Report to Shareholders

Q1 2021 Sienna Senior Living Inc.

Sienna
SENIOR LIVING

LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

The COVID-19 pandemic continues to have a profound impact here in Canada and around the globe. Ontario has been the hardest hit province during the third wave of the pandemic, which has stretched the province's healthcare system to its limits. At the same time, early vaccinations across the seniors living sector ahead of the third wave of the pandemic provided crucial protection for both residents and team members. We are incredibly thankful that our sector was made a priority for the vaccination rollout, and encourage all Canadians who have not yet received their vaccine to get it as soon as they can.

At Sienna, vaccinations have steadily progressed with 95% of all residents having received their first dose of the vaccine and 84% fully vaccinated in early May. In addition, 74% of Sienna's team members have received, at a minimum, their first dose. The early roll-out of vaccines among residents and team members was a significant factor in the 99% decline of active COVID-19 resident cases since the beginning of the year, supporting the Company's return to a more stable operating environment.

While vaccinations proved to be crucial to limiting the spread of the virus in our residences, Sienna's vigilant infection prevention and control ("IPAC") measures and COVID-19 infrastructure continue to play an important role. From screening, on-site rapid antigen testing, maintaining elevated staffing levels and a robust supply of personal protective equipment, and providing information on all aspects of the vaccine, we have been using every tool at our disposal to maximize the safety of team members, our residents and their families.

We are thankful for the ongoing support of our governments who made seniors a priority in their 2021/22 budgets announced earlier this spring. The Government of Ontario committed to make an additional $650 million available to protect long-term care residents and our Federal Government committed $3 billion over the next five years to support the provinces and territories in their commitment to address the challenges of the rising complexities of care, staffing shortages and outdated infrastructure.

Across both our long-term care and retirement portfolios, occupancy remains impacted, in particular at residences located in COVID-19 hotspots. Sienna's long-term care occupancy has been affected by the temporary closures of residences to new resident admissions during an outbreak as well as capacity limitations in multi-bed rooms to a maximum of two residents per room. We anticipate the gradual resumption of new admissions in the coming months. The Government of Ontario extended its occupancy protection funding for vacancies until August 31, 2021.

In our retirement portfolio, we are seeing strong interest from prospective residents. However, various restrictions at many residences continued to impact occupancy during the first quarter. With the high vaccination rate in seniors living residences, starting in April, the Governments of Ontario and British Columbia have begun to ease restrictions, including the lifting of self-isolation requirements for new residents and the resumption of social activities and communal dining at many residences. These gradual changes, which are expected to accelerate admissions of new residents, will have a positive impact on Sienna's operations over time.

Throughout the pandemic, Sienna has maintained a solid financial position and an investment-grade credit rating. We significantly reduced near-term debt maturities and improved our long-term debt maturity ladder. At the end of Q1 2021, our liquidity was $213 million, further supported by an unencumbered asset pool of approximately $840 million.

These strong financial fundamentals support our strategic plan to redevelop and expand our current long-term care and retirement portfolios. Our development plans include over $600 million in capital investments to redevelop Sienna's Ontario long-term care portfolio over the next five to seven years, with two long-term care projects in Ontario slated to start later this year.

We are also making good progress on our development of a new retirement residence in Niagara Falls with construction scheduled to start in Q2 of 2021. Sienna's share of this 150-suite greenfield retirement development is 70%.

As part of our ongoing commitment to supporting to those who need it most, we finalized the formation of the Sienna for Seniors Foundation ("Foundation") in April 2021. The Foundation allows us to raise funds for a variety of important causes in both Ontario and British Columbia. In connection with our enhanced focus on mental health and wellness in the communities we serve, Sienna made a $250,000 donation to Scarborough Health Network in support of its new mental health hub which will support quality care for seniors.

Looking ahead, we will continue to draw on the strong relationships that have been formed between our residences and care communities, local public health units, hospitals, governments and beyond. We have renewed optimism for our sector and our Company. The anticipated economic recovery, an aging demographic and the return to a more stable operating environment all support the outlook for our Company.

In everything we do, we are guided by the belief that it is both a great privilege and a tremendous responsibility to ensure that Canadian seniors can live with the utmost dignity and respect. I am incredibly grateful for our team's unwavering commitment to fulfill this important mission and acknowledge the many stakeholders who have supported us throughout the pandemic, including the federal and provincial governments, our sector associations, our hospital partners and our residents and their families.

On behalf of our management team and our Board of Directors, I want to thank all of you for your continued support and commitment.

Sincerely,

Nitin Jain
President and Chief Executive Officer
Sienna Senior Living

Management's Discussion and Analysis

Q1 2021 Report to Shareholders

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, 2021. 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, 2021. 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, 2020, can be found on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

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

Financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). In this document, "**Q1**" refers to the three-month period ended March 31; "**Q2**" refers to the three-month period ended June 30; "**Q3**" refers to the three-month period ended September 30; and "**Q4**" refers to the three-month period ended December 31.

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

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

Additional Information

Additional information relating to the Company can be found on the Company's website at www.siennaliving.ca, by accessing the Company's public filings on SEDAR, or by contacting Karen Hon, the Company's Chief Financial Officer and Senior Vice President, at 905-477-4006 or karen.hon@siennaliving.ca.

Review and Approval by the Board of Directors

This MD&A is dated as of May 12, 2021, the date this report was approved by the Board of Directors of the Company, and is based on information available to management of the Company as of that date.

Company Profile

The Company and its predecessors have been operating since 1972. The Company is a seniors' living provider serving the continuum of independent living ("**IL**"), independent supportive living ("**ISL**"), assisted living ("**AL**"), memory care ("**MC**") and long-term care (**"LTC"** or **"Long-term Care"**) through the ownership and operation of seniors' living residences in the Provinces of British Columbia and Ontario. The Company owns and operates a total of 70 seniors' living residences: 27 retirement residences ("**RRs**" or "**Retirement Residences**"); 35 LTC residences; and eight seniors' living residences providing both private-pay IL/AL and funded LTC (including the Company's joint ownership in two residences in British Columbia). The Company also provides management services to an additional 13 seniors' living residences in the Provinces of British Columbia and Ontario.

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

		Retirement (Suites)	Long-term Care (Beds)		Total[1]
Business Segment	**Residences**	**Private**	**Private**	**Funded**	**Beds / Suites**
Retirement	27	3,291	—	—	3,291
Long-term Care[2]	43	—	180	6,688	6,868
Total	**70**	**3,291**	**180**	**6,688**	**10,159**

Notes:

1. 82.6% and 17.4% of total beds/suites are located in Ontario and British Columbia, respectively.
2. 5.4% of total LTC beds and suites are partially owned, of which the Company owns 40% of Nicola Lodge and 77% of Glenmore Lodge as at March 31, 2021.

The Company is traded 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 and joint ventures formed under the laws of the Province of Ontario.

As at May 12, 2021, the Company had 67,039,123 common shares outstanding.

Our Operations and Pandemic Recovery Update

For over a year, we have taken critical steps to fight the pandemic while providing the best quality of care for our seniors and preparing for new and evolving challenges.

We enhanced our healthcare expertise, established a Quality Committee that includes members of Sienna's Board of Directors, secured a robust supply of personal protective equipment ("**PPE**") and reinforced our infection prevention and control ("**IPAC**") practices. We also put in place a pandemic staffing strategy and increased frontline staffing, joined the Seniors Quality Leap Initiative ("**SQLI**") to benchmark best practices in the sector and strengthened communications with our key stakeholders. In addition, our vaccination task force has been supporting the roll-out of vaccines across all of our residences in Ontario and British Columbia.

These combined efforts resulted in the crucial decline in active COVID-19 cases across Sienna's 83 owned and managed residences ahead of the third wave. Since the beginning of 2021, active COVID-19 resident cases declined by 99%. At a time when Canada has been experiencing a massive surge in COVID-19 cases during the third wave of the pandemic, our Company has been returning to a more stable operating environment.

While Sienna's COVID-19 infrastructure remains in place to maximize the safety of team members and residents, including screening, on-site rapid antigen testing, and maintaining elevated staffing levels and a robust supply of PPE, certain restrictions relating to the seniors living sector have recently been eased. Most notably, the Governments of Ontario and British Columbia have started to ease self-isolation requirements in seniors living residences, and communal dining and social activities in residences with high immunization rates are starting to resume. The Government of Ontario has also removed single-site orders for fully immunized staff members, allowing them to work at more than one location.

Sienna continues to incur an increased level of expenses to support the costs of fighting the pandemic and minimizing the impact of outbreaks. During Q1 2021, Sienna incurred $26.8 million of pandemic expenses for which it received $21.4 million in pandemic funding for the period, excluding flow-through pandemic pay for frontline staff.

In addition, the Company received retroactive government assistance in the amount of $15.3 million with respect to pandemic expenses incurred in 2020 in excess of available funding. This amount was recognized in Q1 2021 and led to the recovery of a substantial portion of the net pandemic expenses incurred in 2020. Notwithstanding this retroactive funding, our financial results continue to be impacted by the extraordinary expenses incurred to manage the pandemic, including investments in additional staffing, PPE, property infrastructure and senior healthcare expertise. We expect this elevated level of expense to gradually decline as the pandemic subsides.

As we are unable to predict with certainty the duration and scope of the pandemic, it is not possible to reliably estimate the length and severity of COVID-19 related impacts on the financial results and operations of the Company. Please refer to the "Risk Factors" section of this MD&A for more information.

COVID-19 Cases During and Subsequent to Q1 2021

COVID-19 cases started to rise sharply across Canada in March, in particular in some of the most densely populated regions, including the Greater Toronto Area ("**GTA**") where over half of Sienna's long-term care portfolio is located.

At the same time, active cases across Sienna's long-term care and retirement communities have decreased significantly since the beginning of 2021 and have remained low during the third wave of the pandemic. This is largely attributed to high vaccination rates in our LTC and Retirement Residences and continued stringent IPAC protocols. As of May 11, 2021, 10 residences of Sienna's 83 owned or managed residences have active COVID-19 cases, including one retirement and nine long-term care residences. Sienna has no active COVID-19 cases across any of its residences in BC, and only three active resident cases across its portfolio in Ontario. This marks a significant improvement and represents a 99% decline since the beginning of 2021.

Vaccinations

Staff, residents and family caregivers in LTC and retirement homes were at the top of the priority list for the roll-out of vaccines in Canada. Over the past months, we have seen the evidence of the vaccination efficacy first hand with a significant decline in COVID-19 outbreaks across our residences.

According to our most recent vaccination data, 95% of our residents and 74% of our team members received at least one dose of vaccine.

While we strongly believe that the vaccine is our best line of defense against this pandemic, its overall effectiveness will ultimately depend on numerous factors, including vaccination rates across the wider community, the effectiveness of the vaccines with respect to new variants of the virus, and waning of immunity, to name a few.

Vigilant IPAC measures and protocols will therefore remain in place across Sienna's residences for the foreseeable future.

Management of COVID-19 - Long-term Care

In Q1 2021, the Company's long-term care portfolio, which comprises 6,868 beds in Ontario and British Columbia, contributed approximately 59% to the Company's overall NOI, excluding the impact of net pandemic recovery.

Over half of Sienna's LTC beds are located in the GTA, the most densely populated and one of the most severely affected regions in Canada. Of these beds, approximately 1,643 beds are in older Class B/C properties, representing approximately 74% of Sienna’s Class B/C portfolio in Ontario.

During Q1 2021, Sienna incurred $23.5 million of pandemic expenses in the LTC segment, for which it received $19.9 million in pandemic funding for the period, excluding flow-through pandemic pay for frontline staff and the retroactive pandemic funding of $15.3 million received in Q1 2021 for pandemic expenses incurred during 2020.

Government Funding

The Governments of Ontario and British Columbia have provided funding for incremental COVID-19 costs in addition to ongoing long-term care funding for nursing and personal care, programming, food and accommodation. Except for accommodation, all government funding, including COVID-19 pandemic related funding, is required to be spent entirely on resident care and is subject to a periodic reconciliation process prescribed by the applicable regulatory authorities. Any excess funding amounts not spent directly on resident care or pandemic expenses are required to be returned to the government.

As outlined in detail under the "First Quarter 2021 Summary" section in this MD&A, certain pandemic expenses are not funded or exceed the funding provided by the various governments and have been reflected in the Company's results.

During Q1 2021, the Government of Ontario made two major funding announcements. On January 5, 2021, it announced an additional $398 million in funding for costs related to enhanced staff and visitor testing requirements and continued COVID-19 prevention and containment efforts. Furthermore, on March 24, 2021, it announced an additional $650 million to protect long-term care residents as part of its 2021-22 budget, increasing total funding announced to date to approximately $2.1 billion.

In addition, the Federal Government announced $3 billion in funding over the next five years to support long-term care across Canada's provinces and territories in its budget on April 19, 2021, with more details expected to follow.

For LTC residences in both Ontario and British Columbia, the Company continues to receive full funding for vacancies caused by the temporary closure of admissions due to an outbreak, including COVID-19. The Government of Ontario extended its occupancy protection funding for vacancies and multi-bed rooms with capacity limitations to a maximum of two residents per room until August 31, 2021.

The current funding protection does not compensate for the loss of preferred accommodation premiums from private and semi-private room vacancies. The impact of the loss of preferred accommodation revenues was $1.1 million for the three months ended March 31, 2021.

Given the long waiting list of approximately 38,500 for LTC beds across Ontario, we anticipate the gradual resumption of admissions and the achievement of occupancy targets required for full funding as the occupancy protection funding ends.

Management Agreements with Hospitals

Sienna had entered into voluntary management agreements with hospital partners to provide expertise and resources in mitigating the impact of COVID-19 in a number of LTC residences, all of which have concluded during or subsequent to the end of Q1 2021.

Working with the hospitals, we have implemented additional measures, processes, and protocols pursuant to provincial and public health directives and requirements, to care for and protect our residents and staff. We plan to continue our active engagement with our hospital partners to provide enhanced integrated care for our residents.

Recommendations issued by Ontario's Auditor General and Ontario’s Long-term Care COVID-19 Commission

On April 28, 2021, Ontario's Auditor General issued a report which included findings on pandemic readiness and response in long-term care. Following on April 30, 2021, the Ontario Long-Term Care COVID-19 Commission ("**Commission**"), an independent commission investigating the pandemic in Ontario's long-term care system, released its final report. Both reports highlight systemic issues the Ontario's long-term care sector has been facing for many years.

We were able to share our experience and observations during the pandemic with the Commission, whose recommendations to the Government of Ontario are expected to help shape and strengthen the future of long-term care. Recommendations include the need for additional staffing, enhanced IPAC training, continued prioritization of PPE, stronger medical leadership, enhanced collaboration with health care partners, and the urgent need to redevelop and expand homes to meet growing societal need.

The Ontario Government has already started to implement a number of the recommended improvements, including attracting, supporting and training new talent in the workforce. At Sienna, we have also taken numerous steps recommended by the Commission, including stronger medical leadership, increased focus on family communication and enhanced IPAC training.

Management of COVID-19 - Retirement

While COVID-19 impacted the Company's Retirement operations, its impact on the Company has been less severe across our Retirement portfolio than our LTC portfolio since the onset of the pandemic.

Sienna's Retirement portfolio, which comprises 3,287 suites across Ontario and British Columbia, contributed approximately 41% to the Company's NOI, excluding the impact of net pandemic expenses, in Q1 2021.

During Q1 2021, Sienna incurred $2.2 million of pandemic expenses in the Retirement segment, for which it received $1.4 million in pandemic funding for the period, excluding flow-through pandemic pay for frontline staff.

Retirement Operations Update

During and subsequent to Q1 2021, our sales and marketing teams continued with intensified sales activities across our Retirement portfolio, connecting with thousands of prospective residents. We have also been focused on continued process improvements with respect to our marketing and sales platform to increase efficiency and productivity.

We made significant investments in online lead generation by increasing our social media visibility and driving more qualified online traffic to our website. These efforts have resulted in a substantial increase of our online lead database. During the first quarter of 2021, online leads have increased by approximately 50% compared to Q1 2020. Initiatives to support occupancy also include a referral program in each of our retirement residences, redesigned sales incentive programs and an enhanced outreach strategy to thousands of prospective residents. Marketing and sales initiatives have been further supported by the use of virtual tours of our residences, enabling prospective residents to experience our communities amid renewed access restrictions.

All of these efforts resulted in a 10% increase in rent deposits compared to Q1 2020 and a 19% increase compared to Q4 2020, supporting a slowing occupancy decline.

As we look beyond the pandemic, a slowdown in the future supply of retirement residences coupled with an aging population is expected to support the retirement sector's outlook going forward.

Government Funding

Both the Governments of Ontario and British Columbia have provided funding for the retirement sector to support costs in connection with social visitations, single work sites, additional screening and staffing, and IPAC measures.

The Company received a $1.0 million allocation as part of a commitment announced by the Government of Ontario in March 2021 to provide an additional $30 million to help the retirement sector cover COVID-19 related costs such as hiring, training, testing, sanitizing residences and purchasing supplies to prevent and contain the spread of infection.

