Report to Shareholders

Q3 2020 Sienna Senior Living Inc.

LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

The hard work of our team and the support of many stakeholders helped us emerge from the first wave of COVID-19 stronger, more knowledgeable and better prepared in our response to the second wave. We have leveraged the knowledge and skills of Canada's foremost health and long-term care experts and have been investing in our frontline teams and processes that enhance the way we care for our residents. To build a true resident-centred and people-driven partnership in care, we continued to strengthen the ways we communicate with families and team members.

To strengthen clinical quality and resident safety measures across Sienna's platform, our Board of Directors established a Quality Committee to enhance oversight of key resident quality and risk indicators at Sienna. To further improve the quality of care for our residents and to support our team members, we expanded our leadership team with Dr. Andrea Moser who joined Sienna as Chief Medical Officer in October, after providing invaluable advice since July 2020. Dr. Moser's key focus is to lead and implement all aspects of medical services across our long-term care and retirement operations, and enhance our resident quality platform.

We were able to share our experience and observations during the pandemic with Ontario's Long-Term Care COVID-19 Commission, an independent commission investigating the pandemic in Ontario's long-term care system. On October 23, 2020, the Commission issued recommendations in relation to increased staffing, stronger healthcare sector partnerships and collaboration and improved infection prevention and control measures.

We are encouraged by the Commission's recommendations, which are expected to help shape and strengthen the future of long-term care. In connection with these recommendations, on November 2, 2020, the Government of Ontario announced an increase to direct care hours to an average of four hours per day for each resident. This change is expected to be fully implemented by 2024/25.

The pandemic continued to impact our operating results and key metrics in the third quarter, including the extraordinary expenses to manage the pandemic in excess of government funding received. We have made investments in additional staffing, personal protective equipment and property infrastructure, entered into management agreements with hospitals and added additional senior health expertise to navigate the effects of COVID-19. We anticipate an increased level of expenses for the foreseeable future as we continue to fight COVID-19. As we overcome the pandemic, related incremental expenses and its overall impact are expected to subside, leading to improvements in the Company's operational and financial performance.

On September 29, 2020, the Government of Ontario announced additional funding for the long-term care sector of approximately $540 million for pandemic-related expenses, increasing total funding announced to date to over $800 million. Total pandemic-related operating expense and capital funding allocated to the Company to date from the Governments of Ontario and British Columbia for long-term care and retirement residences is $26 million, and Sienna expects to receive further funding in the following months.

We are encouraged by improvements in occupancy in our retirement portfolio at the end of the third quarter. Our operations benefitted from the re-opening of our residences for in-person tours and increased marketing efforts, resulting in an occupancy increase of 180 basis points to 83.4% at the end of Q3 from 81.6% at the end of Q2. We made significant investments with respect to our digital presence, with the goal to drive online traffic to our website and social media sites. During the third quarter, deposits from prospective residents in our retirement portfolio doubled compared to Q3 2019 and tripled compared to Q2 2020. Occupancy in our long-term care portfolio continues to be impacted by the pandemic, resulting from capacity limitations of two beds per room and temporary closures of admission of new residents due to an outbreak; however, we continue to receive occupancy protection funding for vacancies caused by the pandemic.

We have maintained our strong financial position and a “BBB” credit rating with a stable trend assigned by DBRS amid the pandemic, a testament to Sienna’s clear vision for our path forward. With the successful completion of $275 million of debt financings on October 2, 2020, we significantly reduced near-term debt maturities, improved our long-term debt ladder and expanded our unencumbered asset pool to over $840 million.

During the third quarter, we started to evaluate how the Government of Ontario’s new long-term care development program with more viable financial economics could benefit Sienna’s older Class B/C homes. A number of our current development projects are in advanced stages of planning and approval with regulatory and local authorities. Our development plans also include the active pursuit of a partnership with Scarborough Health Network to develop Sienna’s Altamont Care Community in Toronto into a new 320-bed long-term care campus which provides integrated care for the growing needs of the local community.

We know that there will be challenges ahead, but with the support of our healthcare experts and the numerous infection prevention and control practices we put in place, we will fight the second wave of the pandemic and do everything we can to minimize the impact of new outbreaks. We have taken many actions over the past few months to review and strengthen the Company's protocols and procedures, added over 800 frontline workers to our team and enhanced engagement with residents, caregivers and their families. We also put new systems in place to support virtual medical care in our residences, enhanced our internal and external communication with team members and stakeholders and substantially increased our reserves of personal protective equipment. Amidst the challenging circumstances, we maintained a strong balance sheet and our development plans have been gaining momentum.

The seniors living sector has been deeply affected by COVID-19, however, recent developments regarding a potentially effective vaccine are encouraging and overall fundamentals for seniors’ housing 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.

I am incredibly grateful for our team of over 13,000 who helped steer Sienna through the first wave of the pandemic with compassion and resilience and is now doing everything they can to prevent the spread of COVID-19 in our residences during the second wave. I also want to acknowledge the many partners who are supporting us in the fight against COVID-19 and their swift leadership, including our hospital partners, the Governments of Ontario and British Columbia, our sector associations and many other key stakeholders.

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

Nitin Jain
President and CEO
Sienna Senior Living

Management's Discussion and Analysis

(in thousands of Canadian Dollars)

Q3 2020 Report to Shareholders

Sienna SENIOR LIVING

MANAGEMENT'S DISCUSSION AND ANALYSIS

Basis of Presentation

The following Management's Discussion and Analysis ("**MD&A**") for Sienna Senior Living Inc. (the "**Company**" or "**Sienna**") provides a summary of the financial results for the **three and nine months ended September 30, 2020**. 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 and nine months ended September 30, 2020**. 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, 2019, 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 November 11, 2020, 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	3,287	—	—	3,287
Long-term Care[2]	43	—	180	6,688	6,868
Total	**70**	**3,287**	**180**	**6,688**	**10,155**

Notes:
1. 82.7% and 17.3% 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 September 30, 2020.

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 November 11, 2020, the Company had 67,039,123 common shares outstanding.

Impact of COVID-19 on the Company

Since the onset of the COVID-19 pandemic, we have been singularly focused on the health and safety of our residents and team members, steering Sienna through the first wave, learning from it, and positioning the Company to come out stronger. We continue to take all necessary steps to minimize the impact of new outbreaks while providing the best quality care for our seniors.

Over the past months, we have taken a number of critical steps to ensure we are prepared to meet whatever challenges may come, particularly as it relates to the second wave of the pandemic. We have enhanced our healthcare expertise, secured a robust supply of personal protective equipment ("**PPE**"), reinforced our infection prevention and control (“**IPAC**”) practices, put in place a pandemic staffing strategy and strengthened communications with our key stakeholders.

The impact of the pandemic is reflected in our third quarter and year to date results, which include the extraordinary expenses incurred to manage the pandemic in excess of the government funding received. We have made investments in additional staffing, PPE and property infrastructure, entered into management agreements with hospitals and added additional senior healthcare expertise to navigate the effects of the COVID-19 pandemic. We expect an increased level of expenses in the foreseeable future.

Changes in operations in response to COVID-19 could materially impact the financial results of the Company. 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 Q3 2020

While the number of COVID-19 cases started to rise again throughout Canada towards the end of August 2020, Sienna's 83 residences had zero resident cases for 5 weeks from August 1 to September 5, 2020.

As of November 10, 2020, 14 residences of Sienna's 83 owned or managed residences are in outbreak with active cases COVID-19, including 5 retirement and 9 long-term care residences.

The impact of COVID-19 on our operations and our response to dealing with the pandemic has differed significantly between Sienna's long-term care portfolio and its Retirement portfolio. Key factors for this difference are the generally vulnerable health of residents in LTC as well as the design of older Class B/C LTC residences, including a higher number of rooms accommodating more than two residents per room.

Management of COVID-19 - Long-term Care

As at November 10, 2020, our LTC portfolio accounted for approximately 90% of the cumulative resident COVID-19 cases at Sienna. 55% of Sienna's LTC beds are located in the Greater Toronto Area, the most densely populated and one of the most severely affected regions in Canada. Approximately 45% of Sienna's LTC beds in the Greater Toronto Area are in Class B/C residences.

In Q3 2020, the Company's long-term care portfolio contributed approximately 52% to the Company's overall NOI, and included 6,868 beds in Ontario and British Columbia.

Government Funding

On September 29, 2020, the Government of Ontario announced additional funding of approximately $540 million for long-term care, increasing total funding announced to date to over $800 million excluding the temporary pandemic pay for front-line workers. Sienna is encouraged by the additional funding announcement and expects to receive further funding allocations for the balance of 2020.

To date, approximately $327 million of the total funding announcements by the Government of Ontario have been allocated to the long-term care sector. Of this amount, approximately $21 million has been allocated to Sienna.

Of the major funding components announced by the Government of Ontario up to September 30, 2020, the following amounts have been allocated as follows:

- $493 million for infection prevention, staffing and PPE, and $50 million of emergency funding, of which $263 million has been allocated to the sector, including $17 million to Sienna;
- $61 million for IPAC capital upgrades, which has been fully allocated to the sector, including $4 million to Sienna;
- Additional funding announcements include: $130 million to build surge capacity, $40 million to support homes impacted by the changes in occupancy due to COVID-19 and $30 million to hire more IPAC staffing.

The Government of British Columbia has also provided funding of approximately $187 million for the LTC and retirement sector to support costs in connection with additional screening and staffing, IPAC measures and social visitations. As at September 30, 2020, the funds have been fully allocated to the sector, including $3 million to Sienna's LTC portfolio in British Columbia.

For LTC residences in both Ontario and British Columbia, the Company is receiving full funding for vacancies caused by temporary closure of admissions due to an outbreak, including COVID-19. Furthermore, the Government of Ontario has announced that occupancy protection funding will be in place for long-term care residences until December 31, 2020. To ensure the safety of residents, LTC residents in Ontario currently cannot be placed in rooms with three or four beds, resulting in approximately 250 of the 700 beds in such rooms across Sienna's LTC portfolio being vacant. While accommodations are limited to a maximum of two beds per room, the Government of Ontario will continue to fund the beds at full capacity until the end of 2020. However, 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 $0.6 million for the three months ended September 30, 2020. Given the long waiting list of over 38,500 for LTC beds across Ontario we anticipate that occupancy in preferred accommodation will return to pre-pandemic levels once the pandemic subsides and as residences open for admittance of new residents.

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 and is required to be spent entirely on residents. Any excess amounts not allocated to direct resident care or pandemic expenses have to be returned to the Ministry of Long-Term Care ("**MLTC**").

Redesigned Funding Model for the Development of Long-Term Care in Ontario

On July 15, the Government of Ontario announced the redesign of their funding model for the development of long-term care residences. The model is expected to help accelerate the much needed construction and redevelopment of long-term care homes across the province. Sienna has long advocated for a revised model that caters to regional development needs.

The Government of Ontario's investment, which includes building new homes and redeveloping existing homes, is tailored to account for regional differences in land and other construction costs. Development grants of 10% - 17%, depending on geographic location and home size, will further help cover upfront costs.

We are evaluating how this program will impact and benefit Sienna's current portfolio, especially with respect to upgrading existing older homes and our future development plans. Sienna's current portfolio comprises over 5,700 long-term care beds in Ontario, of which approximately 2,200 beds are located in 15 older Class B/C residences.

Sienna has submitted applications with the MLTC for the development/re-development of a number of its Class B/C long-term care residences in Ontario. The Company's development plans include the active pursuit of a partnership between Sienna and Scarborough Health Network ("**SHN**") to develop a new 320-bed long-term care campus which would provide integrated care for the growing needs of the local community. The plans explore the opportunity to develop Sienna's Altamont Care Community ("**Altamont**") into a campus-style community, including the redevelopment of Altamont's 159 existing beds and the development of approximately 161 new beds.

In addition to the potential partnership with SHN at Altamont, three development projects previously announced in Keswick, Brantford and North Bay are in advanced stages of planning and approval with regulatory and local authorities.

Management Agreements with Hospitals

In June 2020, Sienna entered into voluntary management agreements with hospital partners to provide expertise and resources in mitigating the impact of COVID-19 in three LTC residences. The duration of the agreements was anticipated to be short-term and in September 2020, two of the three agreements have concluded. Hospital management fees resulted in an increase in pandemic expenses of approximately $1.9 million in Q3 2020.

We are very thankful for our hospital partners' support. Working with them, we have implemented additional measures, processes, and protocols in line with provincial and public health directives and requirements, to care for and protect our residents and staff.

Ontario's Long-term Care COVID-19 Commission's Interim Recommendations

On October 23, 2020, Ontario's Long-Term Care COVID-19 Commission, an independent commission investigating the pandemic in Ontario's long-term care system, issued recommendations in relation to increased staffing, stronger healthcare sector partnerships and collaboration and improved IPAC measures. We were able to share our experience and observations during the pandemic with the Commission and are encouraged by their recommendations, which are expected to help shape and strengthen the future of long-term care.

Management of COVID-19 - Retirement

While COVID-19 impacted the Company's Retirement operations, in particular with respect to limited move-in activity during the first number of months of the pandemic, its impact on the Company's financial results has been less severe across our Retirement portfolio as compared to our LTC portfolio.

Sienna's Retirement portfolio, which comprises 3,287 suites across Ontario and British Columbia, contributed approximately 48% to the Company's NOI in Q3 2020. As at November 10, 2020, it accounted for approximately 10% of the cumulative resident COVID-19 cases at Sienna.

Retirement Operations Update

During Q3 2020, our sales and marketing teams continued with intensified sales activities across Sienna's Retirement portfolio, connecting with thousands of prospective residents. We made significant investments with respect to online lead generation by increasing our social media visibility and driving more qualified online traffic to our website. We have relaunched our professional referral program in each of our retirement residences, enhanced our outreach strategy through strengthening the cooperation of our sales and operations teams, and redesigned our sales incentive programs.

These efforts have resulted in a significant increase of our online lead database. During the third quarter, online leads have increased by approximately 150% compared to Q2 2020 and doubled compared to Q3 2019.

