest in each of these properties. On May 1, 2018, the Company acquired an additional 16% interest in Glenmore Lodge, increasing the Company's interest from 61% to 77%.
2. Spencer House Inc., a non-profit organization, holds the licence from the Ministry of Health and Long-term Care ("**MOHLTC**") to operate the LTC beds at Orillia, and is the counterparty to the services agreement with the applicable Local Health Integration Network. The Company is the appointed manager of Spencer House, Orillia, and is the owner of the land, buildings, furniture, fixtures and equipment used to operate and manage Spencer House, Orillia (which land, buildings, furniture, fixtures and equipment are leased to Spencer House Inc.).

Company Strategy & Objectives

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 - coworkers, volunteers, physicians and healthcare 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.

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

Operating Platform:

- Implementing a 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:

- As at December 2017, continued to outperform the provincial average on quality and compliance indicators
- Awarded one of "Canada's Most Admired Corporate Cultures" for 2017 by Waterstone Human Capital
- Investing in technology and process improvements to residents' electronic health records
- Successful integration of retirement residences acquired in 2017 and Q1 2018
- Implementing enhancements to recruitment, on-boarding and leadership development
- Raised $100,000 for 'Sienna for Seniors', a charitable giving program designed to generate funds for seniors in need

Strong Balance Sheet and Liquidity:

- Funding of acquisitions/development for continued growth of the Company
- Creating a 10-year debt ladder to reduce refinancing risk and enhance the ability to refinance at favourable rates
- Optimizing leverage (measured as Debt to Gross Book Value)
- Increasing liquidity (measured as available funds from existing credit facilities plus available cash on hand) to deliver on Sienna's growth objectives
- Maintaining an A (low) 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:

- Raised $184,017 in the Acquisition Offering in February 2018 (as defined in the "Significant Events" section below), the proceeds of which were used to acquire the Acquired Properties (as defined in the "Significant Events" section below)
- In March 2018, Dominion Bond Rating Service ("DBRS") confirmed the A (low) rating for the Series B Debentures
- In April 2018, the Company announced that it will redeem all of its outstanding Convertible Debentures on the Redemption Date (as defined in the "Significant Events" section below)
- Successfully financed/refinanced $207,540 of property-level mortgages and credit facilities in Q1 2018
- Decreased year-over-year Debt to Gross Book Value by 210 basis points ("**bps**") to 50.3% as at March 31, 2018
- Increased year-over-year Debt Service Coverage ratio by 0.4x to 2.0x as at March 31, 2018
- Increased year-over-year Interest Coverage Ratio by 0.3x to 3.8x as at March 31, 2018

Growing the Company:

Our growth plan is based on three key components:

Organic Growth:

- Leveraging Sienna's platform for organic growth through rates, stabilized occupancy, disciplined cost management and rate expanding services to meet resident needs
- Maintaining existing assets with preventative maintenance and ongoing capital improvements

Development:

- Leveraging the redevelopment of older LTC residences in key Ontario markets to create seniors' living residences providing IL, AL, MC and LTC
- Development of free standing RRs in certain markets with adequate demand
- Expanding seniors' living capacity in existing Sienna RRs with excess land

- Respond to requests for proposals, where feasible

Acquisitions:

- Identifying opportunities to acquire high quality seniors' living residences in key markets in Canada; expanding Sienna's private-pay retirement portfolio

Progress:

- Strong year-over-year results in the Retirement segment, an increase of 5.5% in same property net operating income
- In March 2018, acquired a portfolio of ten seniors' living residences in Ontario, consisting of 1,245 private-pay ISL and AL suites (see the "Significant Events" section below)
- In May 2018, the Company exercised its option to acquire an additional 16% interest in Glenmore Lodge, increasing the Company's interest in Glenmore Lodge from 61% to 77%
- In Q4 2017, the Company began expanding the Island Park Retirement Residence in Campbellford, Ontario, to add an additional 50 suites and amenity space, which is expected to be completed at the end of 2018
- In the final stages of the retrofit of one older Class C LTC seniors' living residence, expected to be completed in Q2 2018
- Received preliminary approval on two development/redevelopment projects

Corporate Social Responsibility

Sienna is strongly committed to its communities, and gives back in a number of profound ways. Corporate social responsibility plays an important role in ongoing activities involving team members, residents, families and members of the local communities where Sienna operates.

In 2017, the Company launched Sienna for Seniors, a charitable giving program designed to support marginalized seniors in need in our local communities across Canada. The program is closely aligned with Sienna’s core business, and is a direct response to statistics that show a startling number of seniors are facing profound economic and social challenges. Sienna for Seniors partnered with United Way and various charities in local communities to support seniors through organization-wide fundraising events and voluntary payroll deductions. The first fundraising events were held in June 2017 to coincide with Seniors Month, and resulted in nearly $100,000 being raised in 2017.

The funds were used by United Way member agencies and select local charities to provide meals, transportation to medical appointments, wellness sessions designed to keep seniors active and engaged, and more.

Industry Overview

Please refer to the Company's MD&A and the AIF for the year ended December 31, 2017 for a discussion of the Industry Overview.

Business of the Company

Please refer to the Company's AIF, for a discussion of the Business Overview.

2018 Outlook

Management believes that the Company is well positioned for both organic and external growth, supported by the favourable demographics of a growing seniors population, the strong demand for seniors' services and the regulatory and operational barriers for new entrants to the seniors' living sector.

Retirement

In Sienna's Retirement segment, management of the Company expects moderate growth through continued strong occupancy and rate increases in accordance with market conditions. On a pro forma basis, after giving effect to the contribution from the Acquired Properties (as defined in the "Significant Events" section below) and the Waterford Acquisition, the Retirement portfolio is expected to represent approximately 44% of the Company's NOI in 2018, following the growth in the Retirement suite count by 1,245 suites or 63%, since December 31, 2017.

LTC / RC

In 2018, management of the Company expects to continue to manage the complexities of its LTC/RC segment with its experienced team and sophisticated operating platform; as such, the Company has made good progress on integrating the RC residences in British Columbia into the Sienna operating platform. Management of the Company also expects that its LTC/RC segment will continue to achieve consistent performance, with continued conversion of the Class A private LTC beds to the new preferred accommodation rates, focus on disciplined cost management and stable funding.

In Q1 2018, the Baltic segment was merged with the LTC segment to become the LTC/RC segment, as these businesses are similar and will share a common operating platform.

Development

Sienna intends to develop a number of seniors' living campuses (comprised of AL and LTC) and anticipates leveraging the redevelopment of its 2,200 Class B and Class C LTC beds. The Company is actively engaged with regional and provincial authorities in seeking approvals for certain projects, as per the MOHLTC's renewal strategy guidelines. Management anticipates that the projects will be primarily greenfield projects. The feasibility of projects is assessed against hurdle rates of return which are in excess of the Company's cost of capital.

The Company is also planning for the intensification at certain RR locations with high occupancy, market demand and excess land for expansion.

For additional discussion, please refer to the Company's MD&A for the year ended December 31, 2017 for a discussion of the 2018 Outlook. Please also refer to the "Significant Events" section below for recent developments.

Significant Events

Acquisition of Ten High Quality Retirement Residences in Ontario and $184 Million Bought Deal Public Offering of Common Shares

On March 28, 2018, the Company completed the acquisition of a portfolio of ten seniors' living residences in Ontario (the "**Acquisition**"), consisting of private-pay ISL and AL retirement residences (the "**Acquired Properties**"). The Acquired Properties consist of 1,245 private-pay suites, and are located in the Greater Toronto Area and the Greater Ottawa Area. The aggregate purchase price for the Acquired Properties was $382,000, prior to closing costs and customary closing adjustments. The Company financed the Acquisition and its related transaction costs through a combination of: (i) the assumption of property-level debt in the amount of $75,060 and increased borrowings by $12,997, at a weighted average interest rate of 4.5% and a weighted average term to maturity of 6.2 years; (ii) a $115,000 acquisition term loan facility that the Company expects to refinance post-closing; (iii) net proceeds of the Acquisition Offering (as defined below); and (iv) draws on the Company's existing credit facilities.

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 raised pursuant to the offering, including the exercise of the over-allotment option, were $184,017 (the "**Acquisition Offering**").

Redemption of Extendible Convertible Unsecured Subordinated Debentures

On April 23, 2018, the Company gave notice that it will redeem on the Redemption Date all of its outstanding Convertible Debentures due on June 30, 2018. The Convertible Debentures will be redeemed at a redemption price equal to $1,000 per $1,000 principal amount of Convertible Debentures plus $18.22, representing accrued and unpaid interest up to but excluding the Redemption Date, for a total redemption amount of $1,018.22 per $1,000 principal amount of Convertible Debentures. Holders of the Convertible Debentures have the right to convert their Convertible Debentures into common shares of the Company at a conversion price of $16.75 per share at any time prior to 5:00 pm on May 22, 2018.

Non-IFRS Performance Measures

In this document, 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**").

"**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 2018). 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 measure of the operating performance of the Company.

"**AFFO**" is defined as OFFO plus the principal portion of construction funding received, amounts received for revenue guarantees and non-cash deferred share unit compensation expenses 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.