Staffing Update

The staffing challenges experienced by the seniors' living sector prior to the COVID-19 pandemic have been exacerbated during the pandemic.

We enhanced our pandemic staffing strategy to support our team members and ensure continuity of care for our residents. Staffing needs are met internally through regionally focused, centralized talent acquisition teams and are further supported by external agencies who provide short-term, ready-to-deploy qualified personnel.

On April 23, 2021, the Government of Ontario announced that fully immunized frontline staff will be able to work at more than one location to safely support additional staffing capacity across the healthcare sector. With 45% of our team members fully vaccinated, this change should provide a significant improvement with respect to Sienna's current staffing needs.

As previously announced, the Government of Ontario confirmed in its most recent budget in March 2021 that it will increase the hours of direct care for each LTC resident to an average of four hours per day, supported by government funding for LTC operators, which is expected to be fully implemented by 2024/25. This represents a significant increase compared to the approximately 2.8 hours of direct care currently mandated.

As part of our ongoing talent acquisition strategy, we continue to collaborate with educational and government institutions and intensified our social media campaigns. We have also increased our focus on team member mental health, including managing stress, gaining resilience and avoiding burnout. We offer a variety of facilitated and self-paced programs in addition to providing resource materials and access to employee assistance programs.

We continue to focus on workplace diversity and bringing together a multitude of perspectives through a diverse leadership team that reflects our overall workforce. 54% of Sienna's leadership team, including five of the Company's 10 executive officers, and one third of the Company's independent board members are female. In addition, 30% of its senior executives identify as Black, Indigenous or People of Colour.

Pandemic Pay

Effective October 1, 2020, the Government of Ontario committed support for personal support workers through a temporary wage increase of $3/hour until June 30, 2021, which recognized their extraordinary efforts and helped to stabilize staffing during the second wave of the pandemic.

For the quarter ended March 31, 2021, the temporary pandemic pay for front-line staff in Ontario and British Columbia amounted to $4.8 million for the Company's LTC residences and $0.5 million for the Company's Retirement Residences, which was fully funded by the Governments of Ontario and British Columbia.

Development Update

Development and Redevelopment of Long-Term Care in Ontario

The Government of Ontario is committed to invest approximately $2.6 billion dollars over the next four years to build more long-term care beds in order to support its goal to add capacity in high need areas, to develop campuses of care and for the redevelopment of existing beds, including the elimination of three- and four-bed ward rooms.

The investment is tailored to account for regional differences in land and other construction costs. In addition, development grants of 10% to 17%, depending on geographic location and home size, will further help cover upfront costs.

Sienna's development plans include over $600 million in capital investments to redevelop its Ontario Class C long-term care portfolio through new and upgraded facilities over the next five to seven years. This is a major opportunity for Sienna and its shareholders to invest with purpose to enhance the quality of life for the seniors we serve and enrich the work environment of our team members. It is also an opportunity to address climate change with both our existing residences and our development portfolio as we adopt environmentally-friendly designs and install energy-efficient features, all with the goal to significantly reduce the environmental footprint of these homes.

The Company's development plans include a number of development projects in Ontario which are in advanced stages of planning and approval with regulatory and local authorities. Two of these projects, which we have prioritized based on the needs identified in these communities, are expected to proceed to the construction phase by the end of 2021, beginning with a previously announced 160-bed development in North Bay to replace the existing 148 older Class C beds. The capital investment for this development is expected to be approximately $52 million to $55 million, with an expected development yield of approximately 8.0%.

Development of a Joint Venture Retirement Residence

Sienna's development of a retirement residence in Niagara Falls is progressing well with construction scheduled to start in Q2 2021. The estimated total capital investment is $49 million to $51 million, with an expected development yield of approximately 7.5%. Sienna’s share of this 150-suite greenfield joint venture development is 70%.

Non-IFRS Performance Measures

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

"**NOI**" is defined as property revenue and government assistance related to the pandemic 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 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, which includes restructuring costs, and presents finance charges on a cash interest basis. Management of the Company is of the view that OFFO is a relevant measure of the operating performance of the Company.

"**AFFO**" is defined as OFFO plus the principal portion of construction funding received and amounts received for revenue guarantees, less actual maintenance and unfunded pandemic capital expenditures. 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.

"**EBITDA**" is defined as net income excluding interest, taxes, depreciation and amortization. EBITDA is relevant in understanding the Company's ability to service its debt, finance capital expenditures and pay dividends to shareholders.

"**Adjusted EBITDA**" is defined as EBITDA, adjusted for construction funding proceeds and non-recurring items.

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

"**Pandemic expenses**" are defined as extraordinary operating expenses incurred in prevention and control of COVID-19.

"**Pandemic capital expenditures**" are defined as capital improvements directly contributing to improved IPAC to manage the pandemic.

NOI, FFO, OFFO, AFFO, EBITDA and Adjusted EBITDA 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 payout ratio, which is calculated using dividends per share divided by basic AFFO per share, to ensure the Company adheres to its dividend policy, in line with the Company's objectives.
- **Debt to Enterprise Value Ratio:** This ratio measures the Company's total debt against its enterprise value, which is calculated as the Company's market capitalization and total debt net of the Company's cash and cash equivalents.
- **Debt to Gross Book Value**: In conjunction with the debt service coverage ratio, management of the Company monitors this ratio to ensure compliance with certain financial covenants.
- **Weighted Average Cost of Debt**: This is a point in time calculation which is useful in comparing interest rates, either period over period, or to market rates.
- **Debt to Adjusted EBITDA Ratio**: This ratio measures the number of years required for current cash flows to repay all indebtedness.
- **Interest Coverage Ratio**: Interest coverage ratio is a common measure used to assess an entity's ability to service its debt obligations.
- **Debt Service Coverage Ratio**: This ratio is useful for management of the Company to ensure it is in compliance with its financial covenants.
- **Weighted Average Term to Maturity**: This indicator is used by management of the Company to monitor its debt maturities.
- **Same Property**: Measures with "same property" are similar to "same-store" measures used in the retail business and are intended to measure the period over period performance of the same asset base. The same property portfolio excludes acquired properties owned for less than one year and assets undergoing new development, redevelopment or demolition. Properties undergoing new

development or redevelopment are considered "same property" once they are operating at stabilized occupancy levels.

- **Development**: The development portfolio includes properties undergoing new development or redevelopment until they are operating at stabilized occupancy levels.

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

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

	Three Months Ended		
Thousands of Canadian dollars, except occupancy, share and ratio data	**2021**	2020	Change
OCCUPANCY			
Retirement - Average same property occupancy[1][2]	**78.1 %**	85.1 %	(7.0%)
Retirement - As at same property occupancy[1][2]	**78.6 %**	84.5 %	(5.9%)
Retirement - As at total occupancy[1][2]	**78.2 %**	83.6 %	(5.4%)
LTC - Average total occupancy[3]	**80.3 %**	97.9 %	(17.6%)
LTC - Average private occupancy	**78.2 %**	97.3 %	(19.1%)
FINANCIAL			
Revenue	**161,228**	165,627	(4,399)
Operating expenses, net	**116,961**	129,116	(12,155)
Same property NOI[4]	**44,101**	36,436	7,665
Total NOI[4]	**44,267**	36,511	7,756
EBITDA[5]	**35,948**	33,737	2,211
Net income (loss)	**10,143**	(2,496)	12,639
OFFO[6]	**25,343**	24,418	925
AFFO[7]	**26,430**	25,584	846
Total assets[8]	**1,616,357**	1,718,716	(102,359)
PER SHARE INFORMATION			
OFFO per share[6]	**0.378**	0.365	0.013
AFFO per share[7]	**0.394**	0.382	0.012
Dividends per share	**0.234**	0.234	—
Payout ratio[9]	**59.4 %**	61.3 %	(1.9)%

Thousands of Canadian dollars, except occupancy, share and ratio data	Three Months Ended 2021	2020	Change
FINANCIAL RATIOS			
Debt to enterprise value[10]	50.1 %	55.6 %	(5.5%)
Debt to gross book value as at period end	46.0 %	46.9 %	(0.9)%
Weighted average cost of debt as at period end	3.3 %	3.6 %	(0.3%)
Debt to Adjusted EBITDA as at period end	6.2	6.8	(0.6)
Interest coverage ratio	4.7	4.2	0.5
Debt service coverage ratio	2.7	2.1	0.6
Weighted average term to maturity as at period end	4.5	4.4	0.1
CHANGE IN SAME PROPERTY NOI[4]			
Retirement			(19.4%)
LTC			52.2%
Total			21.0%

Notes:

1. Retirement same property occupancy excludes the results from the expansion at Island Park Retirement Residence, which opened in July 2019 and is in lease-up. Retirement total average occupancy is 77.7% for Q1 2021 (2020 - 84.2%).
2. The year-over-year declines in Retirement occupancy are primarily related to a decline in new residents moving in due to the general impact of the COVID-19 pandemic, including access restrictions.
3. Long-term care residences are receiving occupancy protection funding for vacancies caused by temporary closure of admissions due to an outbreak, including COVID-19, and for capacity limitations of two beds per room as residents cannot be placed in rooms with three or four beds.
4. NOI for Q1 2021 includes net pandemic (recovery) expenses of $(11,027) (2020 - $104), respectively (as discussed in the "Impact of COVID-19 on the Company" section of this MD&A).
5. EBITDA for Q1 2021 increased by $2,211 to $35,948 compared to Q1 2020 primarily due to the net pandemic recovery of $9,907, offset by lower Retirement revenues of $1,806 and lower LTC preferred accommodation revenues of $1,123 primarily due to occupancy.
6. OFFO for Q1 2021 includes an after-tax net pandemic (recovery) expense of $(7,275) (2020 - $99) and mark-to-market recovery on share-based compensation of $(25) (2020 - $(2,541)). OFFO per share for the three months ended March 31, 2021 excluding after-tax net pandemic recovery and net mark-to-market recovery on share-based compensation will decrease by $0.109 to $0.269 (2020 - decrease by $0.037 to $0.328).
7. AFFO for Q1 2021 includes net pandemic capital expenditures of $417 (2020 - $nil), after-tax net pandemic (recovery) expense of $(7,275) (2020 - $99) and mark-to-market recovery on share-based compensation of $(25) (2020 - $(2,541)). AFFO per share for the three months ended March 31, 2021 excluding net pandemic capital expenditures and after-tax net pandemic recovery and net mark-to-market recovery on share-based compensation will decrease by $0.102 to $0.292 (2020 - decrease by $0.037 to $0.345).
8. Property and equipment and intangible assets included in total assets are measured at cost less accumulated depreciation and amortization.
9. Payout ratio for Q1 2021 excluding after-tax net pandemic recovery and net mark-to-market recovery on share-based compensation would be 80.1% (2020 - 61.3%).
10. Debt to enterprise value decreased by 550 bps to 50.1% as at March 31, 2021 from 55.6% as at March 31, 2020. The increase is mainly due to the increase in Sienna's share price.

A significant number of Key Performance Indicators have been impacted by pandemic expenses, net of government assistance. The following table represents the Key Performance Indicators excluding net pandemic (recovery) expenses for the periods ended March 31:

	Three Months Ended		
Thousands of Canadian dollars, except occupancy, share and ratio data	**2021**	2020	Change
FINANCIAL			
Operating expenses, excluding net pandemic (recovery) expenses(1)	**127,988**	129,012	(1,024)
Same property NOI, excluding net pandemic (recovery) expenses(1)	**33,074**	36,540	(3,466)
Total NOI, excluding net pandemic (recovery) expenses(1)	**33,240**	36,615	(3,375)
EBITDA, excluding net pandemic (recovery) expenses(2)	**26,041**	33,872	(7,831)
Net income (loss), excluding net pandemic (recovery) expenses(3)	**2,868**	(2,397)	5,265
OFFO, excluding net pandemic (recovery) expenses(3)(5)	**18,068**	24,517	(6,449)
AFFO, excluding net pandemic (recovery) expenses(4)(5)	**19,572**	25,683	(6,111)
PER SHARE INFORMATION			
OFFO per share, excluding net pandemic (recovery) expenses(3)(5)(6)	**0.269**	0.366	(0.097)
AFFO per share, excluding net pandemic (recovery) expenses and net pandemic capital expenditures(4)(5)(7)	**0.292**	0.383	(0.091)
Payout ratio, excluding net pandemic (recovery) expenses and net pandemic capital expenditures(8)	**80.1 %**	61.1 %	19.0 %
FINANCIAL RATIOS			
Debt to Adjusted EBITDA as at period end, excluding net pandemic (recovery) expenses(9)	**8.4**	6.8	1.6
Interest coverage ratio, excluding net pandemic (recovery) expenses(9)	**3.5**	4.3	(0.8)
Debt service coverage ratio, excluding net pandemic (recovery) expenses and net pandemic capital expenditures(9)	**2.1**	2.1	—
CHANGE IN SAME PROPERTY NOI, excluding net pandemic (recovery) expenses			
Retirement			(14.9%)
LTC			(5.3%)
Total			(9.5%)

Notes:

1. Operating expenses, same property NOI and total NOI for the three months ended March 31, 2021 exclude net pandemic (recovery) expenses of $(11,027) (2020 - $104).
2. EBITDA for the three months ended March 31, 2021 excludes net pandemic (recovery) expenses of $(9,907) (2020 - $135).
3. Net income (loss) and OFFO for the three months ended March 31, 2021 exclude after-tax net pandemic (recovery) expenses of $(7,275) (2020 - $99).
4. AFFO for the three months ended March 31, 2021 excludes after-tax net pandemic (recovery) expenses of $(7,275) and net pandemic capital expenditures of $417 (2020 - $99 and $nil, respectively).
5. OFFO and AFFO for the three months ended March 31, 2021 include an after-tax mark-to-market recovery on share-based compensation of $(25) (2020 - $(2,541)).
6. OFFO per share for the three months ended March 31, 2021 excluding after-tax net pandemic recovery and mark-to-market recovery on share-based compensation will decrease by $0.109 to $0.269 (2020 - decrease by $0.037 to $0.328).
7. AFFO per share for the three months ended March 31, 2021 excluding net pandemic capital expenditures and after-tax net pandemic recovery and mark-to-market recovery on share-based compensation will decrease by $0.102 to $0.292 (2020 - decrease by $0.037 to $0.345).
8. Payout ratio for Q1 2021 excluding after-tax net pandemic impact and mark-to-market on share-based compensation after tax would be 80.1% (2020 - 61.3%).
9. Debt to Adjusted EBITDA, interest coverage ratio and debt coverage ratio for the three months ended March 31, 2021 and 2020 exclude net pandemic (recovery) expenses of $(9,907) and $135, respectively.

First Quarter 2021 Summary

Sienna has taken extensive precautions to manage the COVID-19 pandemic. The impact of the pandemic on our operational and financial performance will depend on certain developments, including the duration and scope of the outbreak, available government funding and impacts on our residents, employees and suppliers, all of which cannot be accurately predicted. We expect an increased level of expenses for the foreseeable future as we continue to fight COVID-19 and we expect that the incremental expenses will moderate once the pandemic subsides. Although it is impossible to ascertain the ultimate impacts of COVID-19 at this time, with our financial profile including significant liquidity, we are well positioned to navigate in the current environment. In addition, the rollout of vaccines to the general population is progressing and overall fundamentals for seniors' living remain strong. An aging population, long waiting lists for long-term care and a slowdown in the future supply of retirement residences are all expected to support our sector's outlook.

Occupancy - Average occupancy in the LTC portfolio was 80.3% in Q1 2021. Long-term care residences represent 58.8% of Sienna's portfolio, based on Q1 2021 net operating income excluding net pandemic recovery, which are fully funded for vacancies caused by temporary closure of admissions due to an outbreak, including COVID-19, and for capacity limitations of two beds per room as residents cannot be placed in rooms with three or four beds. The Government of Ontario has announced that the occupancy protection funding will be in place for long-term care residences until August 31, 2021. Effective September 1, 2021, as new admissions gradually resume, occupancy targets of 97% for long-stay beds and 90% for interim short-stay beds, excluding unavailable beds as a result of capacity limitations in multi-bed rooms and the provision of isolation rooms, will be reinstated.

Average same property occupancy in the Retirement portfolio was 78.1% in Q1 2021 and ended the quarter higher at 78.6%.

The following table provides an update on the monthly average same property occupancy and rent collections in our Retirement portfolio.

	January 2021	February 2021	March 2021	April 2021
Retirement same property occupancy (average)	78.6 %	78.1 %	77.7 %	77.9 %
Retirement rent collection (%)	99.3 %	99.1 %	99.0 %	98.8 %

The decrease in occupancy during Q1 2021 is primarily related to a decline in new residents moving in due to the impact of the COVID-19 pandemic, including access restrictions. Subsequent to Q1 2021, Retirement monthly same property occupancy improved modestly from 77.7% in March to 77.9% in April, reflecting numerous marketing and sales initiatives, offset by the impact of the third wave of COVID-19. Rent collections remained high and consistent with pre-pandemic level.