In addition, we have launched a new centralized call centre. This call centre, which is run by dedicated team members who understand the sector and are equipped to answer questions, is enhancing our communications and marketing efforts with current and prospective residents and their families.

With the intensified marketing and sales activities during the third quarter, coupled with re-opening of our residences for visitors and tours, occupancy started to improve towards the end of the quarter, leading to a 180 basis points ("**bps**") quarter-over-quarter gain in occupancy to 83.4% at the end of September 2020 from 81.6% at the end of June 2020.

Government Funding

Both the Government of Ontario and the Government of 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 has been allocated approximately $2 million in pandemic funding for its Retirement operations up to September 30, 2020.

On November 5, 2020, the Government of Ontario committed to provide an additional $10.9 million to ensure retirement residences have access to PPE and critical supplies to protect residents and staff.

Six-Point Action Plan

On June 3, 2020, we announced an action plan ("**Six-Point Action Plan**") with measures largely focused on adding additional healthcare expertise and accelerating the hiring and retention of frontline staff members.

It also includes enhanced training and re-education of our team and improvements to the way we engage and communicate with our residents and their families.

Sienna established a committee of its Board to oversee all of the initiatives outlined in the Six-Point Action Plan. We have made good progress in implementing these initiatives.

Paul Boniferro, former Deputy Attorney General of Ontario, was retained to conduct a company-wide review into the policies, practices and culture at Sienna. Findings in his report, which was concluded in August 2020, include proposed enhancements in areas such as staffing, labour relations and workplace culture, and we have been actively implementing the recommendations of his report.

To further strengthen clinical quality and resident safety measures across Sienna's platform, our board of directors established a Quality Committee to enhance its oversight of key resident quality and risk indicators. These indicators include resident care, resident and team member satisfaction, safety and many other initiatives directed toward improving the quality of resident life.

We have made significant additions to our leadership and healthcare expertise to better prepare for the second wave and to strengthen the care we provide to our residents. These experts advise Sienna's Board of Directors and senior leadership team, and have been helping review and strengthen the Company's protocols and procedures, and enhancing engagement with residents, caregivers and their families on an ongoing basis.

Addition of senior healthcare expertise

In October 2020, Dr. Andrea Moser, who has supported Sienna in an advisory capacity since June 2020, joined Sienna's leadership team permanently as Chief Medical Officer.

- **Dr. Andrea Moser**, is a family physician with deep experience in care of the elderly and long-term care. She has recently co-developed a Long-Term Care Medical Director Curriculum for Ontario and has a particular interest in quality improvement. Dr. Moser's role as Chief Medical Officer is focused on leading and implementing all aspects of medical services across our long-term care and retirement operations, and enhance the resident quality platform at Sienna.

In addition, the Company continues to receive advice from the following experts:

- **Joseph Mapa**, the former President & CEO of Sinai Health System and President and CEO of Mount Sinai Hospital, as Executive Advisor to the Board of Directors;

- **Dr. Allison McGeer**, one of Canada's premier infection prevention & control specialists, and Professor in the Department of Laboratory Medicine and Pathobiology and Public Health Sciences at the University of Toronto, as a Chief Infection Prevention and Control Consultant; and

- **Mary Jane Dykeman**, an expert in healthcare risk management; mental health, consent, capacity and substitute decision-making; and family and caregiver engagement, as a consultant to develop a modern day and best in class resident/caregiver engagement program.

Training and education

Sienna has reinforced its zero-tolerance policy for inappropriate behaviour and conducted sensitivity training with all front-line staff that includes a special lens to address the extenuating circumstances our residences were facing during the peak of the first wave of COVID-19.

Reinforcing IPAC practices as a result of learnings from the first wave is another focus of team member training. Weekly training seminars are held at all residences, along with webinars for individual residences to address site-specific needs.

Enhanced communication and outreach

Maintaining open lines of communication with our residents, their families and our team members is very important to us. In Q3 2020, we have hosted 84 virtual townhalls at our communities and issued 248 e-newsletters across our communities to ensure our residents and their families stay informed of our relevant developments, programs and initiatives.

Sienna's CEO and members of the senior leadership team visited many residences across Ontario throughout the summer and early fall to connect with frontline team members, residents and their families. A new centralized call centre is further supporting proactive and enhanced communications with residents and their families. In addition to the call centre, we have launched a family well-being and support program.

With respect to internal communication, Sienna has recently launched a team member mobile app, improving the ability to reach out to thousands of team members in different locations quickly and directly with new information.

Staffing Update

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

We have 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 talent acquisition teams and are further supported by an external agency model focused on short-term, ready-to-deploy qualified staff members.

Single site directives, which limit healthcare workers to working in only one location to help prevent the spread of COVID-19, were a key factor for increased staffing needs. From March to October 2020, we hired over 1,400 full-time and 1,100 part-time team members, contributing to a net increase of over 800 team members across Sienna's workforce, with related incremental costs included in pandemic expenses. In addition, we continued to increase the total pool of full-time staff members by approximately 20% since the beginning of March 2020, to approximately two thirds of Sienna's workforce. We believe that increasing the number of full-time team members also benefits our residents and our operations, as it provides more stability to our staffing.

As a result of recommendations issued by Ontario's Long-Term Care COVID-19 Commission, the Government of Ontario announced on November 2, 2020, that it will increase the hours of direct care for each LTC resident to an average of four hours per day, which is expected to be fully implemented by 2024/25. It represents a significant increase compared to approximately 2.8 hours of direct care currently provided.

Pandemic Pay

In April 2020, the Governments of Ontario and British Columbia announced temporary pandemic pay for front-line workers fighting COVID-19, which includes individuals working in long-term care and retirement residences in Ontario and British Columbia. The additional compensation of $4/hour applied to both Ontario's long-term care and retirement residences' frontline staff, and British Columbia's long-term care residences' frontline staff for a period of 16 weeks that ended in August 2020. An additional lump-sum payment of $250/month for four months applies to eligible workers in Ontario's long-term care and retirement residences' to recognize the extraordinary work being done to care for and safeguard residents.

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

For both the three and nine months ended September 30, 2020, the temporary pandemic pay for front-line staff amounted to $11.8 million and $22.7 million, respectively for the Company's LTC residences and $1.9 million and $3.3 million, respectively for the Company's Retirement residences, which was fully funded by the Governments of Ontario and British Columbia.

In addition, the Company introduced a pandemic pay program for team members who have worked during this pandemic but are not covered under Governments of Ontario and British Columbia’s temporary pandemic pay program. For the full year of 2020, Sienna's pandemic pay program is expected to be approximately $1.0 million for the Company's LTC residences and $0.5 million for the Company's Retirement residences. For both the three and nine months ended September 30, 2020, the Company recorded pandemic pay expenses for this program of $0.3 million and $1.0 million, respectively for LTC and $0.1 million and $0.5 million, respectively for Retirement.

Personal Protective Equipment Procurement

Since the onset of the pandemic, Sienna has sourced over 4 million pieces of PPE, costing approximately $6.0 million, for use at our residences. We centralized the ordering of critical PPE on behalf of our communities and increased the level of reserve on-site at each residence and in our warehouses to approximately four weeks of supply, ensuring a robust supply of PPE at all times.

CaRES Fund

Inspired by the dedication and extraordinary efforts of staff members in the seniors’ living sector, Sienna, together with Chartwell Retirement Residences, Revera Inc. and Extendicare Inc., initiated the CaRES Fund.

The CaRES Fund aims to provide one-time financial grants of up to $10 thousand to eligible employees of LTC and retirement operators in Canada facing extraordinary circumstances amid the COVID-19 crisis.

In addition to Sienna’s $0.5 million contribution to the CaRES Fund, the Company’s Board of Directors has forfeited a portion of their 2020 compensation to assist the Company in making additional contributions.

As of October 2020, the CaRES Fund has awarded more than 400 employees over $1.8 million in emergency financial assistance.

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 Company presents FFO in accordance with the Real Property Association of Canada White Paper on Funds From Operations for IFRS. 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 net of the principal reserve on the Series B Secured Debentures (defined later in this document) 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 September 30:

	Three Months Ended			Nine Months Ended		
Thousands of Canadian dollars, except occupancy, share and ratio data	**2020**	2019	Change	**2020**	2019	Change
OCCUPANCY						
Retirement - Average same property occupancy(1)(2)	**81.4 %**	86.9 %	(5.5%)	**83.2 %**	88.6 %	(5.4%)
Retirement - As at same property occupancy(1)(2)	**83.4 %**	86.3 %	(2.9%)	**83.4 %**	86.3 %	(2.9%)
Retirement - As at total occupancy(1)(2)	**82.8 %**	85.1 %	(2.3%)	**82.8 %**	85.1 %	(2.3%)
LTC - Average total occupancy(3)	**87.4 %**	98.2 %	(10.8%)	**92.6 %**	98.3 %	(5.7%)
LTC - Average private occupancy	**86.3 %**	98.0 %	(11.7%)	**91.7 %**	98.1 %	(6.4%)
FINANCIAL						
Revenue	**166,850**	167,947	(1,097)	**495,399**	497,573	(2,174)
Operating expenses, net	**137,895**	127,785	10,110	**398,042**	378,570	19,472
Same property NOI(4)	**28,852**	40,214	(11,362)	**97,059**	119,055	(21,996)
Total NOI(4)	**28,955**	40,162	(11,207)	**97,357**	119,003	(21,646)
EBITDA(5)	**19,105**	34,565	(15,460)	**73,520**	100,684	(27,164)
Net (loss) income	**(6,484)**	3,763	(10,247)	**(15,758)**	6,435	(22,193)
OFFO(6)	**13,624**	24,208	(10,584)	**54,741**	69,132	(14,391)
AFFO(6)	**14,187**	24,492	(10,305)	**56,394**	72,303	(15,909)
Total assets(7)	**1,733,832**	1,708,163	25,669	**1,733,832**	1,708,163	25,669
PER SHARE INFORMATION						
OFFO per share(6)(8)	**0.203**	0.364	(0.161)	**0.817**	1.042	(0.225)
AFFO per share(6)(8)	**0.212**	0.368	(0.156)	**0.842**	1.089	(0.247)
Dividends per share	**0.234**	0.233	0.001	**0.702**	0.692	0.010
Payout ratio(9)	**110.4 %**	63.3 %	47.1 %	**83.4 %**	63.5 %	19.9 %

Thousands of Canadian dollars, except occupancy, share and ratio data	Three Months Ended 2020	2019	Change	Nine Months Ended 2020	2019	Change
FINANCIAL RATIOS						
Debt to enterprise value[10]	**57.8 %**	43.0 %	14.8 %	57.8 %	43.0 %	14.8 %
Debt to gross book value as at period end	**47.3 %**	46.5 %	0.8 %	47.3 %	46.5 %	0.8 %
Weighted average cost of debt as at period end	**3.3 %**	3.7 %	(0.4%)	3.3 %	3.7 %	(0.4%)
Debt to Adjusted EBITDA as at period end	**8.9**	6.6	2.3	**8.9**	6.6	2.3
Interest coverage ratio	**2.5**	4.0	(1.5)	**3.2**	3.9	(0.7)
Debt service coverage ratio	**1.3**	1.9	(0.6)	**1.6**	1.9	(0.3)
Weighted average term to maturity as at period end	**4.0**	4.1	(0.1)	**4.0**	4.1	(0.1)
CHANGE IN SAME PROPERTY NOI[4]						
Retirement			(17.7%)			(14.0%)
LTC			(35.9%)			(22.0%)
Total			(28.3%)			(18.5%)

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 80.7% for Q3 2020 (2019 - 85.8%) and 82.3% for the nine months ended September 30, 2020 (2019 - 88.2%).
2. The quarter-over-quarter and year-over-year declines in Retirement occupancy are primarily related to a decline in new residents moving in as a result of access restrictions and the general impact of the COVID-19 pandemic.
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 the three and nine months ended September 30, 2020 includes net pandemic expenses of $7,177 and $14,942, respectively (as discussed in the “Impact of COVID-19 on the Company” section of this MD&A).
5. EBITDA for the three months ended September 30, 2020 decreased by $15,460 primarily due to the net pandemic expenses of $9,737, lower Retirement revenues of $939 due to occupancy, restructuring costs of $782 and increase in share-based compensation expense from mark-to-market adjustments of $1,092. EBITDA for the nine months ended September 30, 2020 decreased by $27,164, primarily due to the net pandemic expenses of $20,514, lower Retirement revenues of $2,410 due to occupancy, restructuring costs of $4,648, partially offset by a decrease in share-based compensation expense from mark-to-market adjustments of $5,794.
6. OFFO and AFFO for the three and nine months ended September 30, 2020 include an after-tax mark-to-market expense (recovery) on share-based compensation of $647 and ($3,189), respectively (2019 - after-tax (recovery) expense of ($155) and $1,065, respectively).
7. Property and equipment and intangible assets included in total assets are measured at cost less accumulated depreciation and amortization.
8. OFFO and AFFO per share for the three months ended September 30, 2020 excluding the after-tax mark-to-market adjustments on share-based compensation would have increased by $0.010 to $0.213 and $0.222, respectively (2019 - decreased by $0.002 to $0.362 and $0.366, respectively). OFFO and AFFO per share for the nine months ended September 30, 2020 excluding the after-tax mark-to-market adjustments on share-based compensation would have decreased by $0.048 to $0.769 and $0.794, respectively (2019 - increased by $0.016 to $1.058 and $1.105, respectively).
9. Payout ratio for the three and nine months ended September 30, 2020 excluding mark-to-market adjustments on share-based compensation after tax would be 105.4% and 88.4%, respectively.
10. Debt to enterprise value increased by 148 bps to 57.8% as at September 30, 2020 from 43.0% as at September 30, 2019. The increase is mainly due to the decrease 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 expenses for the periods ended September 30:

	Three Months Ended			Nine Months Ended		
Thousands of Canadian dollars, except occupancy, share and ratio data	**2020**	2019	Change	**2020**	2019	Change
FINANCIAL						
Operating expenses, excluding net pandemic expenses(1)	**130,718**	127,785	2,933	**383,100**	378,570	4,530
Same property NOI, excluding net pandemic expenses(1)	**36,029**	40,214	(4,185)	**112,001**	119,055	(7,054)
Total NOI, excluding net pandemic expenses(1)	**36,132**	40,162	(4,030)	**112,299**	119,003	(6,704)
EBITDA, excluding net pandemic expenses(2)	**28,842**	34,565	(5,723)	**94,034**	100,684	(6,650)
Net income (loss), excluding net pandemic expenses(3)	**666**	3,763	(3,097)	**(695)**	6,435	(7,130)
OFFO, excluding net pandemic expenses(3)(5)	**20,774**	24,208	(3,434)	**69,804**	69,132	672
AFFO, excluding net pandemic expenses(4)(5)	**20,926**	24,492	(3,566)	**71,901**	72,303	(402)
PER SHARE INFORMATION						
OFFO per share, excluding net pandemic expenses(3)(5)(6)	**0.310**	0.364	(0.054)	**1.042**	1.042	—
AFFO per share, excluding net pandemic expenses and pandemic capital expenditures(4)(5)(6)	**0.313**	0.368	(0.055)	**1.073**	1.089	(0.016)
Payout ratio, excluding net pandemic expenses and pandemic capital expenditures(7)	**74.8 %**	63.3 %	11.5 %	**65.4 %**	63.6 %	1.8 %
FINANCIAL RATIOS						
Debt to Adjusted EBITDA as at period end, excluding net pandemic expenses(8)	**7.2**	6.6	0.6	**7.2**	6.6	0.6
Interest coverage ratio, excluding net pandemic expenses(8)	**3.6**	4.0	(0.4)	**4.0**	3.9	0.1
Debt service coverage ratio, excluding net pandemic expenses(8)	**1.9**	1.9	—	**2.0**	1.9	0.1
CHANGE IN SAME PROPERTY NOI, excluding net pandemic expenses						
Retirement			(13.1%)			(9.9%)
LTC			(8.5%)			(2.9%)
Total			(10.4%)			(5.9%)

Notes:

1. Operating expenses, same property NOI and total NOI for the three and nine months ended September 30, 2020 exclude net pandemic expenses of $7,177 and $14,942, respectively.
2. EBITDA for the three and nine months ended September 30, 2020 excludes net pandemic expenses of $9,737 and $20,514, respectively.
3. Net income (loss) and OFFO for the three and nine months ended September 30, 2020 exclude net pandemic expenses (after tax) of $7,150 and $15,063, respectively.
4. AFFO for the three months ended September 30, 2020 excludes net pandemic expenses (after tax) of $7,150 and pandemic capital recovery of $411. AFFO for the nine months ended September 30, 2020 excludes net pandemic expenses (after tax) of $15,063 and pandemic capital expenditures of $444.
5. OFFO and AFFO for the three and nine months ended September 30, 2020 include an after-tax mark-to-market expense (recovery) on share-based compensation of $647 and ($3,189), respectively (2019 - after-tax (recovery) expense of ($155) and $1,065, respectively).
6. OFFO and AFFO per share, excluding net pandemic expenses and pandemic capital expenditures for the three months ended September 30, 2020 and further excluding the after-tax mark-to-market adjustments on share-based compensation would have increased by $0.117 to $0.320 and by $0.111 to $0.323, respectively (2019 - incresaed by $0.002 to $0.362 and $0.366, respectively). OFFO and AFFO per share, excluding net pandemic expenses and pandemic capital expenditures for the nine months ended September 30, 2020 and further excluding the after-tax

mark-to-market adjustments on share-based compensation would have increased by $0.177 to $0.994 and by $0.183 to $1.025, respectively (2019 - increased by $0.016 to $1.058 and $1.105, respectively).

7. Payout ratio, excluding net pandemic expenses for the three and nine months ended September 30, 2020 and further excluding mark-to-market adjustments on share-based compensation after tax would be 72.6% and 68.5%, respectively.
8. Debt to Adjusted EBITDA, interest coverage ratio and debt coverage ratio for the three and nine months ended September 30, 2020 exclude net pandemic expenses of $9,737 and $20,514, respectively.

Third Quarter 2020 Summary

Sienna has taken extensive precautions to manage the impact of COVID-19 and prepare for the second wave of the pandemic. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and scope of the outbreak and impacts on our employees and suppliers, all of which are uncertain and 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, recent developments regarding a potentially effective vaccine are encouraging 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 87.4% in Q3 2020. Long-term care residences represent of 52.2% of Sienna's portfolio, based on Q3 2020 net operating income, 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 Governments of Ontario and British Columbia have announced that the occupancy protection funding will be in place for long-term care residences until December 31, 2020. The current funding protection does not compensate for the loss of preferred accommodation premiums from private and semi-private room vacancies.

Average same property occupancy in the Retirement portfolio was 81.4% in Q3 2020 and ended the quarter higher month-over-month by 60 bps at 81.7% at the end of September due to intensive sales and marketing initiatives during the quarter. The decrease in occupancy earlier in the year was primarily related to a decline in new residents moving in due to the impact of the COVID-19 pandemic, including access restrictions.

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

	July 2020	August 2020	September 2020	October 2020
Retirement same property occupancy (average)	81.2 %	81.1 %	81.7 %	82.7 %
Retirement rent collection (%)	99.8 %	99.6 %	99.4 %	99.5 %

Improvements in the average monthly occupancy rates in September and October were the result of a successful marketing and sales campaign ahead of the second wave. As at October 31, 2020, Retirement same property occupancy was 81.9%, reflecting the impact of the second wave of COVID-19, including reinstated access restrictions.

Revenue decreased by 0.7% in Q3 2020, or $1,097, to $166,850, compared to Q3 2019. In the Retirement segment, the decrease of $939 in Q3 2020 compared to Q3 2019 was mainly a result of occupancy softness, partially offset by annual rental rate increases. LTC's revenues for Q3 2020 decreased by $158 compared to Q3 2019. However, $1,678 of government funding, which would have typically been included in LTC revenues, has been recorded against eligible operating expenses related to the pandemic. Q3 2020 rent collection levels have remained similar to past experience.

Operating Expenses, net increased by 7.9% in Q3 2020, or $10,110, to $137,895, compared to Q3 2019. The increase was mainly a result of net pandemic expenses of $7,177, comprised of $788 in the Retirement segment and $6,389 in the LTC segment, annual inflationary increases in labour costs and higher property expenses.

Net Pandemic Expenses decreased by 8% in Q3 2020, or $905 to $9,737, compared to Q2 2020. Net pandemic expenses for the quarter included a continued higher level of staffing in preparation of the anticipated second wave of COVID-19, $1,938 of management fees for hospital partners' expertise and support, $1,471 of investments in climate control and air quality systems, partially offset by a decrease in cost per unit of PPE and government assistance related to the pandemic recognized during Q3 2020.

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 operating expenses in the Company's interim consolidated statement of operations for the three and nine months ended September 30, 2020:

Thousands of Canadian dollars	Three months ended September 30, 2020				Nine months ended September 30, 2020			
	Retirement	**LTC**	**Administrative**	**Total**	**Retirement**	**LTC**	**Administrative**	**Total**
Government assistance - temporary pandemic pay	1,856	11,776	—	13,632	3,285	22,716	—	26,001
Government assistance	738	13,129	—	13,867	1,450	25,776	—	27,226
Total government assistance	**2,594**	**24,905**	**—**	**27,499**	**4,735**	**48,492**	**—**	**53,227**
Pandemic labour - temporary pandemic pay	1,856	11,776	—	13,632	3,285	22,716	—	26,001
Pandemic labour	972	15,508	—	16,480	2,459	28,035	—	30,494
Personal protective equipment	506	1,559	—	2,065	877	5,082	—	5,959
Other	48	2,451	2,560	5,059	288	5,427	5,572	11,287
Total pandemic expense	**3,382**	**31,294**	**2,560**	**37,236**	**6,909**	**61,260**	**5,572**	**73,741**
Total net pandemic expenses	**788**	**6,389**	**2,560**	**9,737**	**2,174**	**12,768**	**5,572**	**20,514**

In addition, the Company has recognized $1,592 of pandemic capital expenditures in its consolidated interim statements of financial position, reduced by $1,148 of related government assistance which has not been included in the table above.

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 climate control and air quality systems to enhance infection control, cleaning supplies for IPAC and 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 and contributions to the CaRES Fund.

NOI decreased by 27.9% in Q3 2020, or $11,207, to $28,955, compared to Q3 2019, mainly due to net pandemic expenses of $7,177. Excluding net pandemic expenses, NOI decreased by 10.0% in Q3 2020, or $4,030, to $36,132 mainly due to softness in Retirement occupancy, lower LTC preferred accommodation revenue from vacancies in private and semi-private accommodations during the COVID-19 pandemic, annual inflationary increases in labour costs and higher property expenses, partially offset by annual rental rate increases in Retirement.

Net loss was $6,484 for Q3 2020, representing a decrease of $10,247 over the comparable prior year period. The decrease was primarily related to net pandemic expenses, non-recurring restructuring costs, softer Retirement occupancy and mark-to-market adjustments on share-based compensation, partially offset by annual rental rate increases in Retirement, lower interest expense and lower income taxes. Excluding net pandemic expenses after taxes, net income was $666 for Q3 2020, representing a decrease of $3,097 compared to Q3 2019.

OFFO decreased by 43.7% in Q3 2020, or $10,584, to $13,624 over the comparable prior year period. OFFO per share decreased by 44.2% in Q3 2020, or $0.161, to $0.203 over the comparable prior year period. The decrease was primarily due to net pandemic expenses, softer Retirement occupancy, mark-to-market adjustments on share-based compensation, annual inflationary increases in labour costs and higher property expenses, partially offset by annual rental rate increases in Retirement, lower interest expense and lower current income taxes. Excluding net pandemic expenses, OFFO would be lower by 14.2% in Q3 2020, or $3,434, to $20,774 over the comparable prior year period. OFFO per share, excluding net pandemic expenses, would be lower by 14.8% in Q3 2020, or $0.054, to $0.310 over the comparable prior year period.

AFFO decreased by 42.1% in Q3 2020, or $10,305, to $14,187 over the comparable prior year period. AFFO per share decreased 42.4% in Q3 2020, or $0.156, to $0.212 over the comparable prior year period. The decrease was primarily related to the decrease in OFFO noted above and timing of funding for pandemic capital expenditures. Excluding net pandemic expenses and pandemic capital expenditures, AFFO would be lower by 14.6% in Q3 2020, or $3,566, to $20,926 in Q3 2020. AFFO per share, excluding net pandemic expenses and pandemic capital expenditures, would decrease by 14.9% in Q3 2020, or $0.055, to $0.313 over the comparable prior year period.

Debt - In September 2020, DBRS confirmed the "BBB" rating for the Series A Unsecured Debentures and issued the Company a "BBB" investment grade credit rating with a "Stable" trend.

The Company's debt to gross book value increased by 80 bps to 47.3% in Q3 2020 from 46.5% in Q3 2019 primarily due to $107,000 drawn on its credit facilities, of which $40,000 had been invested in short-term investments, to provide the Company financial flexibility. Due to net pandemic expenses, debt to adjusted EBITDA increased to 8.9 years in Q3 2020 from 6.6 years in Q3 2019; interest coverage ratio decreased to 2.5 times in Q3 2020 from 4.0 times in Q3 2019; and debt service coverage ratio decreased to 1.3 times in Q3 2020 from 1.9 times in Q3 2019. Excluding net pandemic expenses, debt to adjusted EBITDA as at period end was 7.2 years; interest coverage ratio was 3.6 times in Q3 2020; and debt service coverage ratio was 1.9 times in Q3 2020. The Company lowered its weighted average cost of debt to 3.3% in Q3 2020 from 3.7% in Q3 2019.

Refer to the "Significant Events" section of the MD&A for financing activities completed subsequent to Q3 2020.

For the remainder of 2020, the Company has $5,231 of principal amortization debt repayments. Our debt is well distributed between unsecured and secured debentures, credit facilities, conventional mortgages and CMHC insured mortgages.

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

Significant Events

The following financings completed subsequent to the quarter end significantly reduced the Company's near-term maturities, improved its long-term debt ladder, and increased its financial flexibility with the expanded unencumbered asset pool.

Issued $175 Million of 3.45% Series B Senior Unsecured Debentures

On October 2, 2020, the Company issued $175 million aggregate principal amount of Series B senior unsecured debentures (the "**Series B Unsecured Debentures**"). The Series B Unsecured Debentures 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 may be redeemed in whole or in part at the option of the Company at any time, as long as the Company provides not less than 10 days' and not more than 60 days' notice to the holders of the Series B Unsecured Debentures.

Completion of a $100 Million Secured Term Credit Facility

On October 2, 2020, the Company entered into a credit agreement for a $100 million secured term 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 200 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.

Redemption of $246 Million of 3.474% Series B Secured Debentures

On October 2, 2020, the Company repaid all of the outstanding 3.474% Series B senior secured debentures with a maturity date of February 3, 2021 ("**Series B Secured Debentures**") in the amount of $246 million, net of its principal reserve fund, of Sienna’s wholly-owned subsidiary, Leisureworld Senior Care LP (“**LSCLP**”). The Company repaid the Series B Secured Debentures using its principal reserve fund of $41 million and a portion of the net proceeds from the Series B Unsecured Debentures and the Secured Credit Facility, and paid an early redemption premium of $2.8 million. This full redemption released the security collateralized by the assets of LSCLP, which increased the Company's pool of unencumbered assets by more than $300 million from $540 million as at September 30, 2020 to approximately $840 million as at October 2, 2020.

Termination of the $20 million LSCLP Credit Facility

On October 1, 2020, the Company terminated its credit agreement for the $20 million revolving credit facility for LSCLP ("**LSCLP Credit Facility**"). The LSCLP Credit Facility had no amounts drawn as at September 30, 2020.