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 the then current market parameters.
- **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 by debt rating agencies 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 is intended to measure the period over period performance of the same asset base, excluding assets undergoing new development, redevelopment or demolition.

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:

Thousands of dollars, except occupancy, share and ratio data	Three Months Ended		
	2018	2017	Change
OCCUPANCY			
LTC/RC - Average total occupancy	**97.9%**	97.9%	—%
LTC/RC - Average private occupancy	**98.4%**	98.8%	(0.4%)
Retirement - Average occupancy[1]	**92.6%**	94.3%	(1.7%)
Retirement - As at occupancy[1]	**92.6%**	93.8%	(1.2%)
FINANCIAL			
Revenue	**145,357**	133,966	11,391
Net income	**1,033**	4,679	(3,646)
EBITDA	**27,754**	22,186	5,568
NOI	**32,404**	27,461	4,943
OFFO	**18,471**	14,190	4,281
AFFO	**20,816**	16,666	4,150
PER SHARE INFORMATION			
OFFO per share, basic[2]	**0.314**	0.308	0.006
OFFO per share, diluted[2]	**0.307**	0.299	0.008
AFFO per share, basic[2]	**0.354**	0.361	(0.007)
AFFO per share, diluted[2]	**0.345**	0.349	(0.004)
Dividends per share	**0.225**	0.225	—
Payout ratio (basic AFFO)	**63.6%**	62.3%	1.3 %
FINANCIAL RATIOS			
Debt service coverage ratio	**2.0**	1.6	0.4
Debt to gross book value as at period end	**50.3%**	52.4%	(2.1)%
Debt, excluding Convertible Debentures, to gross book value as at period end	**48.1%**	49.3%	(1.2)%
Weighted average cost of debt as at period end	**3.9%**	3.8%	0.1%
Debt to Adjusted EBITDA as at period end	**8.2**	7.4	0.8
Interest coverage ratio	**3.8**	3.5	0.3
Weighted average term to maturity as at period end	**4.1**	4.8	(0.7)

SAME PROPERTY PERCENT CHANGE IN NOI	
Long-term Care / Residential Care[3]	(1.4%)
Retirement	5.5%
Total	0.5%

Notes:
1. Year-over-year decrease in Retirement occupancy is due to the flu season and the lease-up of properties acquired in 2017 and Q1 2018.
2. Includes a prior year tax refund of $1,254. Excluding this refund, OFFO per share, basic and diluted would be $0.293 and $0.286 respectively, and AFFO per share, basic and diluted would be $0.333 and $0.324 respectively.
3. Includes impact from timing of a statutory holiday, but excludes the prior year tax refund.

Quarterly Financial Information

Thousands of dollars, except occupancy and per share data	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2
Revenue from continuing operations [1]	145,357	146,330	139,867	137,527	133,966	138,011	130,418	115,226
Income before net finance charges, transaction costs and provision for (recovery of) income taxes [1]	14,757	15,508	15,659	15,464	13,392	13,136	10,861	9,056
Net income (loss)[1] from continuing operations	1,033	4,196	6,214	6,726	4,679	4,044	(364)	(642)
Per share basic and diluted [1]	0.018	0.081	0.131	0.144	0.099	0.102	(0.009)	(0.017)
Net loss from discontinued operations [2]	—	—	—	—	—	—	(7)	(10)
Per share basic and diluted [2]	—	—	—	—	—	—	—	—
OFFO	18,471	17,834	16,565	15,754	14,190	15,106	15,474	11,385
Per share basic	0.314	0.353	0.357	0.341	0.308	0.328	0.362	0.311
Per share diluted	0.307	0.343	0.346	0.330	0.299	0.318	0.349	0.300
AFFO	20,816	17,290	18,537	17,657	16,666	15,241	17,220	13,466
Per share basic	0.354	0.339	0.400	0.382	0.361	0.331	0.403	0.368
Per share diluted	0.345	0.330	0.386	0.369	0.349	0.321	0.387	0.353
Dividends declared	13,523	11,437	10,430	10,429	10,364	10,367	9,652	8,232
Per share	0.225	0.225	0.225	0.225	0.225	0.225	0.225	0.225
Occupancy								
LTC/RC - Average total occupancy	97.9%	98.5%	98.6%	98.5%	97.9%	98.6%	98.9%	98.8%
LTC/RC - Average private occupancy	98.4%	99.0%	99.1%	98.9%	98.7%	99.3%	99.8%	99.9%
Retirement - Average occupancy	92.6%	93.2%	94.1%	94.2%	94.3%	95.2%	93.9%	92.3%
Retirement - As at occupancy	92.6%	92.3%	94.1%	94.7%	93.8%	94.5%	95.0%	93.5%
Total assets	1,759,189	1,394,858	1,221,813	1,210,433	1,213,132	1,204,218	1,212,546	1,066,969
Total debt [3]	1,022,188	818,951	762,044	746,583	756,902	734,459	746,570	605,344
Debt to gross book value as at period end [4]	50.3%	49.6%	51.8%	51.5%	52.4%	51.5%	52.2%	53.5%

Notes:

1. These amounts exclude the results of Preferred Health Care Services ("**PHCS**"), the ancillary home care business of the Company, which was sold and discontinued in April 2016.
2. Net loss for Q2 2016 excludes the gain on sale of PHCS of $7,719, net of taxes of $2,142, and a non-recurring tax recovery of $539 in Q4 2016.
3. Total debt includes the Convertible Debentures and is net of amounts paid into the principal reserve fund on the Series B Debentures.
4. Refer to the Debt to Gross Book Value calculation in the "Liquidity and Capital Resources" section.

The Company's quarterly financial results are impacted by various factors including, but not limited to, the timing of acquisitions, seasonality of utility expenses, timing of resident co-payment charges, government funding rate increases and the timing of revenue recognition to match spending within the flow-through envelopes, and capital market and financing activities.

A discussion of the operating results for the three months ended March 31, 2018 compared to the same period in the prior year is provided below under the section "Operating Results".

Operating Results

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

	Three Months Ended		
Thousands of dollars	**2018**	2017	Change
Revenue	**145,357**	133,966	11,391
Expenses			
Operating	**112,953**	106,505	6,448
Depreciation and amortization	**12,997**	8,794	4,203
Administrative	**4,650**	5,275	(625)
	130,600	120,574	10,026
Income before net finance charges, transaction costs and provision for (recovery of) income taxes	**14,757**	13,392	1,365
Net finance charges	**6,466**	6,566	(100)
Transaction costs	**6,875**	518	6,357
Total other expenses	**13,341**	7,084	6,257
Income before provision for (recovery of) income taxes	**1,416**	6,308	(4,892)
Provision for (recovery of) income taxes			
Current	**2,255**	1,526	729
Deferred	**(1,872)**	103	(1,975)
	383	1,629	(1,246)
Net income	**1,033**	4,679	(3,646)
Net income attributable to:			
Shareholders of the Company	**1,033**	4,576	(3,543)
Non-controlling interest	**—**	103	(103)
	1,033	4,679	(3,646)
Total assets	**1,759,189**	1,213,132	546,057
Total debt (net of principal reserve fund)	**1,022,188**	756,902	265,286

Revenue Breakdown

The following table represents the revenue breakdown for the periods ended March 31:

Thousands of dollars	Three Months Ended 2018	2017	Change
Long-term Care / Residential Care			
Same property	**120,106**	117,772	2,334
Transactions(1)	**1,344**	197	1,147
Total Long-term Care / Residential Care Revenue	**121,450**	117,969	3,481
Retirement			
Same property(2)	**16,814**	15,997	817
Transactions(2)	**7,093**	—	7,093
Total Retirement Revenue	**23,907**	15,997	7,910
Total Revenue			
Same property	**136,920**	133,769	3,151
Transactions	**8,437**	197	8,240
Total Revenue	**145,357**	133,966	11,391

Notes:

1. The results of Glenmore Lodge are included in Transactions for Residential Care.
2. In Q3 2017, the results of Mayfair Terrace Retirement Residence ("**Mayfair**") and Rideau Retirement Residence ("**Rideau**") were re-classified from Transactions to Same property. The results of Rosewood, Kawartha Lakes, Waterford Barrie, Waterford Kingston and the Acquired Properties (collectively referred to as the "**RR Properties**"), are included in Transactions for the applicable periods.

Operating Expense Breakdown

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

	Three Months Ended		
Thousands of dollars	**2018**	2017	Change
Long-term Care / Residential Care			
Same property	**100,399**	97,791	2,608
Same property - prior year tax refund	**(1,254)**	—	(1,254)
Transactions[(1)]	**924**	132	792
Total Long-term Care / Residential Care Expenses	**100,069**	97,923	2,146
Retirement			
Same property[(2)]	**8,991**	8,582	409
Transactions[(2)]	**3,893**	—	3,893
Total Retirement Expenses	**12,884**	8,582	4,302
Total Operating Expenses			
Same property	**108,136**	106,373	1,763
Transactions	**4,817**	132	4,685
Total Operating Expenses	**112,953**	106,505	6,448

Notes:
1. The results of Glenmore Lodge are included in Transactions for Residential Care.
2. In Q3 2017, the results of Mayfair and Rideau were re-classified from Transactions to Same property. The results of the RR Properties are included in Transactions for the applicable periods.