Revenue decreased by 2.7% in Q1 2021, or $4,399, to $161,228, compared to Q1 2020. In the Retirement segment, the decrease of $1,806 in Q1 2021 compared to Q1 2020 was mainly a result of lower occupancy, partially offset by annual rental rate increases in line with market conditions. LTC's revenues for Q1 2021 decreased by $2,593 compared to Q1 2020, as a result of $716 of government funding, which would have typically been included in LTC revenues, being recorded against eligible operating expenses related to the pandemic, and lower LTC preferred accommodation revenue from lower occupancy in private and semi-private rooms and timing of flow-through funding, partially offset by annual inflationary funding increases. Q1 2021 rent collection levels have remained similar to past experience.

Operating Expenses, net decreased by 9.4% in Q1 2021, or $12,155, to $116,961, compared to Q1 2020. The decrease was mainly a result of net pandemic recovery of $11,759 in the LTC segment, as a result of the timing of government assistance related to pandemic expenses incurred during the year ended December 31, 2020, and timing of expenses associated with flow-through funding in the LTC segment, partially offset by annual inflationary labour cost increases and higher property expenses.

Net Pandemic Expenses decreased by $10,042 to a net recovery of $9,907 in Q1 2021, compared to Q1 2020. The net pandemic recovery for Q1 2021 was mainly due to government assistance of $15,342 in the LTC segment received in Q1 2021 to cover a portion of the pandemic expenses incurred during the year ended December 31, 2020, partially offset by investments in higher levels of staffing, PPE, IPAC supplies and advisory fees to support the management of the pandemic.

There are various programs and financial assistance provided by the governments to support pandemic expenses. The following table summarizes the government assistance to Sienna and expenses recognized related to COVID-19 included in net operating expenses in the Company's consolidated statements of operations for the three months and year ended March 31, 2021:

Thousands of Canadian dollars	**Three months ended March 31, 2021**				Three months ended March 31, 2020
	Retirement	**LTC**	**Administrative**	**Total**	Total
Government assistance - temporary pandemic pay	521	4,824	—	5,345	—
Government assistance	1,438	35,285	—	36,723	810
Total government assistance	**1,959**	**40,109**	**—**	**42,068**	810
Pandemic labour - temporary pandemic pay	521	4,824	—	5,345	—
Pandemic labour	1,592	19,260	—	20,852	547
Personal protective equipment	377	1,704	—	2,081	280
Other	201	2,562	1,120	3,883	118
Total pandemic expense	**2,691**	**28,350**	**1,120**	**32,161**	945
Total net pandemic (recovery) expenses	**732**	**(11,759)**	**1,120**	**(9,907)**	135

In addition to the government assistance and pandemic expenses listed in the table above, for the three months ended March 31, 2021, the Company has recognized pandemic capital expenditures in its interim consolidated statements of financial position of $9,422 (2020 - $nil), reduced by government assistance of $9,005 (2020 - $nil).

Pandemic expenses are mainly related to additional staffing, temporary pandemic pay programs for team members and PPE. Other pandemic expenses for the Retirement and LTC residences include investments in cleaning supplies for IPAC, meals and accommodations to support team members. Furthermore, other pandemic expenses recorded in administrative costs include advisory fees to support the management of the pandemic.

During Q1 2021, the Government of Ontario announced additional pandemic funding to support long-term care homes with infection prevention and containment efforts for the period April 1, 2020 to December 31, 2020, for which the Company received $15,342 in Q1 2021 to support the pandemic expenses incurred during the year ended December 31, 2020. If the $15,342 of retroactive pandemic funding was recognized in the year ended December 31, 2020, the LTC segment's net pandemic expenses in 2020 would have decreased to $2,638. The following table summarizes the retroactive pandemic funding received in Q1 2021 and the impact thereof if recognized in the year ended December 31, 2020:

Thousands of Canadian dollars	
Total net pandemic expenses in LTC segment incurred during the year ended December 31, 2020	17,980
Government assistance received in Q1 2021 for pandemic expenses incurred during the year ended December 31, 2020	15,342
Total net pandemic expenses in LTC segment if government assistance received in Q1 2021 was recognized in the year ended December 31, 2020	**2,638**

NOI increased by 21.2% in Q1 2021, or $7,756, to $44,267, compared to Q1 2020, mainly due to net pandemic recovery of $11,027, as a result of $15,342 retroactive pandemic funding received in Q1 2021 related to pandemic expenses incurred in excess of available funding during the year ended December 31, 2020. Excluding net pandemic recovery, NOI decreased by 9.2% in Q1 2021, or $3,375, to $33,240 mainly due to lower Retirement occupancy levels, lower LTC preferred accommodation revenue from lower occupancy in private and semi-private rooms, annual inflationary labour cost increases and higher property expenses, partially offset by annual rental rate increases in Retirement and annual inflationary funding increases in LTC.

Net income was $10,143 for Q1 2021, representing an increase of $12,639 in net income over the comparable prior year period. The increase was primarily related to net pandemic recovery, annual rental rate increases in Retirement and the fair value gain on interest rate swap contracts, partially offset by lower Retirement occupancy levels, lower preferred accommodation revenues in LTC and higher income taxes. Excluding net pandemic recovery after taxes, net income was $2,868 for Q1 2021, representing an increase of $5,265 in net income compared to Q1 2020.

OFFO increased by 3.8% in Q1 2021, or $925, to $25,343 over the comparable prior year period. OFFO per share increased by 3.6% in Q1 2021, or $0.013, to $0.378 over the comparable prior year period. The increase was primarily due to net pandemic recovery as a result of the timing of government assistance related to pandemic expenses, partially offset by, lower Retirement occupancy, annual inflationary increases in labour costs and higher property expenses. Excluding after-tax net pandemic recovery, OFFO would be lower by 26.3% in Q1 2021, or $6,448, to $24,517 over the comparable prior year period. OFFO per share, excluding net pandemic recovery, would be lower by 26.5% in Q1 2021, or $0.097, to $0.269 over the comparable prior year period.

AFFO increased by 3.3% in Q1 2021, or $846, to $26,430 over the comparable prior year period. AFFO per share increased 3.1% in Q1 2021, or $0.012, to $0.394 over the comparable prior year period. The increase was primarily related to the increase in OFFO noted above, timing of maintenance capital expenditures and net pandemic capital expenditures. Excluding after-tax net impact from pandemic expenses and net pandemic capital expenditures, AFFO would be lower by 23.1% in Q1 2021, or $6,111 to $19,572 in Q1 2021.

AFFO per share, excluding net pandemic recovery and net pandemic capital expenditures, would decrease by 23.9% in Q1 2021, or $0.092, to $0.292 over the comparable prior year period.

Debt - The Company's debt to gross book value decreased by 90 bps to 46.0% in Q1 2021 from 46.9% in Q1 2020; debt to adjusted EBITDA decreased to 6.2 years in Q1 2021 from 6.8 years in Q1 2020; interest coverage ratio increased to 4.7 times in Q1 2021 from 4.2 times in Q1 2020; and debt service coverage ratio increased to 2.7 times in Q1 2021 from 2.1 times in Q1 2020. Excluding net pandemic recovery, debt to adjusted EBITDA increased to 8.4 years from 6.8 years in Q1 2020; interest coverage ratio decreased to 3.5 times in Q1 2021 compared to 4.3 in Q1 2020; and debt service coverage ratio remained the same at 2.1 times in Q1 2021. The Company lowered its weighted average cost of debt to 3.3% in Q1 2021 from 3.6% in Q1 2020.

Our debt is well distributed between unsecured and secured debentures, credit facilities, conventional mortgages and Canada Mortgage and Housing Corporation (**"CMHC"**) insured mortgages.

Equity - With respect to the Company’s equity, we continue to suspend our dividend reinvestment plan in order to prevent dilution at the current share price given increased stock market volatility.

Outlook

Sienna has taken extensive precautions to manage the impact of the COVID-19 pandemic. The extent of the impact on our operational and financial performance in 2021 and beyond will depend on numerous factors, including the speed of the vaccine roll-out across the wider population in Canada, the arrival and impact of new variants of the virus, prolonged lock-downs resulting in continued access restrictions at our residences and the general economic recovery. While we anticipate an increased level of expenses for the foreseeable future, we expect that incremental expenses will moderate as the pandemic subsides.

In Sienna's Retirement portfolio, we forecast occupancy in the first half of 2021 to remain below historic levels as COVID-19 access restrictions continue to impact occupancy, in particular with respect to residences located in COVID-19 hotspots. Based on our assumption that restrictions at our Retirement Residences will ease, we forecast gradual occupancy improvements during the second half of the year, supported by anticipated pent-up demand and our continued investment in our sales and marketing initiatives.

Occupancy in Sienna's LTC portfolio is expected to gradually improve in the coming months as admissions resume and occupancy protection funding expires. Excluding the impact of net pandemic expenses or recoveries, we expect the financial performance of the Company’s LTC portfolio in 2021 to be slightly below 2020. Our internal forecasts are based on the impact of new and prolonged access restrictions during the third wave of the pandemic on preferred accommodation revenues and additional investments to elevate resident experience.

Given the long waiting list of approximately 38,500 for LTC beds across Ontario, we expect to achieve occupancy targets required for full funding over the next few months as new admissions gradually resume and the occupancy protection funding expires. Our assumptions also include the continued availability of funding for vacant beds in multi-bed rooms as a result of capacity limitations and the provision of isolation rooms.

In addition to our development and redevelopment plans, we are also committing to upgrade our existing residences with IPAC enhancements and elevate the experience of our residents and the work environment for our team members. In 2021, we plan to invest an additional $2 million in one-time capital upgrades on top of our regular annual maintenance capital expenditures.

Although it is impossible to ascertain the ultimate impacts of COVID-19 on the Company's operating results at this time, we remain optimistic as we look beyond the pandemic. The anticipated economic recovery, the positive impact of early vaccinations in the seniors living sector and the return to a more stable operating environment all support the outlook for our Company.

Our Vision, Mission and Values

Our Vision

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

Our Mission

To help you live fully, every day.

Our Values

Respect

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

Passion

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

Teamwork

To honour someone's voice and advocate for their choice, it's up to every one of us to communicate, collaborate, and support one another. We're in this together - co-workers, volunteers, physicians and 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 resident care and experience, and develop a high-performing team and workplace culture built on shared values and a commitment to quality and innovation, while focusing on priorities that translate into long-term accretive growth for the Company's shareholders. A range of services and programs are provided at the seniors' living residences based on an individual's needs and level of independence. A general and broad description of these services is detailed below:

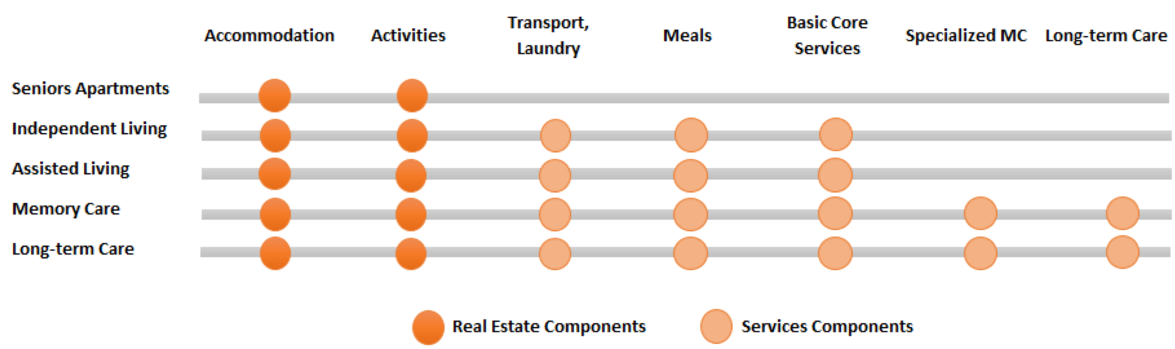
- **Independent Living ("IL")**: IL provides the privacy and freedom of home combined with the convenience and security of on-call assistance and a maintenance-free environment. Residents typically have the option of purchasing à la carte services including meal packages, housekeeping, transportation and laundry. It is typically apartment-style accommodation with a full kitchenette and is private-pay. Tenure may be rental or some form of ownership, such as owned condominiums.

- **Independent Supportive Living ("ISL")**: ISL is designed for seniors who pay for services such as 24-hour response, housekeeping, laundry, meals, transportation and accommodation as part of a total monthly private-pay fee or rental rate. These residents require little or no assistance with daily living activities but benefit from the social setting and meal preparation. Some residences include a minimum amount of daily care but primarily this level of accommodation is for the senior who can live more independently with the option of additional care and services available on an as needed basis. Accommodation is studio, one or two bedroom units with kitchenettes.

- **Assisted Living ("AL"):** AL is intended for frail seniors who need assistance with daily living activities but do not require skilled nursing care. While most of AL is provided as private-pay, some residences deliver AL services through private-pay or government funded home care services.

- **Memory Care ("MC"):** MC serves seniors with memory impairment, Alzheimer's or other forms of dementia. Mild cases of dementia are typically suitably addressed within secure AL accommodation suites in a dedicated area within the residence, or more broadly throughout the residence. Moderate to severe cases require dedicated accommodation suites and specialized and more intensive care.

- **Long-term Care**: LTC is for those who are not able to live independently and require assistance with the activities of daily living and care, including skilled nursing care on a daily basis. Eligibility for access to a LTC home is based on a person's assessed care requirements and is determined and arranged through government agencies. The resident pays for the accommodation as set by the government and the government typically pays for care, programs and supplies. In most provinces, there is a waiting period for access to LTC accommodations. In certain provinces, there are also LTC homes providing entirely private-pay accommodations and are subject to the same regulatory oversight.



Source: NIC Investment Guide.

Company Strategy and Objectives

Sienna's strategic objectives are summarized below. While many of the Company's long-term objectives remain unchanged, Sienna's key focus is the health and safety of residents, team members and their families during the COVID-19 pandemic.

Strong Operating Platform:

Sienna strives to provide quality resident experiences and build and retain a high performing team and great culture. Sienna has always prioritized the health and safety of our residents and team members, and has been proactive and diligent in implementing measures aimed at limiting the spread of COVID-19 since the onset of the pandemic:

- Strengthening the Company's healthcare expertise to enhance and implement the Company's infection prevention and other precautionary measures aimed at minimizing the spread of COVID-19 and other outbreaks, including the addition of a Chief Medical Officer to Sienna's leadership team;
- Collaborating with all levels of government, sector associations, regulatory authorities and others to help shape and implement policies and protocols to manage COVID-19;
- Recruiting, retaining and developing a high performing and engaged team with an increased focus on training and re-education of staff members; and
- Increasing communication and improving transparency with residents, families and key stakeholders.

Maintaining Solid Balance Sheet and Liquidity:

The Company's long-term strategy and objectives with respect to a strong and beneficial capital structure remain unchanged. In response to the current uncertainties with respect to COVID-19, a stable level of liquidity remains a key priority during the pandemic.

- Maintaining liquidity (measured as available funds from existing credit facilities plus available cash on hand) to manage cash flow requirements in the foreseeable future;
- Financing for LTC and Retirement development programs while managing to maintain healthy debt metrics;
- Creating a 10-year debt maturity ladder to reduce refinancing risk and enhance the ability to refinance at favourable rates;
- Maintaining a stable investment grade "BBB" credit rating for Sienna;
- Maintaining a pool of unencumbered assets; and
- Maintaining a diversified debt portfolio to provide the Company with additional financial flexibility to achieve Sienna's growth objectives.

Growing the Company:

As we emerge from the pandemic, we will gradually resume efforts in our long-term growth plan.

Organic Growth:

- Growing Sienna's portfolio organically through improving occupancy and expanding services to meet resident needs;
- Maintaining existing assets with preventative maintenance and ongoing capital improvements;
- Continuing to invest in Sienna's team culture and operating platform to deliver quality resident experiences; and
- Intensifying branding, communications and marketing programs.

Acquisition and Development:

- Redevelopment of older LTC homes in key Ontario markets through new and upgraded facilities;
- Strategic and disciplined acquisitions of high-quality seniors' living residences in key markets in Canada;
- Developing free-standing retirement residences with joint venture partners in certain markets with adequate projected demand; and
- Expanding seniors' living capacity in existing Retirement Residences with excess land.
- Entering into strategic partnerships to develop LTC campuses providing integrated care.

Environmental, Social and Governance (ESG) Responsibility

Sienna's commitment to corporate social responsibility continued during the pandemic with a focus on protecting and supporting residents and staff and in particular those serving seniors across the country, as outlined throughout this MD&A. We continue our focus on bringing together a multitude of perspectives, and attracting and retaining a diverse leadership team that reflects our overall workforce is a key objective. 54% of Sienna's leadership team, including five of the Company's 10 executive officers, and one third of the Company's independent board members are female. In addition, 30% of its senior executives identify as Black, Indigenous or People of Colour.