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:

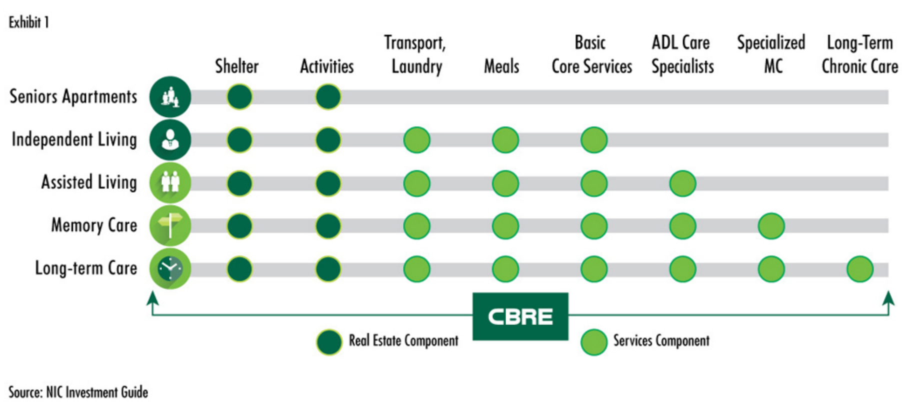
- **Independent Living ("IL")**: IL provides the privacy and freedom of home combined with the convenience and security of on-call assistance and a maintenance-free environment. Residents typically have the option of purchasing à la carte services including meal packages, housekeeping, transportation 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 condominium or life lease.

- **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: CBRE Limited, Valuation & Advisory Services. (2017). Seniors Housing & Healthcare.

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 and preparing for a second wave, 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, including the launch of a new call centre.

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;
- 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
- Issuing unsecured debt as a source of capital to provide the Company with additional financial flexibility to achieve Sienna's growth objectives.

Growing the Company:

Although the COVID-19 pandemic is expected to impact Sienna's growth plans in the near term with acquisitions and expansion projects on hold, our long-term growth plan remains intact.

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 to create senior living campuses, providing IL, AL, MC and LTC;
- 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 partnerships with hospitals for the development of 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.

Environmental

The Company is continuously looking for ways to make its operations more sustainable and is updating its infrastructure through key initiatives, including:

- Increasing water conservation by pursuing the installation of Flow Management Devices (FMD), a water-saving technology;
- Decreasing energy consumption over time by replacing lighting systems, older appliances, fixtures and equipment with more energy-efficient alternatives and whenever possible, participating in ENERGY STAR programs;
- Green strategy implementation, which focuses on reducing the consumption of water, energy, plastics and paper, as well as extensive recycling and maceration efforts.

Social

Community Investment

The Company strives to give back in a number of meaningful ways, including the following initiatives:

- **CaRES Fund:** Inspired by the dedication and extraordinary efforts of staff members in the seniors' living sector during COVID-19, Sienna, together with Chartwell Retirement Residences, Revera Inc. and Extendicare Inc., initiated the CaRES Fund in May 2020. The CaRES Fund provides one-time financial grants of up to $10 thousand to eligible employees of LTC and retirement operators in Canada facing extraordinary circumstances amid the COVID-19 pandemic. The founding members of the CaRES Fund have collectively committed an initial amount of $2 million to this initiative. The CaRES Fund intends to continue its legacy post-COVID-19 through continued emergency funding as well as support to employees or their family members to pursue higher education. The CaRES Fund is open to all operators, sector partners and the community to join in expanding the legacy and resources that will continue to recognize the dedication of employees in the sector for years to come.
- **Seniors Quality Leap Initiative:** As part of Sienna's ongoing commitment to improve clinical quality and safety for seniors, the Company is joining the Seniors Quality Leap Initiative to benchmark quality indicators against international standards and to participate in the sharing of best practices to improve clinical quality and quality of life for seniors.
- **Sienna for Seniors:** Launched in 2017, "Sienna for Seniors" is an integrated, company-wide charitable giving program. The program supports marginalized seniors and those suffering with Alzheimer's or related dementia in the local communities that the Company serves. Funds remain in

the community in which they were raised, supporting charities with seniors-focused programs that include the regional Alzheimer Societies, and other local charities.

- **Community leader in Canadian seniors' living communities:** Sienna is an active leader in the Canadian Association of Long Term Care, Ontario Long Term Care Association, Ontario Retirement Communities Association, BC Care Providers Association and BC Seniors Living Association. In each of these associations, Sienna is actively involved in serving on boards and committees and plays an important role in advocating for sound policy and advancing quality care.

- **Volunteer programs:** The Company is deeply involved in every community in which it operates. Sienna has hundreds of volunteers who give their time and bring the warmth of human connection to residents living in Sienna's long term care communities.

Employee Engagement

Creating a positive experience for employees through the following programs is a key focus at Sienna:

- **Learning & development:** Learning and development is a top priority at Sienna. Many learning opportunities are offered internally and include orientation, on-boarding and on-line learning for team members with both mandatory and optional modules that can be accessed at any time. Further, there are numerous leadership development programs to assist leaders in advancing their knowledge and skills to grow and advance within the Company. The Company supports and encourages internal advancement and promotions wherever possible. In addition, the following learning tools are offered:
    - *Leadership Wellness Program:* a program created to provide leaders with access to relevant tools and resources aimed at supporting team member well-being by promoting physical and mental health;
    - *Diversity & Inclusion Program:* a program created to foster safe, respectful and inclusive workplaces grounded in Sienna's values;
    - *Sienna Academy:* a portal that provides a one-stop-shop for users to access curated content developed internally and externally. Its purpose is to help Sienna team members grow their careers through flexible, on demand learning that is relevant and engaging;
    - *Take the Lead:* monthly virtual micro learning focused on leadership development; and
    - *Manager Essentials:* a blended online and in-person learning opportunity to develop foundational people skills for effective day to day management of teams.

- **Sienna Impact Awards:** To acknowledge the dedication and outstanding contributions of team members, Sienna introduced the Sienna Impact Award in early 2019. The Impact Award, which is considered the highest honour within Sienna, recognizes individuals who have made a significant positive impact company-wide, sector-wide, or across an entire division in the Company.

Governance

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

The Company is focused on bringing together a multitude of perspectives, and is committed to being a leader in diversity, which includes, but is not limited to, gender, sexual preference, disability, age, ethnicity, culture and religion.

Sienna has a diverse and gender-balanced executive leadership team and a well-rounded, independent and experienced Board of Directors, which adheres to the highest standards of governance.

Industry Overview

Please refer to the Company's MD&A and AIF for the year ended December 31, 2019 for a discussion of the Industry Overview.

Business of the Company

Please refer to the Company's AIF for the year ended December 31, 2019 for a discussion of the Business Overview.

Quarterly Financial Information

	2020			2019				2018
Thousands of Canadian dollars, except occupancy, per share and ratio data	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	166,850	162,922	166,437	172,160	167,947	165,957	163,669	169,455
Operating Expenses	137,895	131,031	129,926	134,303	127,785	126,028	124,757	130,556
(Loss) income before net finance charges, transaction costs and (recovery of) provision for income taxes	(295)	1,152	14,405	11,693	15,495	14,809	12,624	13,970
Net (loss) income	(6,484)	(6,778)	(2,496)	1,112	3,763	2,230	442	302
Per share basic and diluted	(0.097)	(0.101)	(0.037)	0.017	0.057	0.034	0.007	0.006
OFFO	13,624	16,699	24,418	22,754	24,208	23,602	21,322	23,550
Per share basic	0.203	0.249	0.365	0.340	0.364	0.356	0.322	0.357
AFFO	14,187	16,623	25,584	20,883	24,492	24,428	23,383	21,738
Per share basic	0.212	0.248	0.382	0.313	0.368	0.368	0.353	0.329
Dividends declared	15,687	15,687	15,671	15,626	15,483	15,241	15,196	15,145
Per share	0.234	0.234	0.234	0.234	0.233	0.230	0.230	0.230
Occupancy								
Retirement - Average total occupancy	80.7 %	82.2 %	84.2 %	85.0 %	85.8 %	88.4 %	90.4 %	91.8 %
Retirement - As at total occupancy	82.8 %	80.8 %	83.6 %	84.7 %	85.1 %	87.3 %	89.4 %	91.6 %
LTC - Average total occupancy	87.4 %	92.6 %	97.9 %	98.2 %	98.2 %	98.3 %	98.2 %	98.5 %
LTC - Average private occupancy	86.3 %	91.6 %	97.3 %	97.9 %	98.0 %	98.1 %	98.3 %	98.6 %
Debt to enterprise value as at period end	57.8 %	63.9 %	55.6 %	43.7 %	43.0 %	39.7 %	44.0 %	48.5 %
Debt to gross book value as at period end	47.3 %	48.5 %	46.9 %	46.0 %	46.5 %	46.6 %	47.8 %	47.7 %
Debt to Adjusted EBITDA as at period end	8.9	8.6	6.8	6.7	6.6	6.7	7.1	6.9
Interest coverage ratio	2.5	3.0	4.2	3.7	4.0	4.0	3.8	3.8
Total assets[1]	1,733,832	1,834,675	1,718,716	1,692,600	1,708,163	1,715,479	1,738,577	1,753,200
Total debt[2]	1,028,854	1,096,902	996,126	956,312	965,113	962,742	987,640	984,917
Weighted average shares outstanding	67,039,123	67,039,123	66,940,538	66,749,273	66,566,747	66,384,395	66,171,723	65,957,631

Notes:

1. Property and equipment and intangible assets included in total assets are measured at cost less accumulated depreciation and amortization.
2. The total debt is net of amounts paid into the principal reserve fund on the Series B Secured Debentures.

The Company's quarterly financial results are impacted by various factors including, but not limited to, net pandemic 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 Q3 2020, the Company’s results have been impacted by net pandemic expenses, restructuring costs, higher property expenses, fair value adjustments on interest rate swap contracts and the volatility caused by COVID-19 in the trading price of Sienna's common shares, resulting in changes to the Company’s mark-to-market adjustments on its share-based compensation.

The Company's total asset base has decreased from $1,753,200 as at Q4 2018 to $1,733,832 as at Q3 2020, and its debt to gross book value has remained generally consistent at 47.3% as at Q3 2020 from 47.7% as at Q4 2018. Due to net pandemic expenses, the debt to adjusted EBITDA increased to 8.9 years as at Q3 2020 from 6.9 years as at Q4 2018, and the interest coverage ratio decreased to 2.5 times as at Q3 2020 from 3.8 times as at Q4 2018.

A discussion of the operating results for the three and nine months ended September 30, 2020 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. The Company's Retirement portfolio operates in well located markets and generated 22.3% of overall revenues and 48.4% of total NOI in Q3 2020.

Long-term Care

The Company's LTC portfolio contributed 77.7% of the Company's revenues and generated 51.6% of its NOI in Q3 2020. For 2020, the regulated resident co-payment per diem rate for basic accommodation in Class A, B and C homes is $62.18 per bed per day. For new admissions to private and semi-private accommodation in Class A homes, the regulated resident co-payment per diem premiums are $26.64 and $12.78 per bed per day, respectively, with existing residents in such preferred accommodations being grandfathered at historical rates. For Class B and C homes, the regulated resident co-payment per diem premiums are $19.17 and $8.52 per bed per day for private and semi-private accommodation, respectively.

Effective April 1, 2020, LTC minor capital funding replaced the structural compliance premium, which ended March 31, 2020. The new LTC minor capital funding program will be phased in over the next three years with modest increases during this period.

The following table represents the operating results for the periods ended September 30:

	Three Months Ended			Nine Months Ended		
Thousands of Canadian dollars	**2020**	2019	Change	**2020**	2019	Change
Revenue	**166,850**	167,947	(1,097)	**495,399**	497,573	(2,174)
Expenses						
Operating, net	**137,895**	127,785	10,110	**398,042**	378,570	19,472
Depreciation and amortization	**19,400**	19,070	330	**58,258**	57,756	502
Administrative	**9,792**	5,597	4,195	**23,608**	18,319	5,289
Share of net loss in joint venture	**58**	—	58	**229**	—	229
	167,145	152,452	14,693	**480,137**	454,645	25,492
(Loss) Income before net finance charges, transaction costs and (recovery of) provision for income taxes	**(295)**	15,495	(15,790)	**15,262**	42,928	(27,666)
Net finance charges	**8,826**	9,501	(675)	**35,763**	32,058	3,705
Transaction costs	**83**	352	(269)	**1,480**	2,107	(627)
Total other expenses	**8,909**	9,853	(944)	**37,243**	34,165	3,078
(Loss) income before (recovery of) provision for income taxes	**(9,204)**	5,642	(14,846)	**(21,981)**	8,763	(30,744)
(Recovery of) provision for income taxes						
Current	**(2,404)**	1,677	(4,081)	**(2,650)**	5,322	(7,972)
Deferred	**(316)**	202	(518)	**(3,573)**	(2,994)	(579)
	(2,720)	1,879	(4,599)	**(6,223)**	2,328	(8,551)
Net (loss) income	**(6,484)**	3,763	(10,247)	**(15,758)**	6,435	(22,193)
Total assets	**1,733,832**	1,708,163	25,669	**1,733,832**	1,708,163	25,669
Total debt (net of principal reserve fund)	**1,028,854**	965,113	63,741	**1,028,854**	965,113	63,741

Net Operating Income Consolidated

The following table represents the Company's consolidated net operating income for the periods ended September 30:

	Three Months Ended			Nine Months Ended		
Thousands of Canadian dollars	**2020**	2019	Change	**2020**	2019	Change
Revenue						
Same property	**166,542**	167,845	(1,303)	**494,547**	497,471	(2,924)
Development[1]	**308**	102	206	**852**	102	750
Total Revenue	**166,850**	167,947	(1,097)	**495,399**	497,573	(2,174)
Operating Expenses, net						
Same property	**130,513**	127,631	2,882	**382,546**	378,416	4,130
Same property - net pandemic expenses[2]	**7,177**	—	7,177	**14,942**	—	14,942
Development[1]	**205**	154	51	**554**	154	400
Total Operating Expenses, net	**137,895**	127,785	10,110	**398,042**	378,570	19,472
NOI						
Same property[2]	**28,852**	40,214	(11,362)	**97,059**	119,055	(21,996)
Development[1]	**103**	(52)	155	**298**	(52)	350
Total NOI	**28,955**	40,162	(11,207)	**97,357**	119,003	(21,646)

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 Q3 2020, includes government assistance related to the pandemic of $27,499 and incremental COVID-19 related operating expenses of $34,676, resulting in net pandemic expenses of $7,177. For the nine months ended September 30, 2020, includes government assistance related to the pandemic of $53,227 and incremental COVID-19 related operating expenses of $68,169, resulting in net pandemic expenses of $14,942. Government assistance related to the pandemic is recognized to the extent that eligible expenses have been incurred and funding allocations are determined.