Net Operating Income Breakdown

The following table represents the net operating income breakdown for the periods ended March 31:

	Three Months Ended		
Thousands of dollars	**2018**	2017	Change
Long-term Care / Residential Care			
Same property	**19,707**	19,981	(274)
Same property - prior year tax refund	**1,254**	—	1,254
Transactions(1)	**420**	65	355
Total Long-term Care / Residential Care NOI	**21,381**	20,046	1,335
Retirement			
Same property(2)	**7,823**	7,415	408
Transactions(2)	**3,200**	—	3,200
Total Retirement NOI	**11,023**	7,415	3,608
Total NOI			
Same property	**28,784**	27,396	1,388
Transactions	**3,620**	65	3,555
Total NOI	**32,404**	27,461	4,943

Notes:

1. The results of Glenmore Lodge are included in Transactions for Residential Care.
2. In Q3 2017, the results of Mayfair and Rideau were re-classified from Transactions to Same property. The results of the RR Properties are included in Transactions for the applicable periods.

For the Quarter

Revenue

Same property revenues for Q1 2018 increased by $3,151 to $136,920, compared to Q1 2017. LTC/RC's same property revenues for Q1 2018 increased by $2,334 to $120,106, compared to Q1 2017, primarily attributable to increased funding in the flow-through envelopes, conversion of beds to higher rates and higher preferred accommodation rates. Retirement's same property revenues for Q1 2018 increased by $817 to $16,814, compared to Q1 2017, primarily attributable to year-over-year rent increases.

Transactions' revenues for Q1 2018 increased by $8,240 to $8,437, compared to Q1 2017.

Operating Expenses

Same property operating expenses for Q1 2018 increased by $1,763 to $108,136, compared to Q1 2017. LTC/RC's same property operating expenses for Q1 2018 increased by $1,354 to $99,145, compared to Q1 2017, due to inflationary increases in the flow-through envelopes and timing of expenses mainly due to a statutory holiday, partially offset by a prior year tax refund. Retirement's same property operating expenses for Q1 2018 increased by $409 to $8,991, compared to Q1 2017, due to inflationary increases.

Transactions' expenses for Q1 2018 increased by $4,685 to $4,817, compared to Q1 2017.

NOI

Same property NOI for Q1 2018 increased by $1,388 to $28,784, compared to Q1 2017. LTC/RC's NOI for Q1 2018 increased by $980 to $20,961 compared to Q1 2017, primarily attributable to conversion of beds to higher rates, higher preferred accommodation rates and a prior year tax refund, partially offset by timing of expenses mainly due to a statutory holiday. Retirement's same property NOI for Q1 2018 increased by $408 to $7,823, compared to Q1 2017, primarily attributable to year-over-year rent increases.

Transactions' NOI for Q1 2018 increased by $3,555 to $3,620, compared to Q1 2017.

Due to the seasonality of certain operating expenses and occupancy activities, trends which may appear in operating margins may be merely coincidental, and readers should not rely on net operating margin calculations herein.

Depreciation and Amortization

Depreciation and amortization for Q1 2018 increased by $4,203 to $12,997, compared to Q1 2017, due to incremental depreciation and amortization from the RR Properties acquired in 2017 and Q1 2018.

Administrative Expenses

Administrative expenses for Q1 2018 decreased by $625 to $4,650, compared to Q1 2017, due to a decrease in mark-to market adjustments on share-based compensation, partially offset by increases in expenses reflecting the Company's growth.

Net Finance Charges

Net finance charges for Q1 2018 decreased by $100 to $6,466, compared to Q1 2017, primarily attributable to an increase in the fair value gain on interest rate swap contracts in Q1 2018, mostly offset by incremental interest expense due to the RR Properties' acquired in 2017 and Q1 2018.

Transaction Costs

Transaction costs for Q1 2018 increased by $6,357 to $6,875 compared to Q1 2017, primarily attributable to the land transfer tax on the Acquisition in Q1 2018.

Income Taxes

Income tax expense for Q1 2018 decreased by $1,246 to $383, compared to Q1 2017. The current income tax expense for Q1 2018 increased by $729 to $2,255 compared to Q1 2017, primarily attributable to an increase in NOI net of tax depreciation associated with the Acquisition in Q1 2018 and the RR Properties acquired in 2017. The current income tax expense has been calculated at the weighted average combined corporate tax rate of 26.46% (2017 - 26.46%). The deferred income tax recovery increased by $1,975 to $1,872 in Q1 2018 compared to Q1 2017, primarily attributable to the transaction costs related to the Acquisition that are currently not deductible.

Business Performance

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 dollars, except share and per share data	**2018**	2017	Change
Net income	**1,033**	4,679	(3,646)
Deferred income tax (recovery) expense	**(1,872)**	103	(1,975)
Depreciation and amortization	**12,583**	8,456	4,127
Transaction costs	**6,875**	518	6,357
Fair value (gain) loss on interest rate swap contracts	**(834)**	66	(900)
Gain on Glenmore Lodge option (net of taxes)	**—**	(62)	62
Non-controlling interest	**—**	(103)	103
Funds from operations (FFO)	**17,785**	13,657	4,128
Depreciation and amortization - corporate	**414**	338	76
Amortization of financing charges and fair value adjustments on acquired debt	**260**	263	(3)
Amortization of loss on bond forward contract	**223**	215	8
Net settlement payment on interest rate swap contracts	**(270)**	(283)	13
Tax shield due to the settlement of the bond-lock hedge	**59**	—	59
Operating funds from operations (OFFO)	**18,471**	14,190	4,281
Deferred share unit compensation earned	**180**	523	(343)
Income support	**416**	—	416
Construction funding[1]	**2,613**	2,509	104
Maintenance capex	**(864)**	(556)	(308)
Adjusted funds from operations (AFFO)	**20,816**	16,666	4,150
Adjusted funds from operations (AFFO)	**20,816**	16,666	4,150
Dividends declared	**(13,523)**	(10,364)	(3,159)
AFFO retained	**7,293**	6,302	991
Basic FFO per share	**0.302**	0.296	0.006
Basic OFFO per share	**0.314**	0.308	0.006
Basic AFFO per share	**0.354**	0.361	(0.007)
Weighted average common shares outstanding - Basic	**58,829,148**	46,141,364	
Diluted FFO per share	**0.297**	0.289	0.008
Diluted OFFO per share	**0.307**	0.299	0.008
Diluted AFFO per share	**0.345**	0.349	(0.004)
Weighted average common shares outstanding - Diluted	**61,485,143**	48,832,889	

Notes:

1. The Company receives funding from the Ontario government for the construction costs of LTC homes constructed after April 1, 1988. The amounts are non-interest bearing, and are received for certain LTC homes, subject to the condition that the homes continue to operate as long-term care communities for the period for which the homes are entitled to the construction funding. As at March 31, 2018, the condition for the funding has been met.

Reconciliation of diluted FFO, OFFO and AFFO

Thousands of Dollars	Three Months Ended 2018	2017	Change
FFO, Basic	**17,785**	13,657	4,128
Net financing charges on convertible debt	**631**	637	(6)
Current income tax expense adjustment	**(181)**	(169)	(12)
FFO, Diluted	**18,235**	14,125	4,110
OFFO, Basic	**18,471**	14,190	4,281
Interest expense on convertible debentures	**531**	537	(6)
Current income tax expense adjustment	**(141)**	(142)	1
OFFO, Diluted	**18,861**	14,585	4,276
AFFO, Basic	**20,816**	16,666	4,150
Interest expense on convertible debentures	**531**	537	(6)
Current income tax expense adjustment	**(141)**	(142)	1
AFFO, Diluted	**21,206**	17,061	4,145

Construction funding

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, 2018 through 2023, and thereafter, the Company estimates that the construction funding amount will be as follows:

Thousands of Dollars	Interest income on construction funding receivable	Adjustment to AFFO for construction funding	Total construction funding to be received
2018[1]	2,490	10,589	13,079
2019	2,047	10,685	12,732
2020	1,610	10,780	12,390
2021	1,175	9,666	10,841
2022	786	8,986	9,772
2023	458	6,116	6,574
Thereafter	650	7,792	8,442
	9,216	**64,614**	**73,830**

Notes:
1. For the three months ended March 31, 2018, $657 of interest income on construction funding receivable was recognized and $2,613 was the adjustment to AFFO for construction funding.

For the Quarter

FFO increased by $4,128 to $17,785, compared to Q1 2017. The increase was primarily attributable to the RR Properties acquired in 2017 and Q1 2018 and the prior year tax refund, partially offset by incremental interest expense due to the RR Properties' acquired in 2017 and Q1 2018 and an increase in current income taxes.

OFFO increased by $4,281 to $18,471, compared to Q1 2017. The increase was primarily attributable to the increase in FFO noted above.

AFFO increased by $4,150 to $20,816, compared to Q1 2017. The increase in AFFO was principally related to the increase in OFFO noted above and income support received from Waterford Kingston, partially offset by an increase in maintenance capex mainly due to the Company's growth and timing of expenditures.