During Q1 2021, Sienna established an ESG Committee comprising senior leaders of the Company and published its first ESG Report. For more information on Sienna's ESG initiatives, including its ESG Report and ESG Committee Charter, please refer to the ESG section on Sienna's website under https://www.siennaliving.ca. While this marked the beginning of a more structured and proactive approach, ESG practices across Sienna's operations have long been integrated into our overall strategy and daily business practices.

On April 7, 2021, as part of our ongoing commitment to supporting the communities we service across Canada, we formed our Sienna for Seniors Foundation ("**Foundation**"). The Foundation, an evolution of Sienna's charitable giving program, will further expand our ongoing commitment to support those who need it most and to partner with others who serve the communities where we are located. The Foundation will allow us to raise and give funds for a variety of important causes in both Ontario and British Columbia.

In connection with an enhanced focus on supporting mental health and wellness in the communities we serve, Sienna made a $250 thousand donation to Scarborough Health Network (**"SHN"**) in support of its new mental health hub which will provide quality care to seniors.

On May 11, 2021, the Company made an additional $0.1 million contribution to the CaRES Fund, increasing its corporate and Board of Director's contributions to approximately $0.7 million. The CaRES Fund, which provides one-time financial grants to eligible employees of long-term care and retirement operators in Canada who are facing extraordinary circumstances amid the COVID-19 crisis, was launched by Sienna and a number of sector peers. The Fund has helped nearly 800 frontline staff with over $2.4 million in emergency financial assistance to date.

Industry Overview

Please refer to the Company's MD&A and AIF for the year ended December 31, 2020 for a discussion of the Industry Overview.

Business of the Company

Please refer to the Company's AIF for the year ended December 31, 2020 for a discussion of the Business Overview.

Quarterly Financial Information

	2021	2020				2019		
Thousands of Canadian dollars, except occupancy, per share and ratio data	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	161,228	168,834	166,850	162,922	165,627	172,160	167,947	165,957
Operating expenses, net	116,961	140,181	137,895	131,031	129,116	134,303	127,785	126,028
Income (loss) before net finance charges, transaction costs and provision for (recovery of) income taxes	18,599	(962)	(295)	1,152	14,405	11,693	15,495	14,809
Net income (loss)	10,143	(8,729)	(6,484)	(6,778)	(2,496)	1,112	3,763	2,230
Per share basic and diluted	0.151	(0.130)	(0.097)	(0.101)	(0.037)	0.017	0.057	0.034
OFFO	25,343	14,156	13,624	16,699	24,418	22,754	24,208	23,602
Per share basic	0.378	0.211	0.203	0.249	0.365	0.340	0.364	0.356
OFFO, excluding net pandemic (recovery) expenses	18,068	19,820	20,774	24,513	24,517	22,754	24,208	23,602
Per share, excluding net pandemic (recovery) expenses	0.269	0.296	0.310	0.366	0.366	0.340	0.364	0.356
AFFO	26,430	13,174	14,187	16,623	25,584	20,883	24,492	24,428
Per share basic	0.394	0.196	0.212	0.248	0.382	0.313	0.368	0.368
AFFO, excluding net pandemic (recovery) expenses	19,572	18,895	20,926	24,437	25,683	20,883	24,492	24,428
Per share, excluding net pandemic (recovery) expenses	0.292	0.281	0.313	0.365	0.383	0.313	0.368	0.368
Dividends declared	15,687	15,687	15,687	15,687	15,671	15,626	15,483	15,241
Per share	0.234	0.234	0.234	0.234	0.234	0.234	0.233	0.230
Occupancy								
Retirement - Average total occupancy	77.7 %	80.7 %	80.7 %	82.2 %	84.2 %	85.0 %	85.8 %	88.4 %
Retirement - As at total occupancy	78.2 %	79.2 %	82.8 %	80.8 %	83.6 %	84.7 %	85.1 %	87.3 %
LTC - Average total occupancy	80.3 %	84.8 %	87.4 %	92.6 %	97.9 %	98.2 %	98.2 %	98.3 %
LTC - Average private occupancy	78.2 %	83.3 %	86.3 %	91.6 %	97.3 %	97.9 %	98.0 %	98.1 %
Debt to enterprise value as at period end	50.1 %	52.1 %	57.8 %	63.9 %	55.6 %	43.7 %	43.0 %	39.7 %
Debt to gross book value as at period end	46.0 %	48.2 %	47.3 %	48.5 %	46.9 %	46.0 %	46.5 %	46.6 %
Debt to Adjusted EBITDA as at period end	6.2	9.4	8.9	8.6	6.8	6.7	6.6	6.7
Debt to Adjusted EBITDA, excluding net pandemic (recovery) expenses, as at period end	8.4	7.5	7.2	7.9	6.8	6.7	6.6	6.7
Interest coverage ratio	4.7	2.8	2.5	3.0	4.2	3.7	4.0	4.0
Interest coverage ratio, excluding net pandemic (recovery) expenses, as at period end	3.5	3.7	3.6	4.1	4.3	3.7	4.0	4.0
Total assets[1]	1,616,357	1,678,129	1,733,832	1,834,675	1,718,716	1,692,600	1,708,163	1,715,479
Total debt	964,873	1,032,624	1,028,854	1,096,902	996,126	956,312	965,113	962,742
Weighted average shares outstanding	67,039,123	67,039,123	67,039,123	67,039,123	66,940,538	66,749,273	66,566,747	66,384,395

Notes:

1. Property and equipment and intangible assets included in total assets are measured at cost less accumulated depreciation and amortization.

The Company's quarterly financial results are impacted by various factors including, but not limited to, pandemic related funding and expenses, occupancy levels, timing of operating expenses and maintenance capital expenditures, seasonality of utility expenses, timing of resident co-payment increases, timing of funding rate increases or additional funding, the timing of past acquisitions, and capital market and financing activities. For Q1 2021, the Company’s results have been impacted by timing of government assistance received related to pandemic expenses and pandemic capital, lower occupancy, higher property expenses and the fair value adjustments on interest rate swap contracts.

The Company's total asset base has decreased from $1,718,716 as at Q1 2020 to $1,616,357 as at Q1 2021, and its debt to gross book value decreased from 46.9% as at Q1 2020 to 46.0% as at Q1 2021. Due to net pandemic recovery, the debt to adjusted EBITDA decreased to 6.2 years as at Q1 2021 from 6.8 years as at Q1 2020, and the interest coverage ratio increased to 4.7 times as at Q1 2021 from 4.2 times as at Q1 2020.

A discussion of the operating results for the three months ended March 31, 2021 compared to the same period in the prior year is provided in the section "Operating Results".

Operating Results

Retirement

The Company's Retirement portfolio consists of 27 Retirement Residences, five of which are located in British Columbia and 22 of which are located in Ontario. Our Retirement portfolio operates in well located markets and generated 22.4% of the Company's total revenues and 41.2% of its total NOI excluding net pandemic recovery in Q1 2021.

Long-term Care

The Company's LTC portfolio consists of 43 LTC Residences, 8 of which are located in British Columbia and 35 of which are located in Ontario. Our LTC portfolio contributed 77.6% of the Company's total revenues and generated 58.8% of its total NOI excluding net pandemic recovery in Q1 2021.

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

	Three Months Ended		
Thousands of Canadian dollars	**2021**	2020	Change
Revenue	**161,228**	165,627	(4,399)
Expenses			
Operating, net	**116,961**	129,116	(12,155)
Depreciation and amortization	**17,349**	19,332	(1,983)
Administrative	**8,311**	2,730	5,581
Share of net loss in joint venture	**8**	44	(36)
	142,629	151,222	(8,593)
Income before net finance charges, transaction costs and provision for (recovery of) income taxes	**18,599**	14,405	4,194
Net finance charges	**4,238**	16,781	(12,543)
Transaction costs	**516**	1,013	(497)
Total net finance charges and transaction costs	**4,754**	17,794	(13,040)
Income (loss) before provision for (recovery of) income taxes	**13,845**	(3,389)	17,234
Provision for (recovery of) income taxes			
Current	**2,980**	1,537	1,443
Deferred	**722**	(2,430)	3,152
	3,702	(893)	4,595
Net income (loss)	**10,143**	(2,496)	12,639
Total assets	**1,616,357**	1,718,716	(102,359)
Total debt (net of principal reserve fund)	**964,873**	996,126	(31,253)

Net Operating Income Consolidated

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

Thousands of Canadian dollars	Three Months Ended **2021**	2020	Change
Revenue			
Same property	**160,808**	165,379	(4,571)
Development[(1)]	**420**	248	172
Total Revenue	**161,228**	165,627	(4,399)
Operating Expenses, net			
Same property	**127,734**	128,839	(1,105)
Same property - net pandemic (recovery) expenses[(2)]	**(11,027)**	104	(11,131)
Development[(1)]	**254**	173	81
Total Operating Expenses, net	**116,961**	129,116	(12,155)
NOI			
Same property[(2)]	**44,101**	36,436	7,665
Development[(1)]	**166**	75	91
Total NOI	**44,267**	36,511	7,756

Notes:

1. Includes the financial results of the 57-suite expansion at Island Park Retirement Residence, which opened in July 2019 and is in lease-up.
2. For the three months ended March 31, 2021, includes government assistance related to the pandemic of $42,068 (2020 - $810) and incremental pandemic related expenses of $31,041 (2020 - $914), resulting in net pandemic (recovery) expense of $(11,027) (2020 - $104). Government assistance related to the pandemic is recognized to the extent that eligible expenses have been incurred and funding allocations are determined.

First Quarter 2021 Operating Results

The Company's total same property revenues for Q1 2021 decreased by $4,571 to $160,808, compared to Q1 2020. Retirement's same property revenues for Q1 2021 decreased by $1,978 to $35,636, compared to Q1 2020, primarily due to lower occupancy, partially offset by annual rental rate increases in line with market conditions. Retirement's development revenues were $420 for Q1 2021 (2020 - $248), representing the revenues from the 57-suite expansion at Island Park Retirement Residence completed during Q3 2019. LTC's revenues for Q1 2021 decreased by $2,593 to $125,172, compared to Q1 2020, as $716 of government funding, which would have typically been included in LTC revenues, has been recorded against eligible operating expenses related to the pandemic, lower preferred accommodation revenue of $1,123 from lower occupancy in private and semi-private rooms and timing of flow-through funding, partially offset by annual inflationary funding increases.

The Company's total same property operating expenses, excluding net pandemic recovery of $11,027, for Q1 2021 decreased by $1,105 to $127,734, compared to Q1 2020. Retirement same property operating expenses, excluding net pandemic expenses of $732, for Q1 2021 increased by $386 to $22,111, compared to Q1 2020, primarily due to higher property expenses. Retirement's development operating expenses were $254 for Q1 2021 (2020 - $173). LTC's operating expenses, excluding net pandemic recovery of $11,759, for Q1 2021 decreased by $1,491 to $105,623, compared to Q1 2020, mainly due to timing of expenses associated with flow-through funding, partially offset by annual inflationary labour cost increases and higher property expenses.

The Company's total same property NOI for Q1 2021 increased by $7,665 to $44,101, compared to Q1 2020, mainly due to net pandemic recovery of $11,027, as a result of $15,342 retroactive pandemic funding received in Q1 2021 related to pandemic expenses incurred in excess of available funding during the year ended December 31, 2020. Retirement's same property NOI for Q1 2021 decreased by $3,072 to $12,793, compared to Q1 2020, mainly due to net pandemic expenses of $732, lower occupancy and higher property expenses, partially offset by annual rental rate increases. Retirement's development Q1 2021 NOI was $166 (2020 - $75). LTC's NOI for Q1 2021 increased by $10,737 to $31,308 compared to Q1 2020, primarily due to net pandemic recovery of $11,759 as a result of the timing of government assistance related to pandemic expenses, and annual inflationary funding increases, partially offset by annual inflationary labour cost increases and higher property expenses.

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

Net Operating Income by Segment

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

Retirement

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

	Three Months Ended		
Thousands of Canadian dollars	**2021**	2020	Change
Retirement Revenue			
Same property	**35,636**	37,614	(1,978)
Development[1]	**420**	248	172
Total Retirement Revenue	**36,056**	37,862	(1,806)
Retirement Expenses, net			
Same property	**22,111**	21,725	386
Same property - net pandemic expenses[2]	**732**	25	707
Development[1]	**254**	173	81
Total Retirement Expenses, net	**23,097**	21,923	1,174
Retirement NOI			
Same property[2]	**12,793**	15,864	(3,071)
Development[1]	**166**	75	91
Total Retirement NOI	**12,959**	15,939	(2,980)

Notes:

1. Includes the financial results of the 57-suite expansion at Island Park Retirement Residence, which opened in July 2019 and is in lease-up.
2. Includes government assistance related to the pandemic of $1,959 (2020 - $75) and incremental pandemic related expenses of $2,691 (2020 - $100), resulting in net pandemic expenses of $732 (2020 - $25) for the three months ended March 31, 2021. Government assistance related to the pandemic is recognized to the extent that eligible expenses have been incurred and funding allocations are determined.

First Quarter 2021 Retirement Results

Retirement's same property revenues for Q1 2021 decreased by $1,978 to $35,636, compared to Q1 2020, primarily attributable to lower occupancy, partially offset by annual rental rate increases in line with market conditions.

Retirement's same property operating expenses, excluding net pandemic expenses, for Q1 2021 increased by $386 to $22,111, compared to Q1 2020, primarily due to higher property expenses. Net pandemic expenses for Q1 2021 were $732 (2020 - $25).

Retirement's same property NOI for Q1 2021 decreased by $2,980 to $12,959, compared to Q1 2020. Excluding net pandemic expenses, Retirement's same property NOI for Q1 2021 decreased by $2,365 to $13,524, compared to Q1 2020.

Long-term Care

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

	Three Months Ended		
Thousands of Canadian dollars	**2021**	2020	Change
Long-term Care Revenue			
Same property	**125,172**	127,765	(2,593)
Total Long-term Care Revenue	**125,172**	127,765	(2,593)
Long-term Care Expenses, net			
Same property	**105,623**	107,114	(1,491)
Same property - net pandemic (recovery) expenses[1]	**(11,759)**	79	(11,838)
Total Long-term Care Expenses, net	**93,864**	107,193	(13,329)
Long-term Care NOI			
Same property[1]	**31,308**	20,572	10,736
Total Long-term Care NOI	**31,308**	20,572	10,736

Notes:

1. Includes the government assistance related to the pandemic of $40,109 (2020 - $735) and incremental COVID-19 related operating expenses of $28,350 (2020 - $814), resulting in net pandemic (recovery) expense of $(11,759) (2020 - $79) for the three months ended March 31, 2021. Government assistance related to the pandemic is recognized to the extent that eligible expenses have been incurred and funding allocations are determined.

First Quarter 2021 Long-term Care Results

LTC's revenues for Q1 2021 decreased by $2,593 to $125,172, compared to Q1 2020, as $716 of government funding, which would have typically been included in LTC revenues, has been recorded against eligible operating expenses related to the pandemic, lower preferred accommodation revenue of $1,123 from lower occupancy in private and semi-private rooms and timing of flow-through funding, partially offset by annual inflationary funding increases.

Excluding net pandemic recovery, LTC's operating expenses for Q1 2021 decreased by $1,491 to $105,623, compared to Q1 2020, mainly due to timing of expenses associated with flow-through funding, partially offset by annual inflationary labour cost increases and higher property expenses. Net pandemic recovery (expenses) for Q1 2021 were $11,759 (2020 - $(79)).

LTC's NOI for Q1 2021 increased by $10,736 to $31,308, compared to Q1 2020. Excluding net recovery of pandemic expenses, LTC's NOI for Q1 2021 decreased by $1,102 to $19,549, compared to Q1 2020.

Depreciation and Amortization

First Quarter 2021

Depreciation and amortization for Q1 2021 decreased by $1,983 to $17,349, compared to Q1 2020, due to completion of the amortization of resident relationships.

Administrative Expenses

	Three months ended March 31,		
Thousands of Canadian dollars	**2021**	2020	Change
General and administrative expenses	**6,885**	5,700	1,185
Pandemic expenses	**1,120**	31	1,089
Share-based compensation	**306**	(3,001)	3,307
Total administrative expenses	**8,311**	2,730	5,581

First Quarter 2021

Administrative expenses for Q1 2021 increased by $5,581 to $8,311, compared to Q1 2020, primarily due to an increase of $3,307 in share-based compensation expense from mark-to-market adjustments, increase in pandemic expenses of $1,089, which include advisory fees to support the management of the pandemic, and an increase in employee costs to strengthen the Company's operating platform to deliver a quality resident experience.

Share of Net Loss in Joint Venture

First Quarter 2021

For Q1 2021, the Company's share of net loss in a joint venture of $8 is related to the development of a retirement residence in Niagara Falls, Ontario.