Third Quarter 2020 Operating Results

The Company's total same property revenues for Q3 2020 decreased by $1,303 to $166,542, compared to Q3 2019. LTC's revenues for Q3 2020 decreased by $158 to $129,699, compared to Q3 2019. However, $1,678 of government funding, which would have typically been included in LTC revenues, has been recorded against eligible operating expenses related to the pandemic. Furthermore, the decrease in LTC revenues for Q3 2020, compared to Q3 2019, was partly attributable to lower preferred accommodation revenue from vacancies in private and semi-private accommodations during the COVID-19 pandemic. Retirement's same property revenues for Q3 2020 decreased by $1,145 to $36,843, compared to Q3 2019, primarily due to occupancy softness, partially offset by annual rental rate increases in line with market conditions. Revenues from development were $308 (2019 - $102) for Q3 2020, representing the revenues from the 57-suite expansion at Island Park Retirement Residence completed during Q3 2019.

The Company's total same property operating expenses, excluding net pandemic expenses, for Q3 2020 increased by $2,882 to $130,513, compared to Q3 2019. LTC's operating expenses, excluding net pandemic expenses, for Q3 2020 increased by $1,820 to $108,368, compared to Q3 2019, due to annual inflationary increases in labour costs and higher property expenses. Retirement same property operating expenses, excluding net pandemic expenses, for Q3 2020 increased by $1,062 to $22,145, compared to Q3 2019, primarily due to annual inflationary increases in labour costs and higher property expenses. Development operating expenses were $205 (2019 - $154) for Q3 2020.

The Company's total same property NOI for Q3 2020 decreased by $11,362 to $28,852, compared to Q3 2019, mainly due to net pandemic costs of $7,177. LTC's NOI for Q3 2020 decreased by $8,367 to $14,942 compared to Q3 2019, primarily due to net pandemic costs of $6,389, higher property expenses and lower preferred accommodation revenue from vacancies in private and semi-private accommodations during the COVID-19 pandemic. Retirement's same property NOI for Q3 2020 decreased by $2,995 to $13,910, compared to Q3 2019, mainly due to net pandemic costs of $788, occupancy softness, annual inflationary increases in labour costs and higher property expenses. Development NOI was $103 (2019 - $(52)) for Q3 2020 .

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

Nine Months Ended September 30, 2020 Operating Results

The Company's total same property revenues for the nine months ended September 30, 2020 decreased by $2,924 to $494,547, over the comparable prior year period. LTC's revenues for the nine months ended September 30, 2020 increased by $236 to $382,748, over the comparable prior year period, due to annual inflationary increases, partially offset by $6,698 of government funding, which would have typically been included in LTC revenues, has been recorded against eligible operating expenses related to the pandemic. Furthermore, the decrease in LTC revenues for Q3 2020, compared to Q3 2019, was partly attributable to lower preferred accommodation revenue from vacancies in private and semi-private accommodations during the COVID-19 pandemic. Retirement's same property revenues decreased by $3,160 to $111,799, over the comparable prior year period, due to lower occupancy, partially offset by annual rental rate increases in line with market conditions. Development revenues were $852 (2019 - $102) for the nine months ended September 30, 2020.

The Company's total same property operating expenses, excluding net pandemic expenses, for the nine months ended September 30, 2020 increased by $4,130 to $382,546, over the comparable prior year period. LTC's operating expenses, excluding net pandemic expenses, increased by $2,145 to $317,829, over the comparable prior year period, mainly due to annual inflationary increases in labour costs and higher property expenses. Retirement's same property operating expenses, excluding net pandemic expenses, increased by $1,985 to $64,717, over the comparable prior year period, primarily due to annual increase in labour costs and higher property expenses. Development operating expenses were $554 (2019 - $154) for the nine months ended September 30, 2020.

The Company's total same property NOI for the nine months ended September 30, 2020 decreased by $21,996 to $97,059, over the comparable prior year period, mainly due to net pandemic expenses of $14,942 and lower occupancy in Retirement. LTC's NOI decreased by $14,677 to $52,151, over the comparable prior year period, primarily due to net pandemic expenses of $12,768 and higher property expenses. Retirement's same property NOI decreased by $7,319 to $44,908, over the comparable prior year period, primarily due to net pandemic expenses of $2,174, lower occupancy, annual inflationary increases in labour costs and higher property expenses. Development NOI was $298 (2019 - $(52)) for the nine months ended September 30, 2020.

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

Net Operating Income by Segment

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

Retirement

The following table represents the results of the Retirement segment for the periods ended September 30:

	Three Months Ended			Nine Months Ended		
Thousands of Canadian dollars	**2020**	2019	Change	**2020**	2019	Change
Retirement Revenue						
Same property	**36,843**	37,988	(1,145)	**111,799**	114,959	(3,160)
Development[1]	**308**	102	206	**852**	102	750
Total Retirement Revenue	**37,151**	38,090	(939)	**112,651**	115,061	(2,410)
Retirement Expenses, net						
Same property	**22,145**	21,083	1,062	**64,717**	62,732	1,985
Same property - net pandemic expenses[2]	**788**	—	788	**2,174**	—	2,174
Development[1]	**205**	154	51	**554**	154	400
Total Retirement Expenses, net	**23,138**	21,237	1,901	**67,445**	62,886	4,559
Retirement NOI						
Same property[2]	**13,910**	16,905	(2,995)	**44,908**	52,227	(7,319)
Development[1]	**103**	(52)	155	**298**	(52)	350
Total Retirement NOI	**14,013**	16,853	(2,840)	**45,206**	52,175	(6,969)

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 $2,594 and $4,735, and incremental COVID-19 related operating expenses of $3,382 and $6,909 resulting in net pandemic expenses of $788 and $2,174 for the three and nine months ended September 30, 2020, respectively. Government assistance related to the pandemic is recognized to the extent that eligible expenses have been incurred and funding allocations are determined.

Third Quarter 2020 Retirement Results

Retirement's same property revenues for Q3 2020 decreased by $1,145 to $36,843, compared to Q3 2019, 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 Q3 2020 increased by $1,062 to $22,145, compared to Q3 2019, primarily due to annual inflationary increases in labour costs and higher property expenses. Net pandemic expenses for Q3 2020 were $788 (2019 - $nil).

Retirement's same property NOI for Q3 2020 decreased by $2,995 to $13,910, compared to Q3 2019. Excluding net pandemic expenses, Retirement's same property NOI for Q3 2020 decreased by $2,207 to $14,698, compared to Q3 2019.

Nine Months Ended September 30, 2020 Retirement Results

Retirement's same property revenues for the nine months ended September 30, 2020 decreased by $3,160 to $111,799, over the comparable prior year period, 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 the nine months ended September 30, 2020 increased by $1,985 to $64,717, over the comparable prior year period, mainly due to annual inflationary increases in labour costs and higher property expenses. Net pandemic expenses for the nine months ended September 30, 2020 were $2,174 (2019 - $nil).

Retirement's same property NOI for the nine months ended September 30, 2020 decreased by $7,319 to $44,908, over the comparable prior year period. Excluding net pandemic expenses, Retirement's same property NOI for the nine months ended September 30, 2020 decreased by $5,145 to $47,082, over the comparable prior year period.

Long-term Care

The following table represents the results of the LTC segment for the periods ended September 30:

	Three Months Ended			Nine Months Ended		
Thousands of Canadian dollars	**2020**	2019	Change	**2020**	2019	Change
Long-term Care Revenue						
Same property	**129,699**	129,857	(158)	**382,748**	382,512	236
Total Long-term Care Revenue	**129,699**	129,857	(158)	**382,748**	382,512	236
Long-term Care Expenses, net						
Same property	**108,368**	106,548	1,820	**317,829**	315,684	2,145
Same property - net pandemic expenses(1)	**6,389**	—	6,389	**12,768**	—	12,768
Total Long-term Care Expenses, net	**114,757**	106,548	8,209	**330,597**	315,684	14,913
Long-term Care NOI						
Same property(1)	**14,942**	23,309	(8,367)	**52,151**	66,828	(14,677)
Total Long-term Care NOI	**14,942**	23,309	(8,367)	**52,151**	66,828	(14,677)

Notes:

1. Includes the government assistance related to the pandemic of $24,905 and $48,492, and incremental COVID-19 related operating expenses of $31,294 and $61,260, resulting in net pandemic expenses of $6,389 and $12,768 for the three and nine months ended September 30, 2020, respectively. Government assistance related to the pandemic is recognized to the extent that eligible expenses have been incurred and funding allocations are determined.

Third Quarter 2020 Long-term Care Results

LTC's revenues for Q3 2020 decreased by $158 to $129,699, compared to Q3 2019. However, $1,678 of government funding, which would have typically been included in LTC revenues, has been recorded against eligible operating expenses related to the pandemic. Furthermore, the decrease in LTC revenues for Q3 2020, compared to Q3 2019, was attributable to lower preferred accommodation revenue from vacancies in private and semi-private accommodations during the COVID-19 pandemic.

LTC's operating expenses, excluding net pandemic expenses, for Q3 2020 increased by $1,820 to $108,368, compared to Q3 2019, mainly due to annual inflationary increases in labour costs and higher property expenses. Net pandemic expenses for Q3 2020 were $6,389 (2019 - $nil).

LTC's NOI for Q3 2020 decreased by $8,367 to $14,942, compared to Q3 2019. Excluding net pandemic expenses, LTC's NOI for Q3 2020 decreased by $1,978 to $21,331, compared to Q3 2019.

Nine Months Ended September 30, 2020 Long-term Care Results

LTC's revenues for the nine months ended September 30, 2020 increased by $236 to $382,748, over the comparable prior year period, due to annual inflationary increases, partially offset by $6,698 of government funding, which would have typically been included in LTC revenues, has been recorded against eligible operating expenses related to the pandemic. Furthermore, the decrease in LTC revenues for Q3 2020, compared to Q3 2019, was partly attributable to lower preferred accommodation revenue from vacancies in private and semi-private accommodations during the COVID-19 pandemic.

LTC's operating expenses, excluding net pandemic expenses, for the nine months ended September 30, 2020 increased by $2,145 to $317,829, over the comparable prior year period, mainly due to annual inflationary increases in labour costs and higher property expenses. Net pandemic expenses for the nine months ended September 30, 2020 were $12,768 (2019 - $nil).

LTC's NOI for the nine months ended September 30, 2020, decreased by $14,677 to $52,151 over the comparable prior year period. Excluding net pandemic expenses, LTC's NOI for the nine months ended September 30, 2020 decreased by $1,909 to $64,919, over the comparable prior year period.

Depreciation and Amortization

Third Quarter 2020

Depreciation and amortization for Q3 2020 increased by $330 to $19,400, compared to Q3 2019, due to amortization from property and equipment investments, partially offset by the completion of the amortization of resident relationships in Q3 2019.

Nine Months Ended September 30, 2020

Depreciation and amortization for the nine months ended September 30, 2020 increased by $502 to $58,258, compared to Q3 2019, due to amortization from property and equipment investments and information and technology enhancements in 2020.

Administrative Expenses

	Three Months Ended September 30,			Nine months ended September 30,		
Thousands of Canadian dollars	**2020**	2019	Change	**2020**	2019	Change
General and administrative expenses	**5,274**	5,341	(67)	**16,554**	15,465	1,089
Restructuring costs	**782**	—	782	**4,648**	—	4,648
Pandemic expenses	**2,560**	—	2,560	**5,572**	—	5,572
Share-based compensation	**1,176**	256	920	**(3,166)**	2,854	(6,020)
Total administrative expenses	**9,792**	5,597	4,195	**23,608**	18,319	5,289

Third Quarter 2020

Administrative expenses for Q3 2020 increased by $4,195 to $9,792, compared to Q3 2019, primarily due to pandemic expenses of $2,560, which include advisory fees to support the management of the pandemic, non-recurring restructuring costs of $782, as a result of changes to our leadership team, and an increase of $1,092 in share-based compensation expenses from mark-to-market adjustments.

Nine Months Ended September 30, 2020

Administrative expenses for the nine months ended September 30, 2020 increased by $5,289 to $23,608, over the comparable prior year period, primarily due to pandemic expenses of $5,572 which include advisory fees to support the management of the pandemic and Sienna's contribution of $500 to the CaRES Fund, and non-recurring restructuring costs of $4,648. In addition, an increase in employee costs in general and administrative expenses to strengthen the Company's operating platform to deliver quality resident experience. This was partially offset by a decrease of $5,794 in share-based compensation expense from mark-to-market adjustments.

Share of Net Loss in Joint Venture

Third Quarter 2020

For Q3 2020, the Company's share of net loss in a joint venture of $58 is related to the potential development of a retirement residence in Niagara Falls, Ontario.

Nine Months Ended September 30, 2020

For the nine months ended September 30, 2020, the Company's share of net loss in a joint venture of $229 is related to the potential development of a retirement residence in Niagara Falls, Ontario.