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 dollars	**2018**	2017	Change
Cash provided by operating activities	**5,292**	4,675	617
Gain on Glenmore Lodge option (net of taxes)	—	(62)	62
Non-controlling interest	—	(103)	103
Construction funding principal	**2,613**	2,509	104
Transaction costs	**6,875**	518	6,357
Tax shield due to settlement of the bond-lock hedge	**59**	—	59
Maintenance capex	**(864)**	(556)	(308)
Net change in working capital, interest and taxes	**6,938**	9,812	(2,874)
Restricted share units and long-term incentive plan expense	**(97)**	(127)	30
Adjusted funds from operations (AFFO)	**20,816**	16,666	4,150
Adjusted funds from operations (AFFO)	**20,816**	16,666	4,150
Dividends declared	**(13,523)**	(10,364)	(3,159)
AFFO retained	**7,293**	6,302	991
Dividend reinvestment	**1,767**	1,153	614
AFFO retained after dividend reinvestment	**9,060**	7,455	1,605

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 dollars	**2018**	2017	Change
Dividends declared	**13,523**	10,364	3,159
Cash flows from operating activities	**5,292**	4,675	617
Deficit of cash flows from operating activities over dividends declared	**(8,231)**	(5,689)	(2,542)

The excess of dividends declared over cash flows from operating activities in Q1 2018 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.

Liquidity and Capital Resources

Financial Position Analysis

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

Thousands of dollars	Three Months Ended 2018	2017	Change
Cash provided by (used in):			
Operating activities	**5,292**	4,675	617
Investing activities	**(301,870)**	(4,072)	(297,798)
Financing activities	**291,237**	(907)	292,144
Decrease in cash during the period	**(5,341)**	(304)	(5,037)
Cash, end of period	**13,424**	26,896	(13,472)

For the Quarter

Operating Activities

Operating activities for Q1 2018 provided $5,292 of cash, which was primarily attributable to the following:

- Cash from operating activities before non-cash changes in working capital, interest and taxes of $21,156.
- Change in net government funding payables provided $3,193.
- Partially offset by interest paid on long-term debt and convertible debentures of $9,395, decrease in accounts payable and accrued liabilities of $7,567 and income taxes paid of $1,690.

For Q1 2017, operating activities provided $4,675 of cash, which was primarily attributable to the following:

- Cash from operating activities before non-cash changes in working capital, interest and taxes of $22,318.
- Change in net government funding payables provided $2,941.
- Decrease in accounts receivable and other assets provided $2,399.
- Partially offset by interest paid on long-term debt and convertible debentures of $9,411, decrease in accounts payable and accrued liabilities of $8,504 and income taxes paid of $4,300.

Investing Activities

Investing activities for Q1 2018 used $301,870 in cash, which was primarily attributable to the following:

- Acquisition of the Acquired Properties for $297,708.
- Purchase of property and equipment of $6,859 and intangible assets of $794.
- Partially offset by construction funding received in the amount of $3,270.

For Q1 2017, investing activities used $4,072 in cash, which was primarily attributable to the following:

- Acquisition of Glenmore Lodge for $5,699.
- Purchase of property and equipment of $1,150 and intangible assets of $469.
- Construction funding received in the amount of $3,370.

Financing Activities

Financing activities in Q1 2018 provided $291,237 of cash, which was primarily attributable to the following:

- Gross proceeds from the issuance of common shares of $184,017.
- Proceeds from long-term debt of $188,481.
- Partially offset by repayment of long-term debt of $59,138 relating to mortgage principal payments and voluntary repayments on the Company's revolving credit facilities, share issuance costs of $8,259 and dividends paid in the quarter of $10,961.

For Q1 2017, financing activities used $907 in cash, which was primarily attributable to the following:

- Dividends paid in the quarter of $9,226.
- Repayment of long-term debt of $3,615 relating to mortgage principal repayments.
- Contributions to the Series B Debentures' principal reserve fund of $1,693.
- Partially offset by proceeds from long-term debt of $14,500.

Capital Resources

On March 28, 2018, the Company entered into a credit agreement with a Canadian lender for an acquisition term loan facility of $115,000 (the "**Bridge Loan**"). The Bridge Loan is due one year from the closing of the Acquisition, and was used to finance the Acquisition. Borrowings under the Bridge Loan are available by way of banker's acceptance ("**BA**") at the BA rate plus 200 bps and loans at an interest rate of prime plus a margin. The Bridge Loan is secured by a pool of properties, and is subject to certain customary financial and non-financial covenants. The Company expects to refinance the Bridge Loan post-closing of the Acquisition. The Company made a repayment of $30,000 subsequent to March 31, 2018 on this Bridge Loan, bringing the total amount drawn to $85,000.

On March 28, 2018, the Company entered into a credit agreement with a Canadian lender for a non-revolving facility of $29,000, of which $22,000 was assumed on the Acquisition and $7,000 represented an increase in the facility. This facility is due on March 27, 2020 and is available by way of banker's acceptances at the BA rate plus 175 bps or loans at an interest rate of prime plus 50 bps per annum. This facility is secured by the assets of one of the Acquired Properties. As at March 31, 2018, the Company has drawn $29,000 under this facility.

The Company’s total debt as at March 31, 2018 was $1,022,188 (December 31, 2017 - $818,951), net of the Series B Debentures' principal reserve fund of $25,692 (December 31, 2017 - $23,924). The increase of $203,237 was primarily related to the Company's Bridge Loan, net drawdown of its credit facilities and the mortgages assumed from the Acquisition in Q1 2018, partially offset by monthly payments to the Series B Debentures' principal reserve fund and payments toward mortgage liabilities. The Company has credit facilities of $291,000, and as at March 31, 2018, had drawn $218,500 from these facilities.

As at March 31, 2018, the Company had a working capital deficiency (current liabilities less current assets) of $262,874, primarily attributable to the Convertible Debentures of $44,344 and the current portion of long-term debt of $177,055 relating to the Bridge Loan and the portion of 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, other than the Convertible Debentures which will be redeemed on the Redemption Date, and, if necessary, its undrawn credit facilities, all of which management of the Company believes will be sufficient to address this working capital deficiency.

Liquidity and Capital Commitments

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 2018, 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.

Capital Commitments

The Company monitors all of its properties for capital requirements. As part of the monitoring process, items are assessed and prioritized based on the urgency and necessity of the expenditure.

Debt Strategy

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 secured debentures, conventional property-level secured mortgages, bank credit facilities and the Convertible Debentures.

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. In fiscal 2018 and beyond, the Company plans to capitalize on external growth opportunities and refinance mortgages to build the 10-year debt maturity ladder around the Series B Debentures so as to reduce risk when these debentures mature in 2021. In March 2018, DBRS confirmed the A (low) rating for the Series B Debentures.

The Company has adopted interest coverage guidelines which are consistent with the coverage covenants contained in its bank credit facility agreements. Interest coverage ratios provide an indication of the ability to service or pay interest charges relating to the underlying debt. 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 dollars, except ratio	**2018**	2017
Net finance charges	**6,466**	6,566
Add (deduct):		
Amortization of financing charges and fair value adjustments on acquired debt	**(260)**	(263)
Amortization of loss on bond forward contract	**(223)**	(215)
Interest income on construction funding receivable	**657**	861
Other interest income	**427**	186
Gain on interest rate swap contracts	**1,104**	217
Net finance charges, adjusted	**8,171**	7,352
Adjusted EBITDA	**31,024**	25,556
Interest coverage ratio	**3.8**	3.5

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

	Three Months Ended	
Thousands of dollars	**2018**	2017
Net income	**1,033**	4,679
Net finance charges	**6,466**	6,566
Provision for income taxes	**383**	1,629
Depreciation and amortization	**12,997**	8,794
Transaction costs	**6,875**	518
Proceeds from construction funding	**3,270**	3,370
Adjusted EBITDA	**31,024**	25,556

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 dollars, except ratio	**2018**	2017
Net finance charges	**6,466**	6,566
Add (deduct):		
Amortization of financing charges and fair value adjustments on acquired debt	**(260)**	(263)
Amortization of loss on bond forward contract	**(223)**	(215)
Interest income on construction funding receivable	**657**	861
Other interest income	**427**	186
Gain on interest rate swap contracts	**1,104**	217
Net finance charges, adjusted	**8,171**	7,352
Principal repayments [(1)]	**4,279**	3,615
Principal reserve fund	**1,768**	1,693
Total debt service	**14,218**	12,660
Adjusted EBITDA	**31,024**	25,556
Deduct:		
Maintenance capex	**(864)**	(556)
Cash income taxes	**(1,690)**	(4,300)
Adjusted EBITDA (for covenant calculations)	**28,470**	20,700
Debt service coverage ratio	**2.0**	1.6

Notes:

1. During the three months ended March 31, 2018, the Company made voluntary payments of $50,000 (2017 - $nil) towards 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, 2018.

	March 31	
Thousands of dollars, except ratio	**2018**	2017
Total indebtedness		
Series B Debentures	**322,000**	322,000
Series B Debentures - Principal reserve fund	**(25,692)**	(18,809)
Credit facilities	**218,500**	50,000
Mortgages	**463,403**	358,790
Convertible Debentures	**44,465**	45,083
	1,022,676	757,064
Adjusted EBITDA	**124,096**	102,224
Debt to Adjusted EBITDA	**8.2**	7.4

Debt Profile

The debt profile is presented to depict the weighted average interest rates based on the nature of the underlying debt split between fixed and floating rate instruments.