Net Finance Charges

Thousands of Canadian dollars	Three months ended March 31, 2021	2020	Change
Finance costs			
Interest expense on mortgages	**3,986**	4,659	(673)
Interest expense on debentures	**2,588**	3,645	(1,057)
Interest expense on credit facilities	**929**	283	646
Interest expense on right-of-use assets	**17**	23	(6)
Amortization of financing charges and fair value adjustments on acquired debt	**728**	524	204
Amortization of loss on bond forward contract	**—**	217	(217)
Fair value (gain) loss on interest rate swap contracts	**(3,411)**	8,400	(11,811)
	4,837	17,751	(12,914)
Finance income			
Interest income on construction funding receivable	**353**	468	(115)
Other interest income	**246**	502	(256)
	599	970	(371)
Net finance charges	**4,238**	16,781	(12,543)

First Quarter 2021

Net finance charges for Q1 2021 decreased by $12,543 to $4,238, compared to Q1 2020, primarily attributable to the fair value gain on interest rate swap contracts and a decrease in interest expense on long-term debt. In Q1 2020, the Bank of Canada decreased the overnight rate to support the Canadian economy as a result of the COVID-19 pandemic. As the country continues to navigate through the pandemic, interest rates have begun to rise in anticipation of an increase in the overnight rate in 2022. The resulting increase in interest rates had a positive fair value impact on the valuation of the Company's interest rate swap contracts during Q1 2021.

Transaction Costs

First Quarter 2021

Transaction costs for Q1 2021 decreased by $497 to $516 compared to Q1 2020 primarily attributable to fewer transaction activities.

Income Taxes

First Quarter 2021

Income tax expense for Q1 2021 increased by $4,595 to $3,702, compared to Q1 2020. The current income tax expense for Q1 2021 increased by $1,443 to $2,980 compared to Q1 2020, primarily attributable to an increase in NOI due to timing of government assistance. The current income tax expense has been calculated at the weighted average combined corporate tax rate of 26.57% (2020 - 26.57%). The deferred income tax expense for Q1 2021 increased by $3,152 to $722 compared to Q1 2020, primarily attributable to fair value adjustments on interest rate swap contracts.

Business Performance

Adjusted Funds from Operations

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

	Three Months Ended		
Thousands of Canadian dollars, except share and per share data	**2021**	2020	Change
Net income (loss)	**10,143**	(2,496)	12,639
Deferred income tax expense (recovery)	**722**	(2,430)	3,152
Depreciation and amortization	**16,422**	18,399	(1,977)
Transaction costs	**516**	1,013	(497)
Fair value loss on interest rate swap contracts	**(3,411)**	8,400	(11,811)
Funds from operations (FFO)	**24,392**	22,886	1,506
Depreciation and amortization - corporate	**927**	933	(6)
Amortization of financing charges and fair value adjustments on acquired debt	**728**	524	204
Amortization of loss on bond forward contract	**—**	217	(217)
Net settlement payment on interest rate swap contracts	**(704)**	(83)	(621)
Tax shield due to the settlement of the bond-lock hedge	**—**	(59)	59
Restructuring costs	**—**	—	—
Other interest income	**—**	—	—
Operating funds from operations (OFFO)	**25,343**	24,418	925
Construction funding	**2,707**	2,690	17
Maintenance capital expenditures	**(1,203)**	(1,524)	321
Net pandemic capital expenditures	**(417)**	—	(417)
Adjusted funds from operations (AFFO)	**26,430**	25,584	846
Adjusted funds from operations (AFFO)	**26,430**	25,584	846
Dividends declared	**(15,687)**	(15,671)	(16)
AFFO retained	**10,743**	9,913	830
FFO per share	**0.364**	0.342	0.022
OFFO per share	**0.378**	0.365	0.013
AFFO per share	**0.394**	0.382	0.012
Weighted average common shares outstanding	**67,039,123**	66,940,538	

First Quarter 2021 Performance

For Q1 2021, FFO increased by $1,506 to $24,392, compared to Q1 2020. The increase was primarily due to net pandemic recovery, as a result of the timing of government assistance related to pandemic expenses, and annual rental rate increases in Retirement, partially offset by lower Retirement occupancy, lower preferred accommodation revenue in the LTC segment, annual inflationary increases in labour costs and higher property expenses.

For Q1 2021, OFFO increased by $925 to $25,343, compared to Q1 2020. The increase was primarily attributable to the increase in FFO noted above.

For Q1 2021, AFFO increased by $846 to $26,430, compared to Q1 2020. The increase in AFFO was principally related to the increase in OFFO noted above and pandemic capital expenditures in excess of related government assistance and timing of maintenance capital expenditures.

Construction Funding

The Company receives construction funding subsidies from the Government of Ontario on a per bed per diem basis to support the costs of developing or redeveloping an eligible LTC home. There are several eligibility requirements, including receiving approval from the Ministry of Long-Term Care (**"MLTC"**) on the development or redevelopment and completing the construction in accordance with a development agreement signed with the MLTC. This funding is non-interest bearing, and is received subject to the condition that the residences continue to operate as long-term care residences for the period for which they are entitled to the construction funding. As at March 31, 2021, the condition for funding has been met.

The construction funding amount to reconcile from OFFO to AFFO represents the change in the construction funding receivable balance, which consists of the cash to be received, offset by the interest income on the construction funding receivable recognized in "net income". For the years ending December 31, 2021 through 2024, and thereafter, the Company estimates that the construction funding amount will be as follows:

Thousands of Canadian dollars	Construction funding interest income(1)	Construction funding principal(2)	Total construction funding to be received
2021	1,284	9,779	11,063
2022	875	9,104	9,979
2023	553	6,236	6,789
2024	356	3,084	3,440
2025	263	1,879	2,142
Thereafter	854	5,916	6,770
	4,185	**35,998**	**40,183**

Notes:

1. The interest income relates to interest accretion resulting from the construction funding receivable that was initially measured at fair value and subsequently measured at amortized cost using the effective interest method.
2. The construction funding principal received is an adjustment to reconcile from OFFO to AFFO.

For the three months ended March 31, 2021, interest income on construction funding of $353 (2020 - $468) was recognized, and an adjustment of $2,707 (2020 - $2,690) was made to AFFO for construction funding principal received.

Maintenance Capital Expenditures

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

	Three Months Ended	
Thousands of Canadian dollars	**2021**	2020
Building improvements	**306**	490
Mechanical and electrical	**271**	97
Suite renovations and common area maintenance	**314**	578
Communications and information systems	**34**	25
Furniture, fixtures and equipment	**278**	334
Total maintenance capital expenditures	**1,203**	1,524

Building Improvements

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

Mechanical and Electrical

Mechanical and electrical expenditures include the costs for heating, air conditioning and ventilation systems, generators, boilers and pumps.

Suite Renovations and Common Area Maintenance

Suite renovations and common area maintenance are expenditures to maintain the marketability of the Company's properties. Flooring and carpeting replacements are often done in conjunction with suite renovations.

Communication and Information Systems

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

Furniture, Fixtures and Equipment

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

Reconciliation of Cash Flow from Operations to Adjusted Funds from Operations

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

	Three Months Ended		
Thousands of Canadian dollars	**2021**	2020	Change
Cash provided by operating activities	**18,891**	13,818	5,073
Construction funding principal	**2,707**	2,690	17
Transaction costs	**516**	1,013	(497)
Tax shield due to settlement of the bond-lock hedge	**—**	(59)	59
Maintenance capital expenditures	**(1,203)**	(1,524)	321
Net pandemic capital expenditures	**(417)**	—	(417)
Net change in working capital, interest and taxes	**5,872**	9,599	(3,727)
Restricted share units recovery	**64**	47	17
Adjusted funds from operations (AFFO)	**26,430**	25,584	846
Adjusted funds from operations (AFFO)	**26,430**	25,584	846
Dividends declared	**(15,687)**	(15,671)	(16)
AFFO retained	**10,743**	9,913	830
Dividend reinvestment	**—**	3,393	(3,393)
AFFO retained after dividend reinvestment	**10,743**	13,306	(2,563)

The excess of AFFO retained over dividends declared for the three months ended March 31, 2021 is primarily due to net pandemic recovery, as a result of timing of government assistance received related to pandemic expenses.

Refer to the "Cash Flow Analysis" section for details on the change from Q1 2020 to Q1 2021 on cash flow used in operating activities.

Financial Position Analysis

Balance Sheet Analysis

The following table summarizes the significant changes in assets, liabilities and equity for March 31, 2021 compared to December 31, 2020.

Thousands of Canadian dollars	**2021**	2020	Change
Total assets	**1,616,357**	1,678,129	(61,772)
Total liabilities	**1,173,983**	1,230,687	(56,704)
Total equity	**442,374**	447,442	(5,068)

Total assets decreased by $61,772 to $1,616,357 primarily due to a decrease in cash and cash equivalents, depreciation of property and equipment and amortization of resident relationships, partially offset by increase in government funding receivable.

Total liabilities decreased by $56,704 to $1,173,983 primarily due a decrease in long-term debt, including $63,000 of repayment on credit facilities, and offset by increase in accounts payable and accrued liabilities.

Total equity decreased by $5,068 to $442,374 primarily due to the payment of dividends and partially offset by the Company's net income for the quarter.

Cash Flow Analysis

The following table represents the summary of cash flows for the periods ended March 31, 2021:

	Three Months Ended		
Thousands of Canadian dollars	**2021**	2020	Change
Cash (used in) provided by:			
Operating activities	**18,891**	13,818	5,073
Investing activities	**(1,794)**	(640)	(1,154)
Financing activities	**(84,166)**	27,028	(111,194)
(Decrease) increase in cash and cash equivalents during the period	**(67,069)**	40,206	(107,275)
Cash and cash equivalents, end of period	**28,608**	60,982	(32,374)

First Quarter 2021

Cash flows provided by operating activities for the three months ended March 31, 2021 increased by $5,073 to $18,891 primarily due to timing of government assistance related to the pandemic, increase in accounts payable and accrued liabilities, decrease in accounts receivable and other assets and lower interest paid on long-term debt.

Cash flows used in investing activities for the three months ended March 31, 2021 increased by $1,154 to $1,794 primarily due to property and equipment purchases net of disposals and related government assistance.

Cash flows used in financing activities for the three months ended March 31, 2021 increased by $111,194 to $84,166 primarily due to repayment of credit facilities.

Liquidity and Capital Resources

Liquidity

The Company's primary source of liquidity is cash flow generated from operating activities. The Company expects to meet its operating cash requirements through fiscal 2021 and beyond, including required working capital, capital expenditures, and currently scheduled interest payments on debt through fiscal 2021 and beyond, from cash on hand, cash flow from operations, proceeds from refinancing its debt, its committed, but unutilized borrowing capacity and, if necessary, will pursue debt or equity financing to provide the Company with additional financial flexibility.

As at March 31, 2021, the Company's liquidity was $213,108, as follows:

Thousands of Canadian dollars	**March 31, 2021**	December 31, 2020
Cash and cash equivalents	**28,608**	95,677
Available funds from credit facilities	**184,500**	121,500
Total	**213,108**	217,177

As at March 31, 2021, the Company has drawn $24,000 from its credit facilities to provide the Company financial flexibility, which is reflected in cash and cash equivalents. The Company's liquidity was $220,445 as at May 12, 2021.

The Company had a working capital deficiency (current liabilities less current assets) of $188,262 as at March 31, 2021, primarily attributable to the current portion of long-term debt of $141,730, which includes the $100,000 Secured Credit Facility maturing in the fourth quarter of 2021. We expect to refinance the Secured Credit Facility with longer term financing. To support its working capital deficiency, the Company plans to utilize measures described above.

The Company has an unencumbered asset pool with a fair value of approximately $840,000 as at March 31, 2021 that can provide financial flexibility.

Debt

The Company's objectives are to access and maintain the lowest cost of debt with the most flexible terms available. The Company's debt strategy involves primarily unsecured debentures, conventional and CMHC insured mortgages, and unsecured and secured credit facilities.

The Company's goal is to continue to optimize its debt maturity schedule over a 10-year period in order to manage interest rate and financial risks. The Company's strategy is to build a 10-year debt maturity ladder by refinancing approximately 10% of its debt annually, which is equivalent to $96,487 as at March 31, 2021. In 2020, DBRS confirmed the "BBB" rating for the Series A Unsecured Debentures and Series B Unsecured Debentures. In addition, DBRS issued a "BBB" investment grade credit rating for the Company with a "Stable" trend.

The Company's total debt is comprised as follows:

Thousands of Canadian dollars	**March 31, 2021**	December 31, 2020
Series A Unsecured Debentures	**150,000**	150,000
Series B Unsecured Debentures	**175,000**	175,000
Credit facilities	**124,000**	187,000
Mortgages	**524,202**	529,492
Lease liability	**1,665**	1,817
	974,867	1,043,309
Fair value adjustments on acquired debt	**3,053**	3,177
Less: Deferred financing costs	**(13,047)**	(13,862)
Total debt	**964,873**	1,032,624

The Company's total debt as at March 31, 2021 was $964,873 (December 31, 2020 - $1,032,624). The decrease of $67,751 was primarily related to the repayments on the Unsecured Revolving Credit Facility (defined in the "Credit facilities" section of this MD&A). Subsequent to March 31, 2021, the Company repaid $4,000 of its credit facilities.

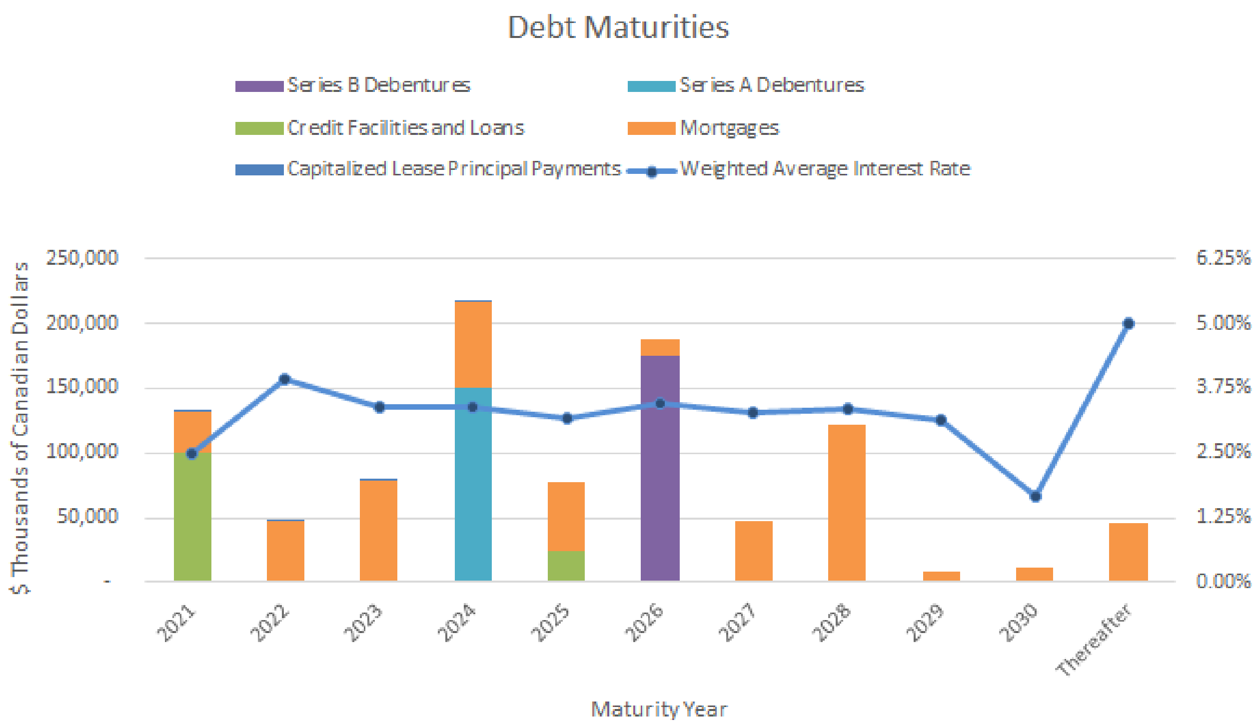
The following table summarizes the scheduled principal maturities of the Company's long-term debt commitments as at March 31, 2021:

Thousands of Canadian dollars, except interest rate					Mortgages				
Year	Series A Unsecured Debentures(1)	Series B Unsecured Debentures(2)	Credit Facilities(3)	Capitalized Lease Principal Payments(4)	Regular Principal Repayments	Principal Due at Maturity	Weighted Average Interest Rate on Maturing Mortgages	**Total**	Consolidated Weighted Average Interest Rate on Maturing Debt
2021	—	—	100,000	373	15,854	16,339	**2.95%**	**132,566**	2.50%
2022	—	—	—	494	19,605	28,169	**3.91%**	**48,268**	3.91%
2023	—	—	—	435	17,837	60,824	**3.38%**	**79,096**	3.38%
2024	150,000	—	—	363	16,049	50,104	**4.10%**	**216,516**	3.40%
2025	—	—	24,000	—	12,511	41,065	**3.78%**	**77,576**	3.14%
2026	—	175,000	—	—	12,544	—	**—%**	**187,544**	3.45%
2027	—	—	—	—	11,844	35,115	**3.30%**	**46,959**	3.30%
2028	—	—	—	—	6,809	115,703	**3.35%**	**122,512**	3.35%
2029	—	—	—	—	2,379	5,477	**3.13%**	**7,856**	3.13%
2030	—	—	—	—	1,410	9,230	**1.65%**	**10,640**	1.65%
Thereafter	—	—	—	—	11,921	33,413	**5.00%**	**45,334**	5.00%
	150,000	**175,000**	**124,000**	**1,665**	**128,763**	**395,439**	**3.56%**	**974,867**	3.31%
Fair value adjustments on acquired debt								**3,053**	
Less: Deferred financing costs								**(13,047)**	
Total Debt								**964,873**	

Notes:

1. The interest rate for the Series A Unsecured Debentures is 3.109%.
2. The interest rate for the Series B Unsecured Debentures is 3.45%.
3. The weighted average interest rate for credit facilities is 1.86%.
4. The weighted average interest rate for capitalized lease principal payments is 3.87% for each year.