Net Finance Charges

	Three months ended September 30,			Nine months ended September 30,		
Thousands of Canadian dollars	**2020**	2019	Change	**2020**	2019	Change
Finance costs						
Interest expense on long-term debt	**8,473**	9,127	(654)	**25,724**	27,524	(1,800)
Fees on revolving credit facilities	**109**	106	3	**326**	303	23
Amortization of financing charges and fair value adjustments on acquired debt	**580**	627	(47)	**1,632**	1,567	65
Amortization of loss on bond forward contract	**223**	242	(19)	**658**	711	(53)
Fair value loss on interest rate swap contracts	**148**	84	64	**9,891**	5,400	4,491
	9,533	10,186	(653)	**38,231**	35,505	2,726
Finance income						
Interest income on construction funding receivable	**415**	500	(85)	**1,322**	1,607	(285)
Other interest income[1]	**292**	185	107	**1,146**	1,840	(694)
	707	685	22	**2,468**	3,447	(979)
Net finance charges	**8,826**	9,501	(675)	**35,763**	32,058	3,705

Notes:
1. For the nine months ended September 30, 2019, interest income of $1,346 recorded on a GST rebate for a prior year is included.

Third Quarter 2020

Net finance charges for Q3 2020 decreased by $675 to $8,826, compared to Q3 2019, primarily attributable to a decrease in interest expense on long-term debt due to lower weighted average interest rate.

Nine Months Ended September 30, 2020

Net finance charges for the nine months ended September 30, 2020 increased by $3,705 to $35,763 over the comparable prior year period, primarily attributable to fair value adjustments on interest rate swap contracts. As a result of the COVID-19 pandemic, the Bank of Canada decreased the overnight rate in March 2020 to support the Canadian economy. The resulting decrease in interest rates had a negative fair value impact on the valuation of the Company's interest rate swap contracts. This was partially offset by a decrease in interest expense on long-term debt due to a lower weighted average interest rate.

Transaction Costs

Third Quarter 2020

Transaction costs for Q3 2020 decreased by $269 to $83 compared to Q3 2019 primarily attributable to fewer transaction activities.

Nine Months Ended September 30, 2020

Transaction costs for the nine months ended September 30, 2020 decreased by $627 to $1,480, over the comparable prior year period primarily attributable to fewer transaction activities.

Income Taxes

Third Quarter 2020

Income tax recovery for Q3 2020 increased by $4,599 to $2,720, compared to Q3 2019. The current income tax recovery for Q3 2020 increased by $4,081 to $2,404 compared to Q3 2019, primarily attributable to a decrease in NOI and an increase in administrative expenses. The current income tax recovery has been calculated at the weighted average combined corporate tax rate of 26.57% (2019 - 26.57%). The deferred income tax recovery for Q3 2020 increased by $518 to $316 compared to Q3 2019, primarily attributable to mark-to-market adjustments on share-based compensation.

Nine Months Ended September 30, 2020

Income tax recovery for nine months ended September 30, 2020 increased by $8,551 to $6,223, over the comparable prior year period. The current income tax recovery for the nine months ended September 30, 2020 increased by $7,972 to $2,650 over the comparable prior year period, primarily attributable to a decrease in NOI, an increase in administrative expenses and mark-to-market adjustments on share-based compensation, partially offset by a decrease in tax depreciation. The current income tax expense has been calculated at the weighted average combined corporate tax rate of 26.57% (2019 - 26.57%). The deferred income tax recovery for the nine months ended September 30, 2020 increased by $579 to $3,573 over the comparable prior year period, primarily attributable to fair value adjustments on interest rate swaps.

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 September 30. The reconciliation from FFO to AFFO is provided as supplementary information.

	Three Months Ended			Nine Months Ended		
Thousands of Canadian dollars, except share and per share data	**2020**	2019	Change	**2020**	2019	Change
Net (loss) income	**(6,484)**	3,763	(10,247)	**(15,758)**	6,435	(22,193)
Deferred income tax recovery	**(316)**	202	(518)	**(3,573)**	(2,994)	(579)
Depreciation and amortization	**18,474**	18,180	294	**55,445**	55,179	266
Transaction costs	**83**	352	(269)	**1,480**	2,107	(627)
Fair value loss on interest rate swap contracts	**148**	84	64	**9,891**	5,400	4,491
Funds from operations (FFO)	**11,905**	22,581	(10,676)	**47,485**	66,127	(18,642)
Depreciation and amortization - corporate	**926**	890	36	**2,813**	2,577	236
Amortization of financing charges and fair value adjustments on acquired debt	**580**	627	(47)	**1,632**	1,567	65
Amortization of loss on bond forward contract	**223**	242	(19)	**658**	711	(53)
Net settlement payment on interest rate swap contracts	**(525)**	(73)	(452)	**(1,083)**	(327)	(756)
Tax shield due to the settlement of the bond-lock hedge	**(59)**	(59)	—	**(177)**	(177)	—
Restructuring costs	**574**	—	574	**3,413**	—	3,413
Other interest income	**—**	—	—	**—**	(1,346)	1,346
Operating funds from operations (OFFO)	**13,624**	24,208	(10,584)	**54,741**	69,132	(14,391)
Construction funding	**2,743**	2,597	146	**8,153**	8,113	40
Maintenance capital expenditures	**(2,591)**	(2,313)	(278)	**(6,056)**	(4,942)	(1,114)
Pandemic capital recovery (expenditures)	**411**	—	411	**(444)**	—	(444)
Adjusted funds from operations (AFFO)	**14,187**	24,492	(10,305)	**56,394**	72,303	(15,909)
Adjusted funds from operations (AFFO)	**14,187**	24,492	(10,305)	**56,394**	72,303	(15,909)
Dividends declared	**(15,687)**	(15,483)	(204)	**(47,045)**	(45,920)	(1,125)
AFFO retained	**(1,500)**	9,009	(10,509)	**9,349**	26,383	(17,034)
FFO per share	**0.178**	0.339	(0.161)	**0.709**	0.996	(0.287)
OFFO per share	**0.203**	0.364	(0.161)	**0.817**	1.042	(0.225)
AFFO per share	**0.212**	0.368	(0.156)	**0.842**	1.089	(0.247)
Weighted average common shares outstanding	**67,039,123**	66,566,747		**67,006,381**	66,375,736	

Third Quarter 2020 Performance

For Q3 2020, FFO decreased by $10,676 to $11,905, compared to Q3 2019. The decrease was primarily due to net pandemic expenses of $9,737, and increase in share-based compensation from mark-to-market adjustments of $1,092, and non-recurring restructuring costs of $782, softer Retirement occupancy, annual inflationary increases in labour costs and higher property expenses, partially offset by annual rental rate increases in Retirement, lower interest expense and lower current income taxes of $4,081.

For Q3 2020, OFFO decreased by $10,584 to $13,624, compared to Q3 2019. The decrease was primarily attributable to the decrease in FFO noted above, excluding the non-recurring restructuring costs of $574 (net of tax) recorded in Q3 2020.

For Q3 2020, AFFO decreased by $10,305 to $14,187, compared to Q3 2019. The decrease in AFFO was principally related to the decrease in OFFO noted above and timing of funding for pandemic capital expenditures.

Nine Months Ended September 30, 2020 Performance

FFO for the nine months ended September 30, 2020 decreased by $18,642 to $47,485 over the comparative prior year period. The decrease was primarily attributable to net pandemic expenses of $20,514, non-recurring restructuring costs of $4,648, softer Retirement occupancy and annual inflationary increases in labour costs and higher property expenses, partially offset by annual rental rate increases in Retirement, a decrease in share-based compensation from mark-to-market adjustments of $5,794, lower interest expense and lower current income taxes by $7,972.

OFFO for the nine months ended September 30, 2020 decreased by $14,391 to $54,741 over the comparative prior year period. The decrease was primarily attributable to the decrease in FFO noted above, excluding the non-recurring restructuring costs of $3,413 (net of tax) for the nine months ended September 30, 2020, and the $1,346 interest income recorded in Q1 2019 on a GST rebate for a prior year.

AFFO for the nine months ended September 30, 2020 decreased by $15,909 to $56,394 over the comparative prior year period. The decrease was principally related to the decrease in OFFO noted above, the timing of maintenance capital expenditures and pandemic capital expenditures in excess of government assistance related to the pandemic.

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 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 September 30, 2020, 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, 2020 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
2020	1,709	10,890	12,599
2021	1,271	9,778	11,049
2022	877	9,102	9,979
2023	552	6,237	6,789
2024	356	3,085	3,441
Thereafter	1,118	7,795	8,913
	5,883	**46,887**	**52,770**

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 and nine months ended September 30, 2020, interest income on construction funding of $415 and $1,322 (2019 - $500 and $1,607), respectively, was recognized, and an adjustment of $2,743 and $8,153 (2019 - $2,597 and $8,113), respectively, 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 September 30:

	Three Months Ended		Nine Months Ended	
Thousands of Canadian dollars	**2020**	2019	**2020**	2019
Building improvements	**665**	618	**1,945**	932
Mechanical and electrical	**575**	356	**1,062**	1,336
Suite renovations and common area maintenance	**852**	763	**1,791**	1,570
Communications and information systems	**93**	144	**201**	255
Furniture, fixtures and equipment	**406**	432	**1,057**	849
Total maintenance capital expenditures	**2,591**	2,313	**6,056**	4,942

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 September 30:

	Three Months Ended			Nine Months Ended		
Thousands of Canadian dollars	**2020**	2019	Change	**2020**	2019	Change
Cash (used in) provided by operating activities	**(5,523)**	20,957	(26,480)	**43,797**	61,225	(17,428)
Construction funding principal	**2,743**	2,597	146	**8,153**	8,113	40
Transaction costs	**83**	352	(269)	**1,480**	2,107	(627)
Tax shield due to settlement of the bond-lock hedge	**(59)**	(59)	—	**(177)**	(177)	—
Maintenance capital expenditures	**(2,591)**	(2,313)	(278)	**(6,056)**	(4,942)	(1,114)
Net pandemic capital recovery (expenditures)	**411**	—	411	**(444)**	—	(444)
Net change in working capital, interest and taxes	**18,500**	3,012	15,488	**6,201**	7,622	(1,421)
Restricted share units recovery (expense)	**49**	(54)	103	**27**	(299)	326
Restructuring costs	**574**	—	574	**3,413**	—	3,413
Other interest income	**—**	—	—	**—**	(1,346)	1,346
Adjusted funds from operations (AFFO)	**14,187**	24,492	(10,305)	**56,394**	72,303	(15,909)
Adjusted funds from operations (AFFO)	**14,187**	24,492	(10,305)	**56,394**	72,303	(15,909)
Dividends declared	**(15,687)**	(15,483)	(204)	**(47,045)**	(45,920)	(1,125)
AFFO retained	**(1,500)**	9,009	(10,509)	**9,349**	26,383	(17,034)
Dividend reinvestment	**—**	3,373	(3,373)	**3,393**	10,285	(6,892)
AFFO retained after dividend reinvestment	**(1,500)**	12,382	(13,882)	**12,742**	36,668	(23,926)

The excess of dividends declared over AFFO for the three and nine months ended September 30, 2020 is primarily due to net pandemic expenses.

Refer to the "Cash Flow Analysis" section for details on the change from Q3 2019 to Q3 2020 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 September 30, 2020 compared to December 31, 2019.

Thousands of Canadian dollars	**2020**	2019	Change
Total assets	**1,733,832**	1,692,600	41,232
Total liabilities	**1,262,239**	1,162,115	100,124
Total equity	**471,593**	530,485	(58,892)

Total assets increased by $41,232 to $1,733,832 primarily due to an increase in cash and cash equivalents and the purchase of property and equipment, partially offset by the amortization of resident relationships and depreciation of property and equipment.

Total liabilities increased by $100,124 to $1,262,239 primarily due an increase in long-term debt, including $107,000 of drawdowns on credit facilities of which $40,000 has been invested in short-term investments, and an increase in the interest rate swap liabilities due to fair value adjustments and the timing of accounts payable and accrued liabilities.

Total equity decreased by $58,892 to $471,593 primarily due to the payment of dividends and the Company's net loss during the nine months ended September 30, 2020, partially offset by dividend reinvestments in Q1 2020.

Cash Flow Analysis

The following table represents the summary of cash flows for the periods ended September 30, 2020:

	Three Months Ended			Nine Months Ended		
Thousands of Canadian dollars	**2020**	2019	Change	**2020**	2019	Change
Cash (used in) provided by:						
Operating activities	**(5,523)**	20,957	(26,480)	**43,797**	61,225	(17,428)
Investing activities	**(322)**	(1,836)	1,514	**(3,049)**	(1,782)	(1,267)
Financing activities	**(84,316)**	(10,254)	(74,062)	**27,271**	(59,911)	87,182
(Decrease) increase in cash and cash equivalents during the period	**(90,161)**	8,867	(99,028)	**68,019**	(468)	68,487
Cash and cash equivalents, end of period	**88,795**	22,400	66,395	**88,795**	22,400	66,395

Third Quarter 2020

Cash flows used in operating activities for the three months ended September 30, 2020 increased by $26,480 to $5,523 primarily due to net pandemic expenses, timing of accounts payable and accrued liabilities, and timing of government funding and assistance, partially offset by timing of accounts receivable and other assets, lower interest paid on long-term debt and lower income taxes paid.

Cash flows used in investing activities for the three months ended September 30, 2020 decreased by $1,514 to $322 primarily due to lower spend on property and equipment.

Cash flows used in financing activities for the three months ended September 30, 2020 increased by $74,062 to $84,316 primarily due to repayment of long-term debt.

Nine Months Ended September 30, 2020

Cash flows provided by operating activities for the nine months ended September 30, 2020 decreased by $17,428 to $43,797 primarily due to net pandemic expenses, and timing of government funding and assistance, partially offset by timing of accounts payable and accrued liabilities, lower interest paid on long-term debt and lower income taxes paid.