	Weighted Average Debt Three Months Ended March 31			
	2018	**Rate (%)**	2017	Rate (%)
Fixed Rate				
Debentures	**322,000**	**3.47%**	322,000	3.47%
Mortgages [(1)]	**398,677**	**4.19%**	345,748	4.15%
Convertible Debentures	**44,465**	**4.65%**	45,083	4.65%
Total Fixed	**765,142**	**3.91%**	712,831	3.89%
Floating Rate				
Credit facilities	**44,233**	**3.76%**	43,317	2.61%
Mortgages	**41**	**4.45%**	382	4.00%
Total Floating	**44,274**	**3.76%**	43,699	2.62%
Total Debt	**809,416**	**3.90%**	756,530	3.80%

Notes:

1. For the three months ended March 31, 2018, includes floating rate mortgages of $104,973 (2017 - $79,522) that have been fixed through interest rate swaps.

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 dollars, except ratio	**2018**	2017
Total indebtedness		
Series B Debentures	**322,000**	322,000
Series B Debentures - Principal reserve fund	**(25,692)**	(18,809)
Credit facilities	**218,500**	50,000
Mortgages	**463,403**	358,790
Convertible Debentures	**44,465**	45,083
	1,022,676	757,064
Total assets	**1,759,189**	1,213,132
Accumulated depreciation on property and equipment	**185,719**	153,719
Accumulated amortization on intangible assets	**86,776**	76,953
Gross book value	**2,031,684**	1,443,804
Debt to gross book value	**50.3%**	52.4%
Debt, excluding Convertible Debentures, to gross book value	**48.1%**	49.3%

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.

The Company has property-level mortgages that 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 is in compliance with all financial covenants on its borrowings as at March 31, 2018. 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.

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

Contractual Obligations and Other Commitments

Long-term Debt

The following table summarizes the Company's long-term debt commitments by maturity date.

				Amortizing Debt				
Year	Series B Debentures	Floating Rate Debt	Convertible Debentures	Regular Principal Payments	Principal Due at Maturity	**Total**	% of Total	Weighted Average Interest on Maturing Debt
2018	—	—	44,465	14,742	25,072	**84,279**	8.0%	5.0%
2019	—	133,500	—	17,747	65,340	**216,587**	20.7%	3.8%
2020	—	85,000	—	14,649	19,992	**119,641**	11.4%	3.4%
2021	322,000	—	—	14,570	13,426	**349,996**	33.4%	3.5%
2022	—	—	—	12,932	33,199	**46,131**	4.4%	3.9%
2023	—	—	—	10,946	51,152	**62,098**	5.9%	3.4%
2024	—	—	—	9,374	25,893	**35,267**	3.4%	4.1%
2025	—	—	—	6,695	27,778	**34,473**	3.3%	3.5%
2026	—	—	—	6,750	—	**6,750**	0.6%	—%
2027	—	—	—	5,804	35,115	**40,919**	3.9%	2.6%
Thereafter	—	—	—	21,555	30,672	**52,227**	5.0%	4.3%
	322,000	**218,500**	**44,465**	**135,764**	**327,639**	**1,048,368**	100.0%	
Mark-to-market adjustment arising from acquisitions						**4,922**		
Less: Deferred financing costs						**(5,289)**		
Less: Deferred financing costs on Convertible Debentures						**(100)**		
Less: Equity component of Convertible Debentures						**(21)**		
						1,047,880		

Convertible Debentures

The Company has Convertible Debentures outstanding with an aggregate principal amount of $44,465, convertible into common shares at $16.75 per common share. The Convertible Debentures have a maturity date of June 30, 2018 and bear interest at a rate of 4.65% per annum, which is payable semi-annually in June and December. The Company gave notice that it will redeem on the Redemption Date all of its outstanding Convertible Debentures due on June 30, 2018.

Operating Leases

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

Related Party Transactions

As at March 31, 2018, the Company had amounts outstanding from certain key management of $1,383 (December 31, 2017 - $1,171) in relation to grants under the Company's Long-term Incentive Plan ("**LTIP**") and related share purchase loans, which have been recorded as a reduction to shareholders' equity. The LTIP's terms 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. The Board of Directors has determined that, effective as of the end of fiscal 2017, no further grants will be awarded or issued under the LTIP and the LTIP will be terminated.

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, 2017. Please refer to those statements for further detail.

In preparing the 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, 2017, other than those new accounting policies specifically disclosed in the interim consolidated financial statements for the three months ended March 31, 2018. The annual audited consolidated financial statements are available on SEDAR or may be accessed on the Company's website.

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, 2017, 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 Company's AIF, for a discussion of the Risk Factors applicable to the Company.

On May 2, 2018, the Company was served with a proposed class action alleging negligence, breach of fiduciary duty and breach of contract and claiming damages in the amount of $150,000. The Company does not believe that the claim has merit and intends to vigorously defend the claim through the appropriate court process.

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 document 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. When used in this MD&A, such statements use words such as "may", "might", "will", "expect", "believe", "plan", "budget", "should", "could", "would", "anticipate", "estimate", "forecast", "intend", "continue", "project", "schedule" and other similar terminology. 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 2018

Sienna Senior Living Inc.

Sienna SENIOR LIVING

Condensed Interim Consolidated Financial Statements

Condensed Interim Consolidated Statements of Financial Position
(Unaudited)
Thousands of dollars

	Notes	**March 31, 2018**	December 31, 2017
ASSETS			
Current assets			
Cash		**13,424**	18,765
Accounts receivable and other assets	15	**7,876**	7,833
Income support		**449**	865
Prepaid expenses and deposits		**2,822**	9,530
Government funding receivable		**2,970**	3,751
Construction funding receivable		**10,697**	10,589
Income taxes receivable		**369**	934
		38,607	52,267
Government funding receivable		**367**	639
Interest rate swap contracts	5	**2,735**	1,881
Restricted cash	6	**29,949**	27,975
Construction funding receivable		**51,304**	54,025
Property and equipment		**1,178,505**	906,610
Intangible assets		**290,141**	229,810
Goodwill		**167,581**	121,651
Total assets		**1,759,189**	1,394,858
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**75,313**	81,858
Government funding payable		**4,420**	3,128
Current portion of long-term debt	5, 7	**177,055**	47,185
Convertible debentures	5, 8	**44,344**	44,267
Interest rate swap contracts	5	**349**	380
		301,481	176,818
Long-term debt	5, 7	**826,481**	751,423
Deferred income taxes	10	**55,924**	59,662
Government funding payable		**3,059**	2,211
Share-based compensation liability	13	**7,368**	7,186
Interest rate swap contracts	5	**1,139**	1,358
Total liabilities		**1,195,452**	998,658
EQUITY			
Shareholders' equity		**563,737**	396,200
Total equity		**563,737**	396,200
Total liabilities and equity		**1,759,189**	1,394,858

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

Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited)
Thousands of dollars

	Notes	Share capital	Equity portion of convertible debentures	Contributed surplus	Shareholders' deficit	Accumulated other comprehensive income (loss)	Total Shareholders' equity	Non-controlling interest	Total equity
Balance, January 1, 2018		**639,361**	**515**	**157**	**(241,659)**	**(2,174)**	**396,200**	**—**	**396,200**
Issuance of shares	11	**179,791**	**—**	**—**	**—**	**—**	**179,791**	**—**	**179,791**
Net income		**—**	**—**	**—**	**1,033**	**—**	**1,033**	**—**	**1,033**
Other comprehensive income		**—**	**—**	**—**	**—**	**164**	**164**	**—**	**164**
Long-term incentive plan	11, 13	**21**	**—**	**46**	**—**	**—**	**67**	**—**	**67**
Share purchase loan	11	**5**	**—**	**—**	**—**	**—**	**5**	**—**	**5**
Dividends	11, 12	**—**	**—**	**—**	**(13,523)**	**—**	**(13,523)**	**—**	**(13,523)**
Balance, March 31, 2018		**819,178**	**515**	**203**	**(254,149)**	**(2,010)**	**563,737**	**—**	**563,737**

	Notes	Share capital	Equity portion of convertible debentures	Contributed surplus	Shareholders' deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity	Non-controlling interest	Total equity
Balance, January 1, 2017		522,766	515	121	(220,401)	(2,825)	300,176	31	300,207
Issuance of shares	11	1,213	—	—	—	—	1,213	—	1,213
Net income	19	—	—	—	4,576	—	4,576	103	4,679
Other comprehensive income		—	—	—	—	158	158	—	158
Long-term incentive plan	11, 13	18	—	34	—	—	52	—	52
Share purchase loan	11	6	—	—	—	—	6	—	6
Dividends	12	—	—	—	(10,364)	—	(10,364)	—	(10,364)
Distributions		—	—	—	—	—	—	(92)	(92)
Balance, March 31, 2017		524,003	515	155	(226,189)	(2,667)	295,817	42	295,859

See accompanying notes.