The following graph provides a breakdown of the Company's debt maturities as at March 31, 2021:



Debentures

The Series A Senior Unsecured Debentures were issued on November 4, 2019, and bear interest at a rate of 3.109% per annum, payable semi-annually in May and November of each year and mature on November 4, 2024 (the "**Series A Unsecured Debentures**").

The Series B Senior Unsecured Debentures were issued on October 2, 2020, and bear interest at a rate of 3.45% per annum, payable semi-annually in February and August of each year and mature on February 27, 2026 (the "**Series B Unsecured Debentures**").

The balances related to the debentures are as follows:

Thousands of Canadian dollars	**March 31, 2021**	December 31, 2020
Series A Unsecured Debentures	**150,000**	150,000
Series B Unsecured Debentures	**175,000**	175,000
Less: Deferred financing costs	**(2,026)**	(2,137)
	322,974	322,863

Credit Facilities

The Company has a combined total borrowing capacity of $208,500 pursuant to its credit facilities and, as at March 31, 2021, has drawn $24,000 from the facilities providing the Company financial flexibility.

On March 19, 2020, the Company entered into a credit agreement for a $200 million senior unsecured revolving credit facility (the **"Unsecured Revolving Credit Facility"**). The Unsecured Revolving Credit Facility matures on March 19, 2025 and may be extended for additional one-year terms, subject to certain conditions. The capacity of the Unsecured Revolving Credit Facility may be increased by up to $50 million during the term of the facility, subject to certain conditions. Borrowings under the Unsecured Revolving Credit Facility can take place by way of BAs at 145 bps per annum over the floating BA rate, or at the Canadian prime rate plus 45 bps per annum. The Unsecured Revolving Credit Facility is subject to certain customary financial and non-financial covenants.

The Company has other property credit facilities totaling $8,500 that can be accessed for general corporate purposes.

As at March 31, 2021, the Company had drawn $24,000 under the Unsecured Revolving Credit Facility (2020 - $87,000). Subsequent to the quarter, the Company repaid $4,000 of its credit facilities.

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

Thousands of Canadian dollars	**March 31, 2021**	December 31, 2020
Credit facilities drawn	**24,000**	87,000
Less: Deferred financing costs	**(830)**	(1,092)
	23,170	85,908

As at May 12, 2021, the Company's borrowing capacity was $208,500 and amounts drawn from its credit facilities were $20,000.

On October 2, 2020, the Company entered into a credit agreement for a $100,000 secured credit facility (the "**Secured Credit Facility**"). The Secured Credit Facility matures on October 2, 2021 and may be extended for an additional one-year term, subject to certain conditions. Borrowings under the Secured Credit Facility can take place by way of BAs at 225 bps per annum over the floating BA rate, or at the Canadian prime rate plus 125 bps per annum. The credit facility is secured by the assets of three retirement residences, and is subject to certain customary financial and non-financial covenants. The Secured Credit Facility has been fully drawn as at March 31, 2021 and December 31, 2020.

Mortgages

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

The Company has low-cost mortgage financing with CMHC. As at March 31, 2021, 56% of the Company's total property-level mortgages were insured by CMHC, which is a year-over year increase of 5%.

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

Thousands of Canadian dollars	**March 31, 2021**	December 31, 2020
Mortgages at fixed rates	**370,521**	374,248
Mortgages at variable rates	**153,681**	155,244
Fair value adjustments on acquired debt	**3,053**	3,177
Less: Deferred financing costs	**(10,191)**	(10,633)
	517,064	522,036

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

	March 31, 2021			December 31, 2020
	Fixed Rate[1]	**Variable Rate**	**Total**	Total
Weighted average interest rate	3.58 %	1.67 %	**3.56 %**	3.56 %
Weighted average term to maturity (years)	5.5	0.2	**5.4**	5.6

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

Lease Liability

The lease liability as at March 31, 2021 of $1,665 represents the Company's lease on its office equipment and Markham corporate office space.

Credit Ratings

The Company's credit ratings for its debentures are summarized below:

Debt	Rating Agency	Credit Rating	Outlook
Series A Unsecured Debentures	DBRS	BBB	Stable
Series B Unsecured Debentures	DBRS	BBB	Stable

On September 14, 2020, Sienna confirmed its "BBB" investment grade credit rating with a "Stable" trend from DBRS for the Series A Unsecured Debentures. On October 2, 2020, DBRS issued a "BBB" investment grade credit rating with "Stable" trend for the Series B Unsecured Debentures.

Financial Covenants

The Company is in compliance with all financial covenants on its borrowings as at March 31, 2021. However, there can be no assurance that covenant requirements will be met at all times. If the Company does not remain in compliance, its ability to amend the covenants or refinance its debt could be adversely affected.

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

The Company's interest coverage ratio, debt service coverage ratio and debt to Adjusted EBITDA ratio includes net pandemic recovery (expenses) of $9,907 for the three months ended March 31, 2021 (2020 - $(135)).

Interest Coverage Ratio

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

	Three Months Ended	
Thousands of Canadian dollars, except ratio	**2021**	2020
Net finance charges	**4,238**	16,781
Add (deduct):		
Amortization of financing charges and fair value adjustments on acquired debt	**(728)**	(524)
Amortization of loss on bond forward contract	**—**	(217)
Interest income on construction funding receivable	**353**	468
Other interest income	**246**	502
Fair value gain (loss) on interest rate swap contracts	**4,115**	(8,317)
Net finance charges, adjusted	**8,224**	8,693
Adjusted EBITDA	**39,008**	36,895
Interest coverage ratio	**4.7**	4.2
Interest coverage ratio, excluding net pandemic (recovery) expenses	**3.5**	4.3

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

	Three Months Ended	
Thousands of Canadian dollars	**2021**	2020
Net income (loss)	**10,143**	(2,496)
Net finance charges	**4,238**	16,781
Provision for (recovery of) income taxes	**3,702**	(893)
Depreciation and amortization	**17,349**	19,332
Transaction costs	**516**	1,013
Proceeds from construction funding	**3,060**	3,158
Adjusted EBITDA	**39,008**	36,895
Adjusted EBITDA, excluding net pandemic (recovery) expenses	**29,101**	36,999

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. Adjusted EBITDA as referenced below, is presented in accordance with defined terms in certain covenant calculations. The following is the calculation for the periods ended March 31:

	Three Months Ended	
Thousands of Canadian dollars, except ratio	**2021**	2020
Net finance charges, adjusted	**8,224**	8,693
Principal repayments[1]	**5,442**	5,476
Principal reserve fund	—	1,716
Total debt service	**13,666**	15,885
Adjusted EBITDA	**39,008**	36,895
Deduct:		
Maintenance capital expenditures	**(1,203)**	(1,524)
Net pandemic capital expenditures	**(417)**	—
Cash income tax refunded (paid)	**169**	(1,800)
Adjusted EBITDA (for covenant calculations)	**37,557**	33,571
Debt service coverage ratio	**2.7**	2.1
Debt service coverage ratio, excluding net pandemic (recovery) expenses and net pandemic capital expenditures	**2.1**	2.1

Note:

1. During the three months ended March 31, 2021, the Company made voluntary payments of $63,000 (2020 - $37,000) 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, 2021.

	March 31	
Thousands of Canadian dollars, except ratio	**2021**	2020
Total indebtedness		
Series A Unsecured Debentures	**150,000**	150,000
Series B Unsecured Debentures	**175,000**	—
Series B Secured Debentures	**—**	287,000
Series B Secured Debentures - Principal reserve fund	**—**	(37,168)
Credit facilities	**124,000**	67,112
Mortgages	**524,202**	536,789
Lease liability	**1,665**	2,294
	974,867	1,006,027
Adjusted EBITDA	**156,032**	147,580
Debt to Adjusted EBITDA	**6.2**	6.8
Debt to Adjusted EBITDA, excluding net pandemic (recovery) expenses	**8.4**	6.8

Debt to Gross Book Value

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

	March 31	
Thousands of Canadian dollars, except ratio	**2021**	2020
Total indebtedness		
Series A Unsecured Debentures	**150,000**	150,000
Series B Unsecured Debentures	**175,000**	—
Series B Secured Debentures	**—**	287,000
Series B Secured Debentures - Principal reserve fund	**—**	(37,168)
Credit facilities	**124,000**	67,112
Mortgages	**524,202**	536,789
Lease liability	**1,665**	2,294
Total indebtedness	**974,867**	1,006,027
Total assets	**1,616,357**	1,718,716
Accumulated depreciation on property and equipment	**315,539**	269,764
Accumulated amortization on intangible assets	**187,510**	157,609
Gross book value	**2,119,406**	2,146,089
Debt to gross book value	**46.0 %**	46.9 %

Subsequent to March 31, 2021, the Company repaid $4,000 of its credit facilities. The pro forma debt to gross book value including this subsequent repayment is 45.8% as at March 31, 2021.

Equity

Share Capital

The Company is authorized to issue an unlimited number of common shares or preferred shares, without nominal or par value. The following table summarizes the common shares issued and outstanding:

Thousands of Canadian dollars, except shares	Common shares	Amount
Balance, January 1, 2020	66,839,013	875,051
Dividend reinvestment plan	200,110	3,393
Long-term incentive plan, net of loans receivable	—	46
Share-based compensation	—	26
Balance, December 31, 2020	67,039,123	878,516
Long-term incentive plan, net of loans receivable	—	151
Share-based compensation	—	325
Balance, March 31, 2021	**67,039,123**	**878,992**

On March 31, 2021, the Company received approval from the TSX to renew its notice of intention to make a normal course issuer bid ("NCIB") for a portion of the Company's common shares. Pursuant to the notice, the Company has the authority to acquire up to a maximum of 3,351,956 of its common shares for cancellation over the next 12 months. Purchases by the Company under the NCIB will be made through the facilities of the TSX or through a Canadian alternative trading system and in accordance with applicable regulatory requirements at a price per common share equal to the market price at the time of acquisition. The number of common shares that can be purchased pursuant to the NCIB is subject to a current daily maximum of 88,089 common shares, subject to the Company’s ability to make one block purchase of its common shares per calendar week that exceeds such limits. All common shares purchased by the Company under the NCIB will be cancelled upon purchase. The Company may begin to purchase shares on April 5, 2021 and the NCIB will terminate on April 4, 2022, or such earlier time as the Company completes its purchases pursuant to the NCIB or provides notice of intention.

No common shares were purchased pursuant to the Company's normal course issuer bids.

Dividends

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.

On March 18, 2020, the Company temporarily suspended the Dividend Reinvestment Plan ("DRIP") until further notice. Shareholders enrolled in the DRIP received dividend payments in cash, instead of common shares, starting with the dividend payable to shareholders of record as at March 31, 2020. The DRIP is subject to reinstatement at the discretion of the Board of Directors of the Company.

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

	Three Months Ended		
Thousands of Canadian dollars	**2021**	2020	Change
Cash flows from operating activities	**18,891**	13,818	5,073
AFFO	**26,430**	25,584	846
Dividends declared	**(15,687)**	(15,671)	(16)
Cash flows from operating activities over (under) dividends declared	**3,204**	(1,853)	5,057
AFFO retained	**10,743**	9,913	830

The excess of cash flows from operating activities over dividends declared for the three months ended March 31, 2021 is primarily attributable to timing of government assistance received related to pandemic expenses, and seasonality in the Company's operating results and changes in working capital balances which are expected to normalize during the course of the year. The Company believes that its current dividend level is sustainable. However, cash dividends are not guaranteed and may fluctuate with the performance of the Company.

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 determines and approves monthly dividends in advance on a quarterly basis.

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

Contractual Obligations and Other Commitments

Leases

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

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, 2020. New or changes in accounting policies are identified in Note 3 of the Company's interim consolidated financial statements for the three months ended March 31, 2021. Please refer to those interim consolidated financial statements for further details.

Significant Judgments and Estimates

The critical accounting estimates used by management in applying the Company's accounting policies and the key sources of estimation uncertainty are identified in Note 3 of the Company's annual audited consolidated financial statements for the year ended December 31, 2020. Changes in significant judgments and estimates are identified in Note 3 of the Company's interim consolidated financial statements for the three months ended March 31, 2021. Please refer to those interim consolidated financial statements for further details.

Risk Factors

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

Controls and Procedures

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

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

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

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

Forward-Looking Statements

This MD&A, and the documents incorporated by reference herein, contain forward-looking information that reflects management's current expectations, estimates and projections about the future results, performance, achievements, prospects or opportunities for the Company, the seniors' living sector and government funding as of the date of this MD&A. Forward-looking statements are based upon a number of assumptions and involve significant known and unknown risks and uncertainties, many of which are beyond our control, including the impact of the COVID-19 pandemic on Sienna's operations and financial condition, the seniors' living sector, the potential efficacy and availability of COVID-19 vaccines, and statements with respect to the Company's ability to refinance debt maturities, that could cause actual results to differ from those that are disclosed in or implied by such forward-looking statements. The words "plan","expect", "schedule", "estimates", "intends", "budgets", "anticipate", "projects", "forecasts", "believes", "continue", or variations of such words and phrases or statements to the effect that certain actions, events or results "may", "will", "could","should", "would","might" occur and other similar expressions, identify forward-looking statements. While we anticipate that subsequent events and developments may cause our views to change, we do not intend to update this forward-looking information, except as required by applicable securities laws. This forward-looking information represents our views as of the date of this MD&A and such information should not be relied upon as representing our views as of any date subsequent to the date of this document. We have based the forward-looking statements in this MD&A on information currently available to us and that we currently believe are based on reasonable assumptions. However, there may be factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. There can be no assurance that forward-looking information will prove to be accurate. Accordingly, readers should not place undue reliance on forward-looking information. These factors are not intended to represent a complete list of the factors that could affect the Company. See risk factors highlighted in materials filed with the securities regulators in Canada from time to time, including the Company's latest AIF.

Consolidated Financial Statements

Q1 2021 Report to Shareholders

Condensed Interim Consolidated Financial Statements

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited):

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

Thousands of Canadian dollars

	Notes	March 31, 2021	December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		**28,608**	95,677
Accounts receivable and other assets		**17,179**	18,092
Prepaid expenses and deposits		**6,821**	6,950
Government funding receivable	5	**20,563**	5,732
Construction funding receivable	5, 7	**9,313**	9,667
Interest rate swap contracts	5	**22**	—
Income taxes receivable		**4,353**	7,503
		86,859	143,621
Non-current assets			
Government funding receivable	5	**10,413**	908
Interest rate swap contracts	5	**95**	—
Restricted cash	6	**3,683**	3,411
Construction funding receivable	5, 7	**23,978**	26,331
Investment in joint venture	22	**4,779**	2,323
Property and equipment	8	**1,122,803**	1,132,071
Intangible assets	9	**196,081**	201,798
Goodwill		**167,666**	167,666
Total assets		**1,616,357**	1,678,129
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	**119,176**	108,692
Government funding payable	5	**12,719**	18,540
Current portion of long-term debt	5, 11	**141,730**	135,707
Interest rate swap contracts	5	**1,496**	2,226
		275,121	265,165
Non-current liabilities			
Long-term debt	5, 11	**823,143**	896,917
Deferred income taxes	13	**48,707**	47,985
Government funding payable	5	**13,503**	2,671
Share-based compensation liability	16	**8,627**	9,682
Interest rate swap contracts	5	**4,882**	8,267
Total liabilities		**1,173,983**	1,230,687
EQUITY			
Shareholders' equity		**442,374**	447,442
Total equity		**442,374**	447,442
Total liabilities and equity		**1,616,357**	1,678,129

Contingencies (Note 4)

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 Canadian dollars

	Notes	**Share capital**	**Contributed surplus**	**Shareholders' deficit**	**Accumulated other comprehensive income (loss)**	**Total shareholders' equity**
Balance, January 1, 2021		**878,516**	**203**	**(431,277)**	**—**	**447,442**
Issuance of shares	14	**—**	**—**	**—**	**—**	**—**
Net income		**—**	**—**	**10,143**	**—**	**10,143**
Other comprehensive loss		**—**	**—**	**—**	**—**	**—**
Long-term incentive plan	14	**151**	**—**	**—**	**—**	**151**
Share purchase loan	14	**325**	**—**	**—**	**—**	**325**
Dividends	14, 15	**—**	**—**	**(15,687)**	**—**	**(15,687)**
Balance, March 31, 2021		**878,992**	**203**	**(436,821)**	**—**	**442,374**

	Notes	Share capital	Contributed surplus	Shareholders' deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, January 1, 2020		875,051	203	(344,058)	(711)	530,485
Issuance of shares	14	3,393	—	—	—	3,393
Net loss		—	—	(2,496)	—	(2,496)
Other comprehensive income		—	—	—	152	152
Long-term incentive plan	14	12	—	—	—	12
Share purchase loan	14	7	—	—	—	7
Dividends	14, 15	—	—	(15,671)	—	(15,671)
Balance, March 31, 2020		878,463	203	(362,225)	(559)	515,882

See accompanying notes.