Cash flows used in investing activities for the nine months ended September 30, 2020 increased by $1,267 to $3,049 primarily due to the Company's investment in a joint venture in 2020 and non-recurring interest income for a GST rebate for prior years received in Q1 2019 of $1,473.

Cash flows provided by financing activities for the nine months ended September 30, 2020 increased by $87,182 to $27,271 primarily due to an increase in proceeds from long-term debt net of repayment of long-term debt.

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 2020 and beyond, including required working capital, capital expenditures, and currently scheduled interest payments on debt through fiscal 2020 and beyond, from cash on hand, cash flow from operations and its committed, but unutilized borrowing capacity.

As at September 30, 2020, the Company's liquidity was $210,295, as follows:

Thousands of Canadian dollars	**September 30, 2020**	December 31, 2019
Cash and cash equivalents	**88,795**	20,776
Available funds from credit facilities	**121,500**	123,273
Total	**210,295**	144,049

The Company's liquidity was $210,391 as at November 11, 2020.

As at September 30, 2020, the Company has drawn $107,000 from its credit facilities, of which $40,000 has been invested in short-term investments to provide the Company financial flexibility, which is reflected in cash and cash equivalents. Further, as at September 30, 2020, the Company had a working capital deficiency (current liabilities less current assets) of $253,915, primarily attributable to the current portion of long-term debt of $311,221, which includes the Series B Secured Debentures net of its principal reserve fund, in the amount of $246,030, and mortgages and credit facilities due within the next 12 months. To support the Company's working capital deficiency, the Company plans to use its operating cash flows, proceeds from refinancing its debt and, if necessary, will pursue debt or equity financing to provide the Company with additional financial flexibility. On October 2, 2020, the Company repaid all of the outstanding Series B Secured Debentures, which significantly lowers the working capital deficiency and reduces financing risks.

In addition, the Company has an unencumbered asset pool with a fair value of approximately $540,000 as at September 30, 2020, which has increased from approximately $300,000 as at December 31, 2019. Subsequent to September 30, 2020, the unencumbered asset pool has further increased to $840,000 as a result of the full repayment of the Series B Secured Debentures (refer to the "Significant Events" section of the MD&A).

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 and secured 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 $102,885 as at September 30, 2020. In September 2020, DBRS confirmed the "BBB" rating for the Series A Unsecured Debentures and issued the Company a "BBB" investment grade credit rating with a "Stable" trend.

The Company's total debt is comprised as follows:

Thousands of Canadian dollars	**September 30, 2020**	December 31, 2019
Series A Unsecured Debentures	**150,000**	150,000
Series B Secured Debentures	**287,000**	287,000
Credit facilities	**107,000**	—
Mortgages	**534,753**	561,938
Lease liability	**1,981**	2,448
	1,080,734	1,001,386
Fair value adjustments on acquired debt	**3,303**	3,689
Less: Deferred financing costs	**(14,214)**	(13,311)
Less: Series B Secured Debentures principal reserve fund	**(40,969)**	(35,452)
Total debt	**1,028,854**	956,312

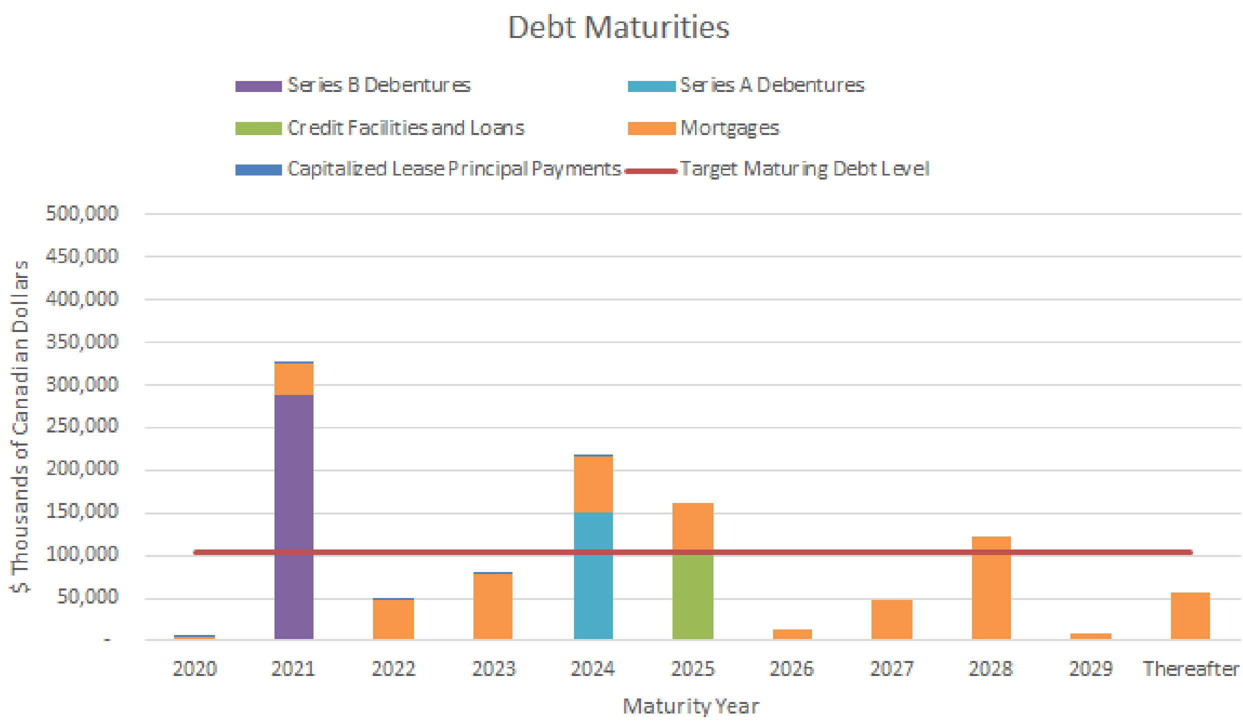
The Company's total debt as at September 30, 2020 was $1,028,854 (December 31, 2019 - $956,312), which is net of the Series B Secured Debentures' principal reserve fund of $40,969 (December 31, 2019 - $35,452). The increase of $72,541 was primarily related to the proceeds from the Unsecured Revolving Credit Facility (defined in the “Credit facilities” section of this MD&A below), partially offset by the repayments on the Company's property-level mortgages. On October 2, 2020, the Company repaid all of the outstanding Series B Secured Debentures and successfully completed the financing of the Series B Unsecured Debentures and Secured Credit Facility. Refer to the "Significant Events" section of the MD&A for financing activities completed subsequent to Q3 2020.

The following table summarizes the scheduled principal maturities of the Company's long-term debt commitments as at September 30, 2020:

Thousands of Canadian dollars, except interest rate					Mortgages				
Year	Series A Unsecured Debentures[1]	Series B Secured Debentures[2]	Credit Facilities and Loans[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
2020	—	—	—	164	5,231	—	**—%**	**5,395**	—%
2021	—	287,000	—	525	21,176	16,339	**2.96%**	**325,040**	3.44%
2022	—	—	—	494	19,605	28,169	**3.90%**	**48,268**	3.90%
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	—	—	107,000	—	12,511	41,065	**3.78%**	**160,576**	2.55%
2026	—	—	—	—	12,544	—	**—%**	**12,544**	—%
2027	—	—	—	—	11,844	35,115	**3.29%**	**46,959**	3.29%
2028	—	—	—	—	6,809	115,703	**3.36%**	**122,512**	3.36%
2029	—	—	—	—	2,379	5,477	**3.13%**	**7,856**	3.13%
Thereafter	—	—	—	—	13,285	42,687	**4.12%**	**55,972**	4.12%
	150,000	**287,000**	**107,000**	**1,981**	**139,270**	**395,483**	**3.56%**	**1,080,734**	3.32%
Fair value adjustments on acquired debt								**3,303**	
Less: Deferred financing costs								**(14,214)**	
Total Debt								**1,069,823**	
Less: Principal reserve fund								**(40,969)**	
Total debt net of principal reserve fund on Series B Secured Debentures								**1,028,854**	

Notes:
1. The interest rate for the Series A Unsecured Debentures is 3.109%.
2. The interest rate for the Series B Secured Debentures is 3.474%.
3. The weighted average interest rate for credit facilities and loans is 1.93%.
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 September 30, 2020:



Series A Senior Unsecured 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 balances related to the Series A Unsecured Debentures are as follows:

Thousands of Canadian dollars	**September 30, 2020**	December 31, 2019
Series A Unsecured Debentures	**150,000**	150,000
Less: Deferred financing costs	**(1,146)**	(1,334)
	148,854	148,666

Series B Senior Secured Debentures

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

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

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

Thousands of Canadian dollars	**September 30, 2020**	December 31, 2019
Series B Secured Debentures	**287,000**	287,000
Less: Series B principal reserve fund	**(40,969)**	(35,452)
Less: Deferred financing costs	**(179)**	(565)
	245,852	250,983

On October 2, 2020, the Company repaid all of the outstanding Series B Secured Debentures and successfully completed the financing of the Series B Unsecured Debentures and Secured Credit Facility. The deferred financing costs related to the additional debt of $1,191 was included in the three and nine months ended September 30, 2020. Refer to the "Significant Events" section of the MD&A for financing activities completed subsequent to Q3 2020.

Credit Facilities

The Company has a combined total borrowing capacity of $228,500 pursuant to its credit facilities and, as at September 30, 2020, has drawn $107,000 from the facilities, of which $40,000 has been invested in short-term investments, 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.

As at September 30, 2020, the Company had drawn $107,000 under the Unsecured Revolving Credit Facility (2019 - $nil). Subsequent to the quarter, the Company repaid $30,000 of its credit facilities.

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

Thousands of Canadian dollars	**September 30, 2020**	December 31, 2019
Credit facilities drawn	**107,000**	—
Less: Deferred financing costs	**(679)**	(20)
	106,321	(20)

On October 1, 2020, the Company terminated the credit agreement for the $20,000 LSCLP Credit Facility. Refer to the "Significant Events" section of the MD&A for financing activities completed subsequent to Q3 2020. As at November 11, 2020, the Company's borrowing capacity was $208,500 and amounts drawn were $77,000.

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 Canada Mortgage and Housing Corporation ("**CMHC**"). As at September 30, 2020, 54% of the Company's total property-level mortgages were insured by CMHC, which is a year-over year increase of 7%.

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

Thousands of Canadian dollars	**September 30, 2020**	December 31, 2019
Mortgages at fixed rates	**378,185**	401,185
Mortgages at variable rates	**156,568**	160,753
Fair value adjustments on acquired debt	**3,303**	3,689
Less: Deferred financing costs	**(11,019)**	(11,392)
	527,037	554,235

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

	September 30, 2020			December 31, 2019
	Fixed Rate[1]	**Variable Rate**	**Total**	Total
Weighted average interest rate	3.58 %	1.75 %	**3.56 %**	3.86 %
Weighted average term to maturity (years)	5.9	0.7	**5.9**	6.1

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

Lease Liability

The lease liability as at September 30, 2020 of $1,981 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 Secured Debentures	DBRS	A (low)	Stable

On September 14, 2020, Sienna confirmed its "BBB" investment grade credit rating with a "Stable" trend from DBRS, highlighting the strength of the Company's balance sheet. Sienna also confirmed its "A (low)" rating by DBRS for the Series B Secured Debentures while it was outstanding.

Financial Covenants

The Company is in compliance with all financial covenants on its borrowings as at September 30, 2020. 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 expenses of $9,737 and $20,514 for the three and nine months ended September 30, 2020, respectively.

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 September 30:

	Three Months Ended		Nine Months Ended	
Thousands of Canadian dollars, except ratio	**2020**	2019	**2020**	2019
Net finance charges	**8,826**	9,501	**35,763**	32,058
Add (deduct):				
Amortization of financing charges and fair value adjustments on acquired debt	**(580)**	(627)	**(1,632)**	(1,567)
Amortization of loss on bond forward contract	**(223)**	(242)	**(658)**	(711)
Interest income on construction funding receivable	**415**	500	**1,322**	1,607
Other interest income	**292**	185	**1,146**	1,840
Loss on interest rate swap contracts	**377**	(11)	**(8,808)**	(5,073)
Net finance charges, adjusted	**9,107**	9,306	**27,133**	28,154
Adjusted EBITDA	**23,045**	37,662	**87,643**	110,404
Interest coverage ratio	**2.5**	4.0	**3.2**	3.9

Excluding net pandemic expenses, the interest coverage ratio for the three and nine months ended September 30, 2020 was 3.6 times and 4.0 times, respectively.

The following table represents the reconciliation of net income to Adjusted EBITDA for the periods ended September 30:

	Three Months Ended		Nine Months Ended	
Thousands of Canadian dollars	**2020**	2019	**2020**	2019
Net (loss) income	**(6,484)**	3,763	**(15,758)**	6,435
Net finance charges	**8,826**	9,501	**35,763**	32,058
Recovery for income taxes	**(2,720)**	1,879	**(6,223)**	2,328
Depreciation and amortization	**19,400**	19,070	**58,258**	57,756
Transaction costs	**83**	352	**1,480**	2,107
Restructuring costs	**782**	—	**4,648**	—
Proceeds from construction funding	**3,158**	3,097	**9,475**	9,720
Adjusted EBITDA	**23,045**	37,662	**87,643**	110,404

Excluding net pandemic expenses, the Adjusted EBITDA for the three and nine months ended September 30, 2020 was $32,782 and $108,157, respectively.