Thousands of dollars, except share and per share data

	Notes	Three months ended March 31, 2018	Three months ended March 31, 2017
Revenue	16	**145,357**	133,966
Expenses			
Operating		**112,953**	106,505
Depreciation and amortization		**12,997**	8,794
Administrative		**4,650**	5,275
	17	**130,600**	120,574
Income before net finance charges, transaction costs and provision for (recovery of) income taxes		**14,757**	13,392
Net finance charges	9	**6,466**	6,566
Transaction costs		**6,875**	518
Total other expenses		**13,341**	7,084
Income before provision for (recovery of) income taxes		**1,416**	6,308
Provision for (recovery of) income taxes			
Current		**2,255**	1,526
Deferred		**(1,872)**	103
	10	**383**	1,629
Net income		**1,033**	4,679
Net income attributable to:			
Shareholders of the Company		**1,033**	4,576
Non-controlling interest	19	**—**	103
		1,033	4,679
Net income attributable to shareholders of the Company			
Basic and diluted net income per share	11	**$0.02**	$0.10
Weighted average number of common shares outstanding - basic	11	**58,829,148**	46,141,364
Weighted average number of common shares outstanding - diluted	11	**61,485,143**	48,832,889

See accompanying notes.

Thousands of dollars, except share and per share data

	Notes	Three months ended March 31, 2018	2017
Net income		**1,033**	4,679
Other comprehensive income			
Items that may be subsequently reclassified to the consolidated statements of operations:			
Loss on bond forward contracts, net of tax	10	164	158
Total comprehensive income		**1,197**	4,837

See accompanying notes.

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)

Thousands of dollars

	Notes	Three months ended March 31, 2018	2017
OPERATING ACTIVITIES			
Net income		**1,033**	4,679
Add (deduct) items not affecting cash			
Depreciation of property and equipment		**8,464**	7,373
Amortization of intangible assets		**4,533**	1,421
Current income taxes		**2,255**	1,526
Deferred income taxes		**(1,872)**	103
Share-based compensation	13	**277**	650
Net finance charges	9	**6,466**	6,566
		21,156	22,318
Non-cash changes in working capital			
Accounts receivable and other assets		**270**	2,399
Prepaid expenses and deposits		**(821)**	(485)
Accounts payable and accrued liabilities		**(7,567)**	(8,504)
Income support		**416**	—
Government funding, net		**3,193**	2,941
		(4,509)	(3,649)
Interest paid on long-term debt and convertible debentures		**(9,395)**	(9,411)
Net settlement payment on interest rate swap contracts		**(270)**	(283)
Income taxes paid		**(1,690)**	(4,300)
Cash provided by operating activities		**5,292**	4,675
INVESTING ACTIVITIES			
Purchase of property and equipment, net of disposals		**(6,859)**	(1,150)
Purchase of intangible assets		**(794)**	(469)
Amounts received from construction funding		**3,270**	3,370
Interest received from cash		**427**	104
Acquisition of Glenmore Lodge		**—**	(5,699)
Acquisition of the Acquired Properties	4	**(297,708)**	—
Change in restricted cash	6	**(206)**	(228)
Cash used in investing activities		**(301,870)**	(4,072)
FINANCING ACTIVITIES			
Gross proceeds from issuance of common shares	11	**184,017**	—
Share issuance costs		**(8,259)**	—
Repayment of long-term debt		**(59,138)**	(3,615)
Proceeds from long-term debt		**188,481**	14,500
Deferred financing costs		**(1,135)**	(781)
Change in Series B Debenture principal reserve fund	6	**(1,768)**	(1,693)
Distributions to non-controlling interest		**—**	(92)
Dividends paid	12	**(10,961)**	(9,226)
Cash provided by (used in) financing activities		**291,237**	(907)
Decrease in cash during the period		**(5,341)**	(304)
Cash, beginning of period		**18,765**	27,200
Cash, end of period		**13,424**	26,896

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/ residential care ("**LTC**"or "**Long-term Care**"/ "**RC**" or "**Residential Care**") through the ownership and operation of seniors' living residences in the Provinces of British Columbia and Ontario. As at March 31, 2018, 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 RC (including the Company's partial ownership in two residences in British Columbia), previously referred to as the "**Baltic Properties**". Under its management services division, the Company provides management services to 15 seniors' living residences in British Columbia and Ontario.

The Company was incorporated under the Business Corporations Act (Ontario) as Leisureworld Senior Care Corporation 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. In connection with a Company-wide rebranding initiative that took effect on May 1, 2015, the Company changed its name from Leisureworld Senior Care Corporation to Sienna Senior Living Inc., pursuant to the filing of a Notice of Alteration with the British Columbia Registry Services on April 23, 2015. In connection with the name change to Sienna Senior Living Inc., the Company commenced trading on the Toronto Stock Exchange ("**TSX**") under the symbol "SIA".

The Company's business is carried on through a number of wholly owned limited partnerships formed under the laws of the Province 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, 2018, the Company had outstanding 63,616,796 common shares and $44,465 in aggregate principal amount of convertible unsecured subordinated debentures (TSX symbol: SIA.DB) (formerly LW.DB) which, in aggregate, are convertible into 2,654,627 common shares (the "Convertible Debentures"). The Company gave notice that it will redeem all of its outstanding Convertible Debentures on May 23, 2018 (Note 22).

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, 2017, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

The interim consolidated financial statements were approved by the Board of Directors for issuance on May 10, 2018.

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, 2017, except as described in the "Changes in accounting policies" section below.

Changes in accounting policies

IFRS 9, Financial Instruments
IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at the time of initial recognition. The classification depends on the Company’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the requirements from IAS 39, Financial Instruments: Recognition and Measurement. The main difference is that, in cases where the fair value option is chosen for financial liabilities, the portion of fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than net income, unless this creates an accounting mismatch. The Company has adopted and applied this standard effective January 1, 2018.

Due to the adoption of IFRS 9, the Company was required to revise its impairment methodology for each of its financial assets subject to a new expected credit loss model. The Company applied the simplified approach permitted by IFRS 9, which uses a lifetime expected loss allowance for all applicable financial assets. Accounts receivable, government funding receivable and construction funding receivable are subject to the impairment requirements of IFRS 9, however, the identified impairment loss was immaterial. To measure the expected credit losses, the financial assets are grouped based on the shared credit risk characteristics and the days past due.

With respect to debt modifications going forward, IFRS 9 requires that a gain or loss be calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This had no impact on transition.

IFRS 15, Revenue from Contracts with Customers
IFRS 15, Revenue from Contracts with Customers, requires an entity to recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The Company has adopted and applied this standard effective January 1, 2018. Due to the adoption of IFRS 15, the Company has disclosed in the notes to the interim consolidated financial statements the revenue earned from its Retirement business segment under IFRS 15 for services provided to retirement residents separately from revenue earned under IAS 17, Leases, for accommodations paid

by the retirement residents. There was no restatement of prior year consolidated financial statements as a result of the changes in the Company's accounting policies.

LTC/RC revenue is recognized in the period in which the services are rendered. The performance obligation of providing accommodation and care to LTC/RC residents are met through passage of time and when the bundled services are rendered. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur, such that funding from the applicable health authorities is recognized to the extent that the funding requirements are met. In addition, resident co-payments are recognized based on the number of resident days in the period multiplied by the per diem amounts legislated by the applicable health authorities to the extent that the amounts are deemed to be collectible.

Retirement revenue for accommodations falls under IAS 17, Leases. Retirement revenues for other services falls under IFRS 15 and are received on a monthly basis and the performance obligation of providing the other services are met over time as the services are rendered.

Accounting standards issued but not yet applied

IFRS 16, Leases
In October 2015, the IASB issued the new standard that sets out the principles for the recognition, measurement and disclosure of leases. 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. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, although earlier application is permitted for entities that apply IFRS 15. The Company has not adopted this standard, however, the impact will be to record the majority of the Company's operating leases in the consolidated statements of financial position.

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 clarifies the application of recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company is in the process of assessing the impact of this new interpretation.

There are no other accounting standards issued but not yet applied that would be expected to have a material impact on the Company.

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

4 Acquisition

Portfolio of Ten Seniors' Living Residences

On March 28, 2018, the Company completed the acquisition of a portfolio of ten seniors' living residences in Ontario (the "**Acquisition**"), consisting of private-pay ISL and AL retirement residences (the "**Acquired Properties**"). The Acquired Properties consist of 1,245 private-pay suites, and are located in the Greater Toronto Area and the Greater Ottawa Area.

The total net purchase price of $305,438 was allocated to the assets and liabilities on a preliminary basis as follows:

Assets	
Accounts receivable	287
Prepaid expenses	201
Property and equipment	273,500
Intangible assets	64,070
Goodwill	45,930
Total assets	383,988
Liabilities	
Accounts payable and accrued liabilities	1,990
Long-term debt	76,560
Total liabilities	78,550
Net assets acquired	305,438
Cash consideration	297,708
Acquisition deposit	7,730
Total consideration	305,438

Transaction costs expensed related to the Acquisition for the three months ended March 31, 2018 were $6,427.

As part of the Acquisition, the Company assumed existing property-level mortgages in the amount of $53,060 with a fair value of $54,560, bearing interest at a rate ranging from 3.42% to 5.80% and maturing from September 30, 2022 to June 1, 2040. The Company also assumed a non-revolving credit facility of $22,000 (Note 7).

To finance the Acquisition, the Company drew $115,000 under the Bridge Loan (Note 7), increased borrowings by $5,997 on a property-level mortgage and drew $7,000 under a non-revolving credit facility (Note 7), and completed the Acquisition Offering (Note 11).