Condensed Interim Consolidated Statements of Operations
(Unaudited)

Thousands of Canadian dollars, except share and per share data

	Notes	Three months ended March 31, 2021	2020
Revenue	18, 21	**161,228**	165,627
Expenses			
Operating, net	4	**116,961**	129,116
Depreciation and amortization		**17,349**	19,332
Administrative	19	**8,311**	2,730
Share of net loss in joint venture	22	**8**	44
	20	**142,629**	151,222
Income before net finance charges, transaction costs and provision for (recovery of) income taxes		**18,599**	14,405
Net finance charges	12	**4,238**	16,781
Transaction costs		**516**	1,013
Total net finance charges and transaction costs		**4,754**	17,794
Income (loss) before provision for (recovery of) income taxes		**13,845**	(3,389)
Provision for (recovery of) income taxes			
Current		**2,980**	1,537
Deferred		**722**	(2,430)
	13	**3,702**	(893)
Net income (loss)		**10,143**	(2,496)
Net income (loss) per share	14	**$0.15**	($0.04)
Weighted average number of common shares outstanding	14	**67,039,123**	66,940,538

See accompanying notes.

Condensed Interim Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

Thousands of Canadian dollars

	Notes	Three months ended March 31, 2021	2020
Net income (loss)		**10,143**	(2,496)
Other comprehensive income			
Items that may be subsequently reclassified to the consolidated statements of operations:			
Amortization of loss on bond forward contracts, net of tax		—	152
Total comprehensive income (loss)		**10,143**	(2,344)

See accompanying notes.

Thousands of Canadian dollars

	Notes	Three months ended March 31, 2021	2020
OPERATING ACTIVITIES			
Net income (loss)		**10,143**	(2,496)
Add (deduct) items not affecting cash			
Depreciation of property and equipment	8	**11,437**	10,950
Amortization of intangible assets	9	**5,912**	8,382
Current income tax expense		**2,980**	1,537
Deferred income tax expense (recovery)		**722**	(2,430)
Share of net loss in joint venture	22	**8**	44
Share-based compensation expense (recovery)	16	**306**	(3,001)
Net finance charges	12	**4,238**	16,781
Gain on disposal of property and equipment	8	**—**	(102)
		35,746	29,665
Non-cash changes in working capital			
Accounts receivable and other assets		**1,436**	(1,466)
Prepaid expenses and deposits		**129**	(1,105)
Accounts payable and accrued liabilities		**8,806**	(4,816)
Government funding, net		**(44,944)**	1,114
		(34,573)	(6,273)
Interest paid on long-term debt		**(7,366)**	(10,241)
Net settlement payment on interest rate swap contracts		**(704)**	(83)
Income taxes refunded (paid)		**169**	(1,800)
Government assistance related to pandemic expenses	4	**25,619**	2,550
Cash provided by operating activities		**18,891**	13,818
INVESTING ACTIVITIES			
Purchase of property and equipment	4, 8	**(11,174)**	(2,281)
Government assistance related to pandemic capital expenditures	8	**9,005**	—
Proceeds from disposal of property and equipment	8	**—**	861
Purchase of intangible assets	9	**(195)**	(111)
Amounts received from construction funding	7	**3,060**	3,158
Interest received from cash	12	**246**	199
Investment in joint venture	22	**(2,464)**	(2,405)
Change in restricted cash	6	**(272)**	(61)
Cash used in investing activities		**(1,794)**	(640)
FINANCING ACTIVITIES			
Repayment of long-term debt	11	**(68,442)**	(62,301)
Proceeds from long-term debt	11	**—**	104,112
Deferred financing costs		**(37)**	(803)
Change in principal reserve fund		**—**	(1,716)
Dividends paid	15	**(15,687)**	(12,264)
Cash (used in) provided by financing activities		**(84,166)**	27,028
(Decrease) increase in cash and cash equivalents during the period		**(67,069)**	40,206
Cash and cash equivalents, beginning of period		**95,677**	20,776
Cash and cash equivalents, end of period		**28,608**	60,982

See accompanying notes.

1 Organization

Sienna Senior Living Inc. (the "**Company**") and its predecessors have been operating since 1972. The Company is a seniors' living provider serving the continuum of independent living ("**IL**"), independent supportive living ("**ISL**"), assisted living ("**AL**"), memory care ("**MC**") and long-term care ("**LTC**" or "**Long-term Care**") through the ownership and operation of seniors' living residences in the Provinces of British Columbia and Ontario. As at March 31, 2021, the Company owns and operates a total of 70 seniors' living residences: 27 retirement residences ("**RRs**" or "**Retirement Residences**"); 35 LTC residences; and eight seniors' living residences providing both private-pay IL and AL and funded LTC (including the Company's joint ownership in two residences in British Columbia). The Company also provides management services to 13 seniors' living residences in British Columbia and Ontario.

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

The Company's business is carried on through a number of wholly owned limited partnerships and joint ventures formed under the laws of the Province of Ontario. 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.

As at March 31, 2021, the Company had outstanding 67,039,123 common shares.

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*. 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, 2020, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

The interim consolidated financial statements were approved by the Board of Directors on May 12, 2021.

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, 2020.

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

4 Impact of COVID-19 on the Company

For over a year, we have taken critical steps to fight the pandemic while providing the best quality of care for our seniors and preparing for new and evolving challenges.

We enhanced our healthcare expertise, established a Quality Committee that includes members of Sienna's Board of Directors, secured a robust supply of personal protective equipment and reinforced our infection prevention and control practices. We also put in place a pandemic staffing strategy and increased frontline staffing, joined the Seniors Quality Leap Initiative to benchmark best practices in the sector and strengthened communications with our key stakeholders. In addition, our vaccination task force has been supporting the roll-out of vaccines across all of our residences in Ontario and British Columbia.

Sienna continues to incur an increased level of expenses to support the costs of fighting the pandemic and minimizing the impact of outbreaks. The following table summarizes the government assistance and expenses related to the COVID-19 pandemic in the Retirement and LTC business segments, which are recognized net in the Company's operating expenses, in its interim consolidated statement of operations. Other corporate pandemic expenses are recognized in administrative expenses in the interim consolidated statement of operations.

	Three months ended March 31, 2021				Three months ended March 31, 2020
Thousands of Canadian dollars	**Retirement**	**LTC**	**Administrative**	**Total**	Total
Government assistance - temporary pandemic pay	521	4,824	—	5,345	—
Government assistance	1,438	35,285	—	36,723	810
Total government assistance	**1,959**	**40,109**	**—**	**42,068**	810
Pandemic labour - temporary pandemic pay	521	4,824	—	5,345	—
Pandemic labour	1,592	19,260	—	20,852	547
Personal protective equipment	377	1,704	—	2,081	280
Other	201	2,562	1,120	3,883	118
Total pandemic expenses	**2,691**	**28,350**	**1,120**	**32,161**	945
Total net pandemic (recovery) expenses	**732**	**(11,759)**	**1,120**	**(9,907)**	135

During the three months ended March 31, 2021, the Government of Ontario announced additional pandemic funding to support long-term care homes with infection prevention and containment efforts for the period April 1, 2020 to December 31, 2020. The Company received $15,342 as part of this funding in Q1 2021 to cover a portion of the pandemic expenses incurred in excess of available funding during the year ended December 31, 2020, which resulted in a net pandemic recovery of $11,759 in the LTC segment during the three months ended March 31, 2021.

In addition, for the three months ended March 31, 2021, the Company has recognized pandemic capital expenditures in its interim consolidated statements of financial position of $9,422 (2020 - $nil), reduced by related government assistance of $9,005 (2020 - $nil) which have not been included in the table above.

Funding for incremental COVID-19 costs is provided in addition to the ongoing long-term care funding for nursing and personal care, programming, food and accommodation, all of which are subject to annual reconciliation in Ontario. With the exception of accommodation, all funding is "flow-through" funding required to be spent entirely on residents, with any excess amounts not allocated to direct resident care or pandemic expenses required to be returned to the Ministry of Long Term Care.

Rent collections from resident payments since COVID-19 up to the month of March 2021 have remained similar to past experience, with no significant change to the Company's expected credit losses.

The Company and its consolidated subsidiaries are defendants in various actions and proceedings.

In May 2020, the Company became aware of a statement of claim in respect of a proposed class action alleging, among other things, negligence, breach of contract and breach of fiduciary duties in respect of the care and treatment of residents at the Company's residences during the COVID-19 pandemic. The claim is brought against the Company and certain of its subsidiaries on behalf of residents residing at all of the Company's owned and managed long-term care residences in Ontario during the pandemic, as well as the families of those residents, and seeks damages in the aggregate amount of $120,000. The claim is a joint claim against the Company and another senior living operator.

Between June and September 2020, the Company became aware of statements of claim in four proposed class actions alleging, among other things, negligence, breach of contract and breach of fiduciary duties in respect of the care and treatment of residents at Altamont Care Community, Woodbridge Vista Care Community, Weston Terrace Care Community and Camilla Care Community, during the COVID-19 pandemic. These claims are brought against the Company and certain of its subsidiaries on behalf of all residents residing at each of these respective residences during the pandemic, as well as the families of those residents, and seeks damages in the aggregate amount of $20,000, $16,000, $16,000 and $25,000 respectively.

In September 2020, the Company became aware of a statement of claim in respect of a proposed class action alleging, among other things, negligence and breach of fiduciary duties in respect of the care and treatment of residents residing at various long-term care residences in Ontario, including nine Sienna owned and managed residences, during the COVID-19 pandemic. This claim is a joint claim against Sienna, certain of its subsidiaries as well as other defendants, including the Province of Ontario, the City of Toronto and other senior living operators, on behalf of residents and their families and seeks damages in the aggregate amount of $600,000.

None of these claims have been certified as a class action. The Company is currently reviewing the proposed class actions and will respond in due course through the appropriate court process. Given the status of the proceedings, management is unable to assess the potential impact of any of these proposed class actions on the Company’s financial results, if any.

On November 20, 2020, the Government of Ontario enacted the Supporting Ontario's Recovery Act (the "**Recovery Act**"). The Recovery Act provides civil liability protection to organizations that made a good faith effort to follow public health guidance and COVID-19 related laws, and did not act with gross negligence. The Recovery Act also deems existing civil proceedings related to COVID-19 exposure to be dismissed without costs and will bar future proceedings from being brought, as long as the defendant acted in good faith and not with gross negligence.

All amounts are in thousands of Canadian 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). Interest rate swap contracts and total return swap contracts are carried at fair value through profit or loss and are considered to be Level 2 instruments. The carrying value of the government funding receivables and payables approximates fair value. The fair value of the lease liability is determined by discounting the cash flows using applicable Level 3 inputs based on the Company's interest rate assumptions and the residual lease term.

The following financial instruments are at amortized cost and the fair value is disclosed as follows as at March 31, 2021 and December 31, 2020:

	As at March 31, 2021		As at December 31, 2020	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets:				
Construction funding receivable	**33,291**	**34,889**	35,998	38,337
Financial Liabilities:				
Current and long-term portion of debt	**964,873**	**989,025**	1,032,624	1,064,913

Liquidity risk

Liquidity risk is the risk the Company may encounter difficulties in meeting its obligations associated with financial liabilities and commitments. The Company has credit agreements in place related to its long-term debt. These credit agreements contain a number of standard financial and other covenants. The Company was in compliance with all covenants on its borrowings as at March 31, 2021. A failure by the Company to comply with the obligations in these credit agreements could result in a default that, if not rectified or waived, could permit acceleration of the relevant indebtedness.

As at March 31, 2021, the Company had negative working capital (current liabilities less current assets) of $188,262 (December 31, 2020 - $121,544), with the increase primarily due to the $63,000 repayment of the credit facilities. To support the Company's working capital deficiency, the Company has available cash from operations, access to multiple sources of financing, and a history of successfully refinancing debt.

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

6 Restricted cash

Restricted cash comprises the capital maintenance reserve funds required for certain property-level mortgages. As at March 31, 2021, the Company's has $3,683 in restricted cash (December 31, 2020 - $3,411).

7 Construction funding receivable

As at March 31, 2021, the Company is eligible to receive funding from the Government of Ontario of approximately $33,291 (December 31, 2020 - $35,998) related to the costs of developing or redeveloping eligible LTC residences. The receipt of this funding is subject to the condition that the residences continue to operate as long-term care residences for the period for which the residences are entitled to the construction funding. As at March 31, 2021, the condition for the funding has been met.

As at March 31, 2021, the weighted average remaining term of the construction funding is approximately 6.4 years. The fair value of the construction funding receivable is determined by discounting the expected future cash flows of the receivable using the applicable Government of Ontario bond rates.

The following table summarizes the construction funding activity:

As at January 1, 2020	46,887
Add: Interest income earned	1,710
Less: Construction funding payments received	(12,599)
As at December 31, 2020	35,998
Add: Interest income earned	353
Less: Construction funding payments received	(3,060)
As at March 31, 2021	**33,291**

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

8 Property and equipment

	Land	Buildings	Furniture and fixtures	Automobiles	Computer hardware	Circulating equipment	Construction in progress	Right-of-use building and equipment[1]	Total
Cost									
As at January 1, 2021	138,563	1,203,316	74,684	2,283	11,574	1,265	1,439	3,049	1,436,173
Additions[2]	—	1,259	678	—	232	—	—	—	2,169
As at March 31, 2021	138,563	1,204,575	75,362	2,283	11,806	1,265	1,439	3,049	1,438,342
Accumulated depreciation									
As at January 1, 2021	—	261,618	34,185	965	5,385	612	—	1,337	304,102
Charges for the period	—	8,508	2,089	82	502	104	—	152	11,437
As at March 31, 2021	—	270,126	36,274	1,047	5,887	716	—	1,489	315,539
Net book value as at March 31, 2021	**138,563**	**934,449**	**39,088**	**1,236**	**5,919**	**549**	**1,439**	**1,560**	**1,122,803**
Net book value as at December 31, 2020	138,563	941,698	40,499	1,318	6,189	653	1,439	1,712	1,132,071

(1) Includes right-of-use building and related depreciation as at and for the three months ended March 31, 2021 of $2,250 and $868, respectively (December 31, 2020 - $2,250 and $771, respectively) and the right-of-use equipment and related depreciation as at and for the three months ended March 31, 2021 of $799 and $621, respectively (December 31, 2020 - $799 and $566, respectively).
(2) Includes pandemic capital expenditures for the three months ended March 31, 2021 of $9,422 (2020 - $nil), reduced by related government assistance for the three months ended March 31, 2021 of $9,005 (2020 - $nil).

9 Intangible assets

	Licences	Resident relationships	Service contracts	Computer software	Total
Cost					
As at January 1, 2021	190,945	167,572	10,968	13,911	383,396
Additions	—	—	—	195	195
As at March 31, 2021	190,945	167,572	10,968	14,106	383,591
Accumulated amortization					
As at January 1, 2021	—	162,883	10,148	8,567	181,598
Charges for the period	—	4,689	137	1,086	5,912
As at March 31, 2021	—	167,572	10,285	9,653	187,510
Net book value as at March 31, 2021	**190,945**	—	**683**	**4,453**	**196,081**
Net book value as at December 31, 2020	190,945	4,689	820	5,344	201,798

10 Accounts payable and accrued liabilities

	March 31, 2021	December 31, 2020
Accounts payable and other liabilities	**45,223**	38,492
Accrued wages and benefits	**65,138**	61,539
Accrued interest payable	**3,586**	3,432
Dividends payable (Note 15)	**5,229**	5,229
Total	**119,176**	108,692

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

11 Long-term debt

	Interest rate	Maturity date	March 31, 2021	December 31, 2020
Series A Unsecured Debentures	3.109 %	November 4, 2024	**150,000**	150,000
Series B Unsecured Debentures	3.450 %	February 27, 2026	**175,000**	175,000
Credit facilities	Floating	2021-2025	**124,000**	187,000
Mortgages at fixed rates	1.65% - 5.80%	2021-2041	**370,521**	374,248
Mortgages at variable rates	Floating	2021-2029	**153,681**	155,244
Lease liability	3.87%	2021-2024	**1,665**	1,817
			974,867	1,043,309
Fair value adjustments on acquired debt			**3,053**	3,177
Less: Deferred financing costs			**(13,047)**	(13,862)
Total debt			**964,873**	1,032,624
Less: Current portion			**141,730**	135,707
			823,143	896,917

Credit facilities

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

	March 31, 2021	December 31, 2020
Credit facilities available	**208,500**	208,500
Amounts drawn under credit facilities	**24,000**	87,000
Remaining available balance under credit facilities	**184,500**	121,500

Subsequent to March 31, 2021, the Company repaid $4,000 of its unsecured credit facilities.

The Company also has a credit agreement for a $100,000 secured credit facility which has been fully drawn as at March 31, 2021 and December 31, 2020.

Mortgages

The following table summarizes the scheduled maturities of the Company's property-level mortgages as at March 31, 2021:

	Mortgages			
Year	Regular principal payments	Principal due at maturity	**Total**	% of Total
2021	15,854	16,339	**32,193**	6.2%
2022	19,605	28,169	**47,774**	9.1%
2023	17,837	60,824	**78,661**	15.0%
2024	16,049	50,104	**66,153**	12.6%
2025	12,511	41,065	**53,576**	10.2%
2026	12,544	—	**12,544**	2.4%
2027	11,844	35,115	**46,959**	9.0%
2028	6,809	115,703	**122,512**	23.4%
2029	2,379	5,477	**7,856**	1.5%
2030	1,410	9,230	**10,640**	2.0%
Thereafter	11,921	33,413	**45,334**	8.6%
	128,763	395,439	**524,202**	100.0%

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

12 Net finance charges

	Three months ended March 31,	
	2021	2020
Finance costs		
Interest expense on mortgages	**3,986**	4,659
Interest expense on debentures	**2,588**	3,645
Interest expense on credit facilities	**929**	283
Interest expense on right-of-use assets	**17**	23
Amortization of financing charges and fair value adjustments on acquired debt	**728**	524
Amortization of loss on bond forward contract	**—**	217
Fair value (gain) loss on interest rate swap contracts[1]	**(3,411)**	8,400
	4,837	17,751
Finance income		
Interest income on construction funding receivable	**353**	468
Other interest income	**246**	502
	599	970
Net finance charges	**4,238**	16,781

[1] In Q1 2020, the Bank of Canada decreased the overnight rate to support the Canadian economy as a result of the COVID-19 pandemic. As the country continues to navigate through the pandemic, interest rates have begun to increase. The resulting increase in interest rates had a positive fair value impact on the valuation of the Company's interest rate swap contracts during the three months ended March 31, 2021.

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

13 Income taxes

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

	Three months ended March 31,	
	2021	2020
Income (loss) before provision for (recovery of) income taxes	**13,845**	(3,389)
Canadian combined income tax rate	**26.57 %**	26.57 %
Income tax expense (recovery)	**3,679**	(900)
Adjustments to income tax provision (recovery):		
Non-deductible items	**24**	3
Other items charged to equity	**(1)**	4
Provision for (recovery of) income taxes	**3,702**	(893)

The following are the deferred tax assets (liabilities) recognized by the Company and movements thereon during the three months ended March 31, 2021:

	Depreciable tangible and intangible assets	Share issuance	Construction funding interest	Other	Total
As at January 1, 2020	(58,621)	2,156	1,837	2,606	(52,022)
Credit (charge) to net income	4,626	(1,016)	(601)	1,031	4,040
Book to filing adjustment	545	4	—	(299)	250
Charge to other comprehensive income	—	—	—	(253)	(253)
As at December 31, 2020	(53,450)	1,144	1,236	3,085	(47,985)
Credit (charge) to net income	1,038	(175)	(94)	(1,491)	(722)
As at March 31, 2021	**(52,412)**	**969**	**1,142**	**1,594**	**(48,707)**

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

14 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, 2020	66,839,013	875,051
Dividend reinvestment plan	200,110	3,393
Long-term incentive plan, net of loans receivable	—	46
Share-based compensation	—	26
Balance, December 31, 2020	67,039,123	878,516
Long-term incentive plan, net of loans receivable	—	151
Share-based compensation	—	325
Balance, March 31, 2021	**67,039,123**	**878,992**

Dividend reinvestment plan

The Company has established a dividend reinvestment plan ("**DRIP**") for eligible holders of common shares, which allows participants to reinvest cash dividends paid in respect of their common shares in additional common shares at a 3% discount. On March 18, 2020, the Company temporarily suspended the DRIP until further notice. Shareholders enrolled in the DRIP received dividend payments in cash, instead of common shares, starting with the dividend payable to shareholders of record as at March 31, 2020. The DRIP is subject to reinstatement at the discretion of the Board of Directors of the Company.

Normal course issuer bid

On March 31, 2021, the Company received approval from the TSX to renew its notice of intention to make a normal course issuer bid (**"NCIB"**) for a portion of the Company's common shares. Pursuant to the notice, the Company has the authority to acquire up to a maximum of 3,351,956 of its common shares for cancellation over the next 12 months. Purchases by the Company under the NCIB will be made through the facilities of the TSX or through a Canadian alternative trading system and in accordance with applicable regulatory requirements at a price per common share equal to the market price at the time of acquisition. The number of common shares that can be purchased pursuant to the NCIB is subject to a current daily maximum of 88,089 common shares, subject to the Company's ability to make one block purchase of its common shares per calendar week that exceeds such limits. All common shares purchased by the Company under the NCIB will be cancelled upon purchase. The Company may begin to purchase shares on April 5, 2021 and the NCIB will terminate on April 4, 2022, or such earlier time as the Company completes its purchases pursuant to the NCIB or provides notice of intention.

No common shares were purchased pursuant to the Company's normal course issuer bids.

Net income (loss) per share

Net income (loss) per share is calculated using the weighted average number of common shares outstanding during the year.

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

15 Dividends

For the three months ended March 31, 2021, the Company paid monthly dividends of $0.078 per common share totaling $15,687 (2020 - $12,264). Dividends payable of $5,229 are included in accounts payable and accrued liabilities as at March 31, 2021 (December 31, 2020 - $5,229). Subsequent to March 31, 2021, the Board of Directors declared dividends of $0.078 per common share for April and May totaling $10,458.

16 Share-based compensation

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

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

During the three months ended March 31, 2021, 52,485 restricted share units ("**RSUs**") (2020 - 9,839) were granted pursuant to the RSUP. Total expenses related to the RSUP for the three months ended March 31, 2021 were $64 (2020 - $47), including mark-to-market adjustments, which were recognized in administrative expenses. During the three months ended March 31, 2021, 9,712 RSUs vested and were settled in cash, resulting in a decrease of $135 in the share-based compensation liability. The total liability recorded as part of the share-based compensation liability as at March 31, 2021 was $280 (December 31, 2020 - $351).

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

	Number of RSUs
Outstanding, January 1, 2020	23,159
Granted	19,551
Dividend equivalents	2,151
Settled in cash	(1,318)
Outstanding, December 31, 2020	43,543
Granted	52,485
Dividend equivalents	808
Settled in cash	(9,712)
Outstanding, March 31, 2021	87,124

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

During the three months ended March 31, 2021, 10,196 deferred share units ("**DSUs**") (2020 - 12,861) were granted pursuant to the DSUP. Total expenses (recoveries) related to the DSUP for the three months ended March 31, 2021 were $312 (2020 - $(1,662)), including mark-to-market adjustments, which were recognized in administrative expenses. The total liability recorded related to the DSUP as a part of the share-based compensation liability as at March 31, 2021 was $5,770 (December 31, 2020 - $5,458). The value of each deferred share unit is measured at each reporting date and is equivalent to the fair value of a common share at the reporting date.

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

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

	Number of DSUs
Outstanding, January 1, 2020	310,892
Granted	49,190
Dividends reinvested	25,918
Outstanding, December 31, 2020	386,000
Granted	10,196
Dividends reinvested	6,771
Outstanding, March 31, 2021	**402,967**

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

During the three months ended March 31, 2021, 30,672 (2020 - 83,530) executive deferred share units ("**EDSUs**") were granted. Total expenses (recoveries) related to the EDSUP for the three months ended March 31, 2021 were $94 (2020 - $(1,292)), including mark-to-market adjustments, which were recognized in administrative expenses. During the three months ended March 31, 2021, 103,948 EDSUs vested and were settled in cash, resulting in a decrease of $1,390 in the share-based compensation liability. The total liability recorded related to the EDSUP as a part of the share-based compensation liability as at March 31, 2021 was $2,577 (December 31, 2020 - $3,873). The value of each vested EDSU is measured at each reporting date and is equivalent to the fair value of a common share at the reporting date.

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

	Number of EDSUs
Outstanding, January 1, 2020	256,103
Granted	88,796
Forfeited	(1,858)
Dividends reinvested	11,836
Settled in cash	(48,283)
Outstanding, December 31, 2020	306,594
Granted	30,672
Dividends reinvested	942
Settled in cash	(103,948)
Outstanding, March 31, 2021	**234,260**

17 Key management compensation

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

	Three months ended March 31,	
	2021	2020
Salaries and short-term employee benefits	**1,312**	1,131
Share-based compensation expense (recovery) (Note 16)	**306**	(3,001)
	1,618	**(1,870)**

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

18 Economic dependence

The Company holds licences related to each of its LTC residences and receives funding from the applicable health authorities related to those licences, which are included in revenues. In addition, the Company has received government assistance to support pandemic related expenses for LTC and Retirement Residences which is recorded against operating expenses. During the three months ended March 31, 2021, the Company received approximately $142,757 (2020 - $91,307) in respect of these licences and pandemic related funding.

19 Administrative expenses

	Three months ended March 31,	
	2021	2020
General and administrative expenses	**6,885**	5,700
Pandemic related expenses	**1,120**	31
Share-based compensation expense (recovery) (1)	**306**	(3,001)
Total administrative expenses	**8,311**	2,730

(1) Includes total return swap net (gain) of $(164) (2020 - $nil), and mark-to-market adjustments on share-based compensation for the three months ended March 31, 2021 of $340 (2020 - $(3,459)).

20 Expenses by category

	Three months ended March 31,	
	2021	2020
Salaries, benefits and other people costs	**99,409**	100,104
Depreciation and amortization	**17,349**	19,332
Food	**7,048**	7,670
Purchased services and non-medical supplies	**5,791**	6,022
Utilities	**5,206**	4,753
Property taxes	**3,876**	3,796
Other	**13,857**	9,410
Total expenses before net pandemic (recovery) expenses	**152,536**	151,087
Pandemic labour	**26,197**	548
Personal protective equipment	**2,081**	280
Other pandemic related expenses(1)	**3,883**	118
Government assistance(2)	**(42,068)**	(811)
Net pandemic (recovery) expenses	**(9,907)**	135
Total expenses	**142,629**	151,222

(1) Other pandemic expenses are primarily cleaning supplies for infection prevention and control, meals and accommodations to support team members, and advisory fees to support the management of the pandemic.

(2) There are various programs and financial assistance provided by the government to support COVID-19 related expenses. For the three months ended March 31, 2021, the LTC segment received retroactive pandemic funding of $15,342 related to pandemic expenses incurred in excess of available funding during the year ended December 31, 2020.

21 Segmented information

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

The Company is comprised of the following main business segments:

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

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

	Three months ended March 31, 2021			
	Retirement[1]	**LTC**	**Corporate, eliminations and other**	**Total**
Gross revenue	**36,056**	**129,388**	**15,886**	**181,330**
Less: Internal revenue	**—**	**4,216**	**15,886**	**20,102**
Net revenue	**36,056**	**125,172**	**—**	**161,228**
Operating expense, net [2]	**23,097**	**93,864**	**—**	**116,961**
Depreciation and amortization	**10,730**	**6,124**	**495**	**17,349**
Administrative expense [2]	**—**	**—**	**8,311**	**8,311**
Share of net loss in joint venture	**—**	**—**	**8**	**8**
Income (loss) before net finance charges, transaction costs and provision for income taxes	**2,229**	**25,184**	**(8,814)**	**18,599**
Finance costs	**(367)**	**1,261**	**3,943**	**4,837**
Finance income	**—**	**(392)**	**(207)**	**(599)**
Transaction costs	**—**	**—**	**516**	**516**
Provision for income taxes	**—**	**—**	**3,702**	**3,702**
Net income (loss)	**2,596**	**24,315**	**(16,768)**	**10,143**
Purchase of property and equipment [3]	**816**	**1,124**	**229**	**2,169**
Purchase of intangible assets	**1**	**2**	**192**	**195**

[1] For the three months ended March 31, 2021, the Retirement segment recognized accommodation revenues of $17,667 and service revenues of $18,389.

[2] Includes net pandemic expense (recovery) of $732 for Retirement, $(11,759) for LTC and $1,120 for corporate, eliminations and other.

[3] Excludes pandemic capital expenditures for the three months ended March 31, 2021 of $9,422, reduced by related government assistance for the three months ended March 31, 2021 of $9,005.

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

	Three months ended March 31, 2020			
	Retirement[1]	LTC	Corporate, eliminations and other	Total
Gross revenue	37,862	131,871	16,354	186,087
Less: Internal revenue	—	4,106	16,354	20,460
Net revenue	37,862	127,765	—	165,627
Operating expense, net[2]	21,923	107,193	—	129,116
Depreciation and amortization	12,753	5,530	1,049	19,332
Share of net loss in joint venture	—	—	44	44
Administrative expense	—	—	2,730	2,730
Income (loss) before net finance charges, transaction costs and recovery of income taxes	3,186	15,042	(3,823)	14,405
Finance costs	11,242	5,182	1,327	17,751
Finance income	—	(893)	(77)	(970)
Transaction costs	—	—	1,013	1,013
Recovery of income taxes	—	—	(893)	(893)
Net (loss) income	(8,056)	10,753	(5,193)	(2,496)
Purchase of property and equipment	1,362	778	141	2,281
Purchase of intangible assets	(5)	—	116	111

[1] For the three months ended March 31, 2020, the Retirement segment recognized accommodation revenues of $17,179 and service revenues of $20,758.
[2] Includes net pandemic expense of $25 for Retirement, $79 for LTC and $31 for corporate, eliminations and other.

	As at March 31, 2021			
	Retirement	**LTC**	**Corporate, eliminations and other**	**Total**
Total assets	745,988	848,698	21,671	**1,616,357**

	As at December 31, 2020			
	Retirement	LTC	Corporate, eliminations and other	Total
Total assets	759,540	837,923	80,666	1,678,129

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

22 Joint arrangements

Joint venture

On February 7, 2020, the Company formed a joint venture with a third party for the purpose of developing a retirement residence in Niagara Falls, Ontario. The Company owns a 70% interest in this joint venture. The Company accounted for this joint venture using the equity method of accounting, since this joint arrangement is structured through a separate legal vehicle, and the Company has rights to the net assets of the arrangement.

The following tables outline the Company's investment in the joint venture, and the Company's share of the joint venture's net loss.

Investment in Niagara Falls Joint Venture as at January 1, 2020	—
Contributions to joint venture	2,888
Share of net loss from joint venture	(565)
Investment in Niagara Falls Joint Venture as at December 31, 2020	2,323
Contributions to joint venture	2,464
Share of net loss from joint venture	(8)
Investment in Niagara Falls Joint Venture as at March 31, 2021	**4,779**

	March 31, 2021	December 31, 2020
Current assets	**222**	167
Long-term assets	**6,959**	3,448
Total assets	**7,181**	3,615
Current liabilities	**354**	297
Total liabilities	**354**	297
Net assets	**6,827**	3,318
Net investment in joint venture	**4,779**	2,323

	Three months ended March 31	
	2021	2020
Expenses	**11**	63
Net loss	**11**	63
Share of net loss	**8**	44

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

Joint operations

The Company has accounted for its joint arrangement in Nicola Lodge Care Community ("**Nicola Lodge**") and Glenmore Lodge Care Community ("**Glenmore Lodge**") as a joint operation, since it has rights to the assets and obligations for the liabilities related to Nicola Lodge and Glenmore Lodge.

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

	March 31, 2021	December 31, 2020
Current assets	**3,156**	3,318
Long-term assets	**99,038**	99,745
Total assets	**102,194**	103,063
Current liabilities	**6,680**	6,725
Long-term liabilities	**63,300**	63,633
Total liabilities	**69,980**	70,358
Net assets	**32,214**	32,705
Share of net assets	**16,374**	16,667

As at March 31, 2021, the Company's share of net assets in Nicola Lodge and Glenmore Lodge was $9,139 and $7,235, respectively (December 31, 2020 - $9,233 and $7,434, respectively).

	Three months ended March 31,	
	2021	2020
Revenue	**7,110**	7,666
Expenses		
Operating, net[(1)]	**5,922**	5,628
Depreciation and amortization	**671**	664
	6,593	6,292
Income before net finance charges	**517**	1,374
Net finance charges	**720**	721
Net (loss) income	**(203)**	653
Share of net (loss) income	**(87)**	302

[(1)] Includes net pandemic expenses for the three months ended March 31, 2021 of $708 (2020 - $23).

For the three months ended March 31, 2021, the Company's share of net (loss) income in Nicola Lodge and Glenmore Lodge was $(75) and $(12), respectively (2020 - $218 and $84), respectively.

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