If the Acquisition had taken place on January 1, 2018, it is estimated that the consolidated revenue and consolidated net income for the Company for the three months ended March 31, 2018 would have been approximately $158,975 and $5,675, respectively.

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

5 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 are the only financial instrument carried at fair value through profit or loss and is considered to be a Level 2 instrument.

The following financial instruments are at amortized cost and the fair value is disclosed as follows as at March 31, 2018 and December 31, 2017:

	As at March 31, 2018		As at December 31, 2017	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial Assets				
Construction funding receivable	**62,001**	**64,719**	**64,614**	**67,925**
Financial Liabilities				
Long-term debt	**1,003,536**	**990,005**	**798,608**	**799,619**
Convertible debentures	**44,344**	**47,355**	**44,267**	**48,515**

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 the 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, 2018. A failure by the Company to comply with the obligations in these credit agreements could result in a default, which, if not rectified or waived, could permit acceleration of the relevant indebtedness.

As at March 31, 2018, the Company had negative working capital (current liabilities less current assets) of $262,874 (December 31, 2017 - $124,551). To support the Company's working capital deficiency, the Company has available cash generated from its operations and, if necessary, undrawn credit facilities.

6 Restricted cash

Restricted cash comprises the Series B Debentures principal reserve fund, capital maintenance reserve funds required for certain mortgages and an employee benefits reserve.

	March 31, 2018	December 31, 2017
Series B Debentures principal reserve fund	**25,692**	23,924
Capital maintenance reserve	**3,667**	3,462
Benefits reserve	**590**	589
Restricted cash	**29,949**	27,975

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

7 Long-term debt

	Interest rate	Maturity date	March 31, 2018	December 31, 2017
Series B Debentures	3.474%	February 3, 2021	**322,000**	322,000
Credit facilities	Floating	2019-2020	**218,500**	68,500
Mortgages at fixed rates	2.77% - 7.11%	2018-2041	**324,862**	305,896
Mortgages at variable rates	Floating	2019-2029	**138,541**	103,103
			1,003,903	799,499
Mark-to-market adjustments on acquisitions			**4,922**	3,638
Financing costs			**(5,289)**	(4,529)
Total debt			**1,003,536**	798,608
Less: current portion			**177,055**	47,185
			826,481	751,423

Credit facilities

On March 28, 2018, the Company entered into a credit agreement with a Canadian lender for an acquisition term loan facility of $115,000 due one year from the closing of the Acquisition (the "**Bridge Loan**"). Borrowings under the Bridge Loan are available by way of banker's acceptance ("**BA**") at the BA rate plus 200 basis points ("**bps**") and loans at an interest rate of prime plus a margin. The Bridge Loan is secured by a pool of properties, and is subject to certain customary financial and non-financial covenants.

On March 28, 2018, the Company entered into a credit agreement with a Canadian lender for a non-revolving facility of $29,000, of which $22,000 was assumed on the Acquisition and $7,000 represented an increase in the facility. This facility is due on March 27, 2020 and is available by way of BA at the BA rate plus 175 bps or loans at an interest rate of prime plus 50 bps per annum. This loan is secured by the assets of one of the Acquired Properties.

Mortgages assumed from acquisition

As part of the Acquisition, the Company assumed existing property-level mortgages in the amount of $75,060 with a fair value of $76,560, bearing interest at a rate ranging from 3.42% to 5.80% and maturing from September 30, 2022 to June 1, 2040. The Company also increased availability by $5,997 on an assumed property-level mortgage, available by way of BA at the BA rate plus 150 bps or loans at an interest rate of prime plus 25 bps per annum, which has been fixed at an interest rate of 3.62% through an interest rate swap, maturing on February 10, 2025. The mortgages are secured by the Acquired Properties' assets, and are subject to certain customary financial and non-financial covenants.

8 Convertible debentures

The Company has convertible unsecured subordinated debentures outstanding with an aggregate principal amount of $44,465 (**"Convertible Debentures"**). These debentures are convertible into common shares of the Company at $16.75 per common share. The Convertible Debentures have a maturity date of June 30, 2018, and bear interest at a rate of 4.65% per annum, which is payable semi-annually in June and December.

On issuance, the debt and equity components of the Convertible Debentures were bifurcated with $45,593 classified as a liability and $515 classified as equity attributable to the conversion option. The equity component included a deferred tax asset of $108. The liability portion of the Convertible Debentures was initially recorded at fair value and subsequently carried at amortized cost. The Company incurred financing costs of $2,111 related to the Convertible Debentures, which are amortized over their term using the effective interest method and are recognized as part of net finance charges. During the three months ended March 31, 2018, $44 (December 31, 2017 - $574) of Convertible Debentures were converted into

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

2,626 (December 31, 2017 - 34,270) common shares. As at March 31, 2018, $100 (December 31, 2017 - $200) of financing costs remain to be amortized and $21 (December 31, 2017 - $42) of fair value adjustment remains to be accreted.

9 Net finance charges

	Three months ended March 31, 2018	2017
Finance costs		
Interest expense on long-term debt	**7,338**	6,500
Interest expense on convertible debentures	**531**	537
Fees on revolving credit facilities	**32**	32
Amortization of financing charges and fair value adjustments on acquired debt	**260**	263
Amortization of loss on bond forward contract	**223**	215
Fair value (gain) loss on interest rate swap contracts	**(834)**	66
	7,550	7,613
Finance income		
Interest income on construction funding receivable	**657**	861
Other interest income	**427**	186
	1,084	1,047
Net finance charges	**6,466**	6,566

10 Income taxes

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

	Three months ended March 31, 2018	2017
Income before provision for income taxes	**1,416**	6,308
Canadian combined income tax rate	**26.46%**	26.46%
Income tax expense	**375**	1,669
Adjustments to income tax provision:		
Non-deductible items	**104**	49
Book to filing adjustment	**150**	—
Other items	**(246)**	(89)
Provision for income taxes	**383**	1,629

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

The following are the major deferred tax assets (liabilities) recognized by the Company and movements thereon during the period:

	Depreciable tangible and intangible assets	Share issuance	Construction funding interest	Other	Total
As at January 1, 2017	(67,738)	1,507	3,839	1,536	(60,856)
Due to acquisitions during the year	28	—	—	91	119
Credit (charge) to net income	623	(185)	(772)	(591)	(925)
Book to filing adjustment	592	(51)	—	907	1,448
Charge to other comprehensive income	—	—	—	(234)	(234)
Credit to equity	—	786	—	—	786
As at December 31, 2017	(66,495)	2,057	3,067	1,709	(59,662)
Due to acquisitions in the period	—	—	—	397	397
Credit (charge) to net income	1,899	109	(174)	(209)	1,625
Book to filing adjustment	—	—	—	(150)	(150)
Charge to other comprehensive income	—	—	—	(59)	(59)
Charge to equity	—	1,925	—	—	1,925
As at March 31, 2018	**(64,596)**	**4,091**	**2,893**	**1,688**	**(55,924)**

The loss on bond forward contracts on the consolidated statements of comprehensive income is net of tax for the three months ended March 31, 2018 of $59 (2017 - $57).

11 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

	Common shares	Amount
Balance, January 1, 2017	46,101,757	522,766
Long-term incentive plan, net of loans receivable	12,026	44
Share-based compensation	—	23
Dividend reinvestment plan	307,903	5,276
Issued common shares, net of issuance costs	6,632,956	111,252
Balance, December 31, 2017	53,054,642	639,361
Long-term incentive plan, net of loans receivable (Note 13)	13,712	21
Share-based compensation (Note 13)	—	5
Dividend reinvestment plan	102,907	1,767
Issued common shares, net of share issuance costs (Notes 8 and 13)	10,445,535	178,024
Balance, March 31, 2018	**63,616,796**	**819,178**

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 raised pursuant to the offering, including upon the exercise of the over-allotment option, is $184,017 (the "**Acquisition Offering**").

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

Dividend reinvestment plan

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

Earnings 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.

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

	Three months ended March 31,	
	2018	2017
Reconciliation of net income used as the numerator		
Net income	**1,033**	4,679
Less: Net income attributable to non-controlling interest	**—**	103
Net income used in calculating basic income per share	**1,033**	4,576
Net finance charges on convertible debentures	**631**	657
Current income tax adjustment	**(167)**	(174)
Net income used in calculating diluted income per share	**1,497**	5,059
Weighted average number of common shares used as the denominator		
Weighted average number of common shares - basic	**58,829,148**	46,141,364
Shares issued if all convertible debentures were converted	**2,655,995**	2,691,525
Weighted average number of common shares - diluted	**61,485,143**	48,832,889

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

12 Dividends

The Company paid dividends at $0.075 per month per common share totaling $10,961 for the three months ended March 31, 2018 (2017 - $9,226). Dividends payable of $4,774 are included in accounts payable and accrued liabilities as at March 31, 2018 (December 31, 2017 - $3,979). Subsequent to March 31, 2018, the Board of Directors declared dividends of $0.075 per common share for April 2018 totaling $4,775.

13 Share-based compensation

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

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

On February 15, 2018, incentive award amounts entitling eligible senior executives ("**Participants**") to acquire 13,712 common shares were granted in connection with the year ended December 31, 2017, pursuant to the LTIP. On the grant date, the Company provided a loan to the Participants for the LTIP shares granted and the Participants paid $12 towards the acquisition of common shares. This payment was recorded as an increase to share capital. Related to the LTIP in the three months ended March 31, 2018, the Company recorded an increase of $21 to share capital (2017 - $18) and $46 to contributed surplus (2017 - $34). As at March 31, 2018, the outstanding loan balance was $989 (December 31, 2017 - $772). Total expense related to the LTIP for the three months ended March 31, 2018 was $46 (2017 - $34).

The Board of Directors has determined that no further grants will be awarded or issued under the LTIP and the LTIP was terminated effective January 1, 2018.

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**	February 15, 2017
Fair value at grant date	**$17.36**	$17.75
Volatility	**17.96%**	16.55%
Monthly discrete dividend	**$0.075**	$0.075
Risk-free rate	**2.72%**	2.00%
Annual interest rate on Participants' loan	**3.00%**	2.70%
Forfeiture rate	**0.00%**	0.00%

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

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

During the three months ended March 31, 2018, 23,508 RSUs (2017 - 2,382) were granted pursuant to the RSUP. Total expenses related to the RSUP for the three months ended March 31, 2018 were $51 (2017 - $93), net of forfeitures, which was recognized in administrative expenses. During the three months ended March 31, 2018, 17,009 RSUs vested and 8,787 were settled in shares, resulting in a decrease of $297 to the share-based compensation liability. The total liability recorded as part of the share-based compensation liability as at March 31, 2018 was $266 (December 31, 2017 - $512).

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

	Number of RSUs
Outstanding, January 1, 2017	41,445
Granted	2,382
Dividends reinvested	1,984
Settled in shares	(8,075)
Outstanding, December 31, 2017	37,736
Granted	23,508
Dividends reinvested	509
Settled in cash	(8,222)
Settled in shares	(8,787)
Outstanding, March 31, 2018	44,744

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

Total expenses related to the DSUP for the three months ended March 31, 2018 were $100 (2017 - $400), which was 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, 2018 was $5,025 (December 31, 2017 - $4,925). The value of each deferred share unit is measured at each reporting date and is equivalent to the fair value of a common share of the Company at the reporting date.

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

During the three months ended March 31, 2018, 33,481 (2017 - 44,159) executive deferred share units were granted. Total expenses related to the EDSUP for the three months ended March 31, 2018 were $80 (2017 - $123), which was 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, 2018 was $2,077 (December 31, 2017 - $1,749).

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

14 Key management compensation

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

	Three months ended March 31,	
	2018	2017
Salaries and short-term employee benefits	**910**	773
Share-based compensation	**277**	650
	1,187	1,423

15 Related party transactions

As at March 31, 2018, the Company had amounts outstanding from certain key management of $1,383 (December 31, 2017 - $1,171) in relation to grants under the LTIP and related share purchase loans, which have been recorded as a reduction to shareholders' equity. The LTIP's terms 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.

16 Economic dependence

The Company holds licences related to each of its LTC/ RC residences and receives funding from the applicable health authorities related to those licences. During the three months ended March 31, 2018, the Company received approximately $87,261 (2017 - $84,035) in respect of these licences.

17 Expenses by category

	Three months ended March 31,	
	2018	2017
Salaries, benefits and other people costs	**88,782**	82,725
Depreciation and amortization	**12,997**	8,794
Food	**6,542**	5,715
Purchased services and non-medical supplies	**3,535**	4,446
Property taxes	**3,273**	3,433
Utilities	**4,334**	4,456
Other	**11,137**	11,005
Total expenses	**130,600**	120,574

18 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:

- LTC/RC - The Company's LTC/RC segment consists of 35 LTC residences in the Province of Ontario, eight seniors' living residences located in the Province of British Columbia, and the LTC management services business;
- Retirement - The Company's Retirement segment consists of 27 RRs, five of which are located in the Province of British Columbia and 22 of which are located in the Province of Ontario, and the RR 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 dollars, except share and per share data, or unless otherwise noted

	Three months ended March 31, 2018			
	LTC/RC	Retirement[(1)]	Corporate, Eliminations and Other	Total
Gross revenue	125,279	23,907	13,961	163,147
Less: Internal revenue	3,829	—	13,961	17,790
Net revenue	121,450	23,907	—	145,357
Income (loss) before net finance charges, transaction costs and the provision for income taxes	15,952	4,054	(5,249)	14,757
Finance costs	5,261	1,262	1,027	7,550
Finance income	(787)	—	(297)	(1,084)
Transaction costs	—	—	6,875	6,875
Income tax expense	—	—	383	383
Net income (loss)	11,478	2,792	(13,237)	1,033
Purchase of property and equipment, net of disposals	4,267	275,241	851	280,359
Purchase of intangible assets	—	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, respectively.

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

	Three months ended March 31 2017			
	LTC/RC	Retirement[1]	Corporate, Eliminations and Other	Total
Gross revenue	121,586	15,997	10,615	148,198
Less: Internal revenue	3,617	—	10,615	14,232
Net revenue	117,969	15,997	—	133,966
Income (loss) before net finance charges, transaction costs and the provision for income taxes	14,651	4,582	(5,841)	13,392
Finance costs	2,401	1,488	3,724	7,613
Finance income	(1,003)	—	(44)	(1,047)
Transaction costs	—	—	518	518
Income tax expense	—	—	1,629	1,629
Net income (loss)	13,253	3,094	(11,668)	4,679
Purchase of property and equipment, net of disposals	17,211	499	30	17,740
Purchase of intangible assets, net of disposals	3,281	—	468	3,749

[1] For the three months ended March 31, 2017, the Retirement segment recognized accommodation revenues of $7,298 and service revenues of $8,699.

	As at March 31, 2018			
	LTC/RC	**Retirement**	**Corporate, Eliminations and Other**	**Total**
Total assets	**897,570**	**851,849**	**9,770**	**1,759,189**
Goodwill	**105,276**	**62,305**	**—**	**167,581**
Intangible assets	**192,016**	**91,381**	**6,744**	**290,141**

	As at December 31, 2017			
	LTC/RC	Retirement	Corporate, Eliminations and Other	Total
Total assets	898,123	473,057	23,678	1,394,858
Goodwill	105,276	16,375	—	121,651
Intangible assets	192,392	31,153	6,265	229,810

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

19 Non-controlling interest

Non-controlling interest represents the 50% interest in PSM that was not held by the Company during the year ended December 31, 2017. The movement in non-controlling interest is shown in the consolidated statement of changes in equity. On December 31, 2017, the Company acquired the remaining 50% interest in PSM for $2,227.

The calculation of net income and total comprehensive income attributable to non-controlling interest is set out below:

	Three months ended March 31,	
	2018	2017
Net income and total comprehensive income from PSM	—	205
Non-controlling interest share of ownership	—%	50%
Net income and total comprehensive income attributable to non-controlling interest	—	103

20 Joint arrangements

The following tables outline the net assets and net income for Nicola Lodge and Glenmore Lodge, and the Company's share of Nicola Lodge and Glenmore Lodge that has been recognized in the consolidated financial statements.

	March 31, 2018	December 31, 2017
Current assets	**3,901**	3,129
Long-term assets	**105,359**	105,972
Total assets	**109,260**	109,101
Current liabilities	**4,177**	3,608
Long-term liabilities	**67,212**	67,513
Total liabilities	**71,389**	71,121
Net assets	**37,871**	37,980
Share of net assets	**17,273**	17,324

As at March 31, 2018, the Company's share of net assets in Nicola Lodge and Glenmore Lodge were $11,090 and $6,183 (December 31, 2017 - $11,119 and $6,205), respectively.

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

	Three months ended March 31, 2018	2017
Revenue	**7,042**	5,081
Expenses		
Operating	**4,843**	3,481
Depreciation and amortization	**625**	595
	5,468	4,076
Income before net finance charges	**1,574**	1,005
Net finance charges	**745**	597
Net income	**829**	408
Share of net income	**388**	150

For the three months ended March 31, 2018, the Company's share of net income (loss) in Nicola Lodge and Glenmore Lodge were $222 and $166 (2017 - $187 and $(37)), respectively.

21 Comparative figures

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

22 Subsequent events

The Company gave notice that it will redeem on May 23, 2018 (the "**Redemption Date**") all of its outstanding Convertible Debentures due on June 30, 2018. The Convertible Debentures will be redeemed at a redemption price equal to $1,000 per $1,000 principal amount of Convertible Debentures plus $18.22, representing accrued and unpaid interest up to but excluding the Redemption Date, for a total redemption amount of $1,018.22 per $1,000 principal amount of Convertible Debentures. Holders of the Convertible Debentures have the right to convert their Convertible Debentures into common shares of the Company at a conversion price of $16.75 per share on or before May 22, 2018.

On May 1, 2018, the Company exercised its option to acquire an additional 16% interest in Glenmore Lodge, increasing the Company's interest in Glenmore Lodge from 61% to 77%. This additional interest was purchased for $6,293, before closing costs and subject to customary closing adjustments. The purchase price is based on the 100% interest valued at $38,232. The purchase price was financed through the assumption of existing mortgages in the aggregate principal amount of $3,497 and the Company's available cash.