Debt Service Coverage Ratio

The Debt Service Coverage Ratio is a common measure used to assess an entity's ability to service its debt obligations. Maintaining the debt service coverage ratio forms part of the Company's debt covenant requirements. In general, higher ratios indicate a lower risk of default. The following calculation includes the payments to the Series B Secured Debentures' principal reserve fund as part of the debt service costs. Adjusted EBITDA as referenced below, is presented in accordance with defined terms in certain covenant calculations. The following is the calculation for the periods ended September 30:

	Three Months Ended		Nine Months Ended	
Thousands of Canadian dollars, except ratio	**2020**	2019	**2020**	2019
Net finance charges, adjusted	**9,107**	9,306	**27,133**	28,154
Principal repayments[(1)]	**5,291**	6,408	**16,332**	19,043
Principal reserve fund	**2,135**	1,812	**5,518**	5,420
Total debt service	**16,533**	17,526	**48,983**	52,617
Adjusted EBITDA	**23,045**	37,662	**87,643**	110,404
Deduct:				
Maintenance capital expenditures	**(2,591)**	(2,313)	**(6,056)**	(4,942)
Pandemic capital recovery (expenditures)	**411**	—	**(444)**	—
Cash income taxes	**—**	(1,800)	**(1,800)**	(5,400)
Adjusted EBITDA (for covenant calculations)	**20,865**	33,549	**79,343**	100,062
Debt service coverage ratio	**1.3**	1.9	**1.6**	1.9

Note:

1. During the three and nine months ended September 30, 2020, the Company made voluntary payments of $60,000 and $97,000, respectively (2019 - $nil and $47,500) 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.

Excluding net pandemic expenses, the debt service coverage ratio for the three and nine months ended September 30, 2020 was 1.9 times and 2.0 times, respectively.

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 nine months ended September 30, 2020.

	September 30	
Thousands of Canadian dollars, except ratio	**2020**	2019
Total indebtedness		
Series A Unsecured Debentures	**150,000**	—
Series B Secured Debentures	**287,000**	322,000
Series B Secured Debentures - Principal reserve fund	**(40,969)**	(36,629)
Credit facilities	**107,000**	49,000
Mortgages	**534,753**	637,027
Lease liability	**1,981**	2,600
	1,039,765	973,998
Adjusted EBITDA	**116,857**	147,205
Debt to Adjusted EBITDA	**8.9**	6.6

Excluding net pandemic expenses, the debt to adjusted EBITDA as at September 30, 2020 was 7.2 years.

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.

	September 30	
Thousands of Canadian dollars, except ratio	**2020**	2019
Total indebtedness		
Series A Unsecured Debentures	**150,000**	—
Series B Secured Debentures	**287,000**	322,000
Series B Secured Debentures - Principal reserve fund	**(40,969)**	(36,629)
Credit facilities	**107,000**	49,000
Mortgages	**534,753**	637,027
Lease liability	**1,981**	2,600
Total indebtedness	**1,039,765**	973,998
Total assets	**1,733,832**	1,708,163
Accumulated depreciation on property and equipment	**292,286**	247,569
Accumulated amortization on intangible assets	**174,013**	140,810
Gross book value	**2,200,131**	2,096,542
Debt to gross book value	**47.3 %**	46.5 %

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, 2019	66,058,149	859,005
Dividend reinvestment plan	757,284	13,674
Issued common shares, net of issuance costs	23,580	2,302
Long-term incentive plan, net of loans receivable	—	45
Share-based compensation	—	25
Balance, December 31, 2019	66,839,013	875,051
Dividend reinvestment plan	200,110	3,393
Long-term incentive plan, net of loans receivable	—	35
Share-based compensation	—	20
Balance, September 30, 2020	**67,039,123**	**878,499**

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 September 30:

	Three Months Ended			Nine Months Ended		
Thousands of Canadian dollars	**2020**	2019	Change	**2020**	2019	Change
Cash flows from operating activities	**(5,523)**	20,957	(26,480)	**43,797**	61,225	(17,428)
AFFO	**14,187**	24,492	(10,305)	**56,394**	72,303	(15,909)
Dividends declared	**(15,687)**	(15,483)	(204)	**(47,045)**	(45,920)	(1,125)
Cash flows from operating activities (under) over dividends declared	**(21,210)**	5,474	(26,684)	**(3,248)**	15,305	(18,553)
AFFO retained	**(1,500)**	9,009	(10,509)	**9,349**	26,383	(17,034)

The excess of dividends declared over cash flows from operating activities for the three and nine months ended September 30, 2020 is primarily attributable to net 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, 2019. New or changes in accounting policies are identified in Note 3 of the Company's interim consolidated financial statements for the three and nine months ended September 30, 2020. 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, 2019. Changes in significant judgments and estimates are identified in Note 3 of the Company's interim consolidated financial statements for the three and nine months ended September 30, 2020. Please refer to those interim consolidated financial statements for further details.

Risk Factors

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

Sienna 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 Sienna 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 Sienna 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 million. 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 million, $16 million, $16 million and $25 million, 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 million.

None of the above 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.

On October 20, 2020, the Ontario government introduced Bill 218, the Supporting Ontario's Recovery Act. Bill 218 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. If passed, Bill 218 will deem existing civil proceedings related to COVID-19 exposure to have been 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.

The Company entered into a management contract with a third party manager on September 29, 2020 pursuant to a mandatory management order issued under the Long-Term Care Homes Act, 2007 (Ontario) in respect of Creedan Valley Care Community. The duration of the management contract is anticipated to be short-term.

In addition, the Company has summarized risk factors related to COVID-19, which are further discussed below.

General Business Risks

The Company is subject to general business risks, including those inherent in the seniors' living sector. These risks include changes in government regulation and oversight, changes in consumer preferences, fluctuations in occupancy levels and business volumes, changes in government funding and reimbursement programs, competition from other seniors care providers, changes in neighbourhood or location conditions and general economic conditions, natural disasters, health related risks (including disease outbreaks such as COVID-19 and influenza) and control risks, negative media reports or publicity, critical third party supply failures, imposition of new or increased taxes, capital expenditure requirements, and increased operating costs. Additional risks include possible future changes in labour relations, reduction of personnel below acceptable levels (including due to events such as pandemic illness or quarantine), increases in labour and other personnel costs. Any one or a combination of these factors may adversely affect the business, operating results or financial condition of the Company.

While the Company has traditionally maintained positive labour relations, there can be no assurance the Company will not at any time, whether in connection with a renegotiation process or otherwise, experience strikes, labour stoppages or any other type of conflict with unions or employees, which may have a material adverse impact on the business, operating results and financial condition of the Company.

The business of the Company is labour intensive, with labour-related costs comprising a substantial portion of the Company's direct operating expenses. The Company's businesses compete with other providers with respect to attracting and retaining qualified personnel. Any shortage of qualified personnel and general inflationary pressures may require the Company to enhance its pay and benefits package to compete effectively for such personnel. An increase in labour-related costs or a failure to attract, train and retain qualified and skilled personnel may have a material adverse impact on the business, operating results and financial condition of the Company.

The market for insurance for the senior living sector has been challenging and has resulted in increased insurance costs for Sienna. The Company maintains business and property insurance policies in amounts and with such coverage and deductibles as deemed appropriate, based on the nature and risks of the business, historical experience, industry standards and coverage availability to the sector. There can be no assurance, however, that claims in excess of, or not covered by, the insurance coverage will not arise or that liability coverage will continue to be available on acceptable terms.

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. Cash dividends are not guaranteed and may fluctuate with the performance of the Company.

COVID-19 and Other Outbreaks

The occurrence of a pandemic, epidemic, or other outbreak of an infectious illness or other public health crisis in areas in which we operate could have a material adverse effect on the business, operating results and financial condition of the Company. Federal, provincial or local regulatory authorities may, or we may choose to, ban, limit or suspend admissions to our LTC and Retirement Residences as a precautionary measure in a crisis to avoid the spread of a contagious illness or other public health crisis, resulting in reduced occupancy and service volumes. Even in the absence of any such ban, limit or suspension, our residents may postpone or refuse services or prospective residents may delay residency in an attempt to avoid possible exposure. Also, enhanced procedures, protocols and care put in place to assist in reducing the likelihood of exposure or address actual illness in our LTC and Retirement Residences (for example, testing of residents and team members, enhanced screening and use of PPE) would result in increased costs. In addition, a pandemic, epidemic or other outbreak might adversely impact our operations by causing staffing and supply shortages. Resident satisfaction and team member engagement may also be adversely impacted during this period.

Although continued or enhanced government funding or assistance may mitigate some of these impacts, there is no certainty of the extent to which that will be the case. In addition, outbreaks, such as COVID-19, cause our residences and our management to spend considerable time planning for and addressing such events, which diverts their attention from other business concerns.

The spread of COVID-19 has caused an economic slowdown and increased volatility in financial markets, which could have a material adverse effect on our business, results of operations and financial condition with the potential to impact, among others: (i) the valuation of our properties and assets; (ii) the availability or the terms of financing that we have or may anticipate utilizing; (iii) our ability to make principal and interest payments on, or refinance, any outstanding debt when due; (iv) the occupancy rates in our properties; (v) the ability of our residents to satisfy their payment obligations to us, including the payment of rent; and (vi) the market price for the equity securities of the Company. Further, as we continue to operate in the face of the COVID-19 pandemic, we may be exposed to claims related to COVID-19, including class actions and other lawsuits, labour proceedings, union complaints, inquiries, investigations and otherwise.

The Company has been named as a defendant in litigation related to its handling of the COVID-19 pandemic in its residences. There is risk that further litigation could be commenced by, or on behalf of, persons impacted by an outbreak at a Sienna residence which, even if not meritorious and even if covered by the Company’s insurance, could result in increased operating costs to the Company.

The impact of COVID-19 on the overall economy may adversely affect credit markets, which may make it more difficult for the Company to access credit or, if able to do so, it may be at a higher cost or on less favourable terms, potentially impacting, among other things, re-financings and our development plans and timelines. Governments and central banks have attempted to stabilize economic conditions through monetary and fiscal interventions, but it is not currently known how these interventions will impact the financial markets, interest rate volatility or the economy in general.

To the extent that interest rates increase as a result of the Bank of Canada's actions or otherwise, the availability of refinancing alternatives for credit facilities and other loans may be reduced.

We are continuing to evaluate and consider the potential impact of the COVID-19 outbreak, which could result in some or all of these negative outcomes and adversely impact our business, operating results and financial condition. There can be no assurances that a pandemic, epidemic or outbreak of a contagious illness, such as COVID-19, would not have a material adverse effect on the business, operating results and financial condition of the Company.

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 of a COVID-19 vaccine, 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 “plans”, “expects”, “scheduled”, “estimates”, “intends”, “budgets”, “anticipates”, “projects”, “forecasts”, “believes”, “continues”, 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 current AIF.

Consolidated Financial Statements

(in thousands of Canadian Dollars)

Q3 2020 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	**September 30, 2020**	December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents		**88,795**	20,776
Accounts receivable and other assets		**15,054**	13,554
Prepaid expenses and deposits		**8,775**	3,999
Government funding receivable	5	**11,523**	4,050
Construction funding receivable	5, 7	**10,077**	10,889
Interest rate swap contracts	5	**345**	387
Restricted cash	6, 23	**40,969**	—
Income taxes receivable		**5,515**	1,065
		181,053	54,720
Non-current assets			
Government funding receivable	5	**3,588**	740
Interest rate swap contracts	5	**—**	352
Restricted cash	6	**2,910**	38,063
Construction funding receivable	5, 7	**28,657**	35,998
Investment in joint venture	22	**2,386**	—
Property and equipment	8	**1,138,433**	1,161,456
Intangible assets	9	**209,139**	233,605
Goodwill		**167,666**	167,666
Total assets		**1,733,832**	1,692,600
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	**108,336**	96,383
Government funding payable	5	**13,103**	6,371
Current portion of long-term debt	5, 11, 23	**311,221**	44,447
Interest rate swap contracts	5	**2,308**	473
		434,968	147,674
Non-current liabilities			
Long-term debt	5, 11, 23	**758,602**	947,317
Deferred income taxes	13	**48,645**	52,022
Government funding payable	5	**3,173**	2,722
Share-based compensation liability	16	**7,718**	9,827
Interest rate swap contracts	5	**9,133**	2,553
Total liabilities		**1,262,239**	1,162,115
EQUITY			
Shareholders' equity		**471,593**	530,485
Total equity		**471,593**	530,485
Total liabilities and equity		**1,733,832**	1,692,600

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

Thousands of Canadian dollars

	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		**—**	**—**	**(15,758)**	**—**	**(15,758)**
Other comprehensive income		**—**	**—**	**—**	**463**	**463**
Long-term incentive plan	14	**35**	**—**	**—**	**—**	**35**
Share purchase loan	14	**20**	**—**	**—**	**—**	**20**
Dividends	14, 15	**—**	**—**	**(47,045)**	**—**	**(47,045)**
Balance, September 30, 2020		**878,499**	**203**	**(406,861)**	**(248)**	**471,593**

	Notes	Share capital	Contributed surplus	Shareholders' deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, January 1, 2019		859,005	203	(290,059)	(1,498)	567,651
Issuance of shares	14	10,701	—	—	—	10,701
Net income		—	—	6,435	—	6,435
Other comprehensive income		—	—	—	522	522
Long-term incentive plan	14	33	—	—	—	33
Share purchase loan	14	19	—	—	—	19
Dividends	14, 15	—	—	(45,920)	—	(45,920)
Balance, September 30, 2019		869,758	203	(329,544)	(976)	539,441

See accompanying notes.

Condensed Interim Consolidated Statements of Operations
(Unaudited)

Thousands of Canadian dollars, except share and per share data

		Three months ended September 30,		Nine months ended September 30,	
	Notes	**2020**	2019	**2020**	2019
Revenue	18, 21	**166,850**	167,947	**495,399**	497,573
Expenses					
Operating, net	4	**137,895**	127,785	**398,042**	378,570
Depreciation and amortization		**19,400**	19,070	**58,258**	57,756
Administrative	19	**9,792**	5,597	**23,608**	18,319
Share of net loss in joint venture	22	**58**	—	**229**	—
	20	**167,145**	152,452	**480,137**	454,645
(Loss) income before net finance charges, transaction costs and (recovery of) provision for income taxes		**(295)**	15,495	**15,262**	42,928
Net finance charges	12	**8,826**	9,501	**35,763**	32,058
Transaction costs		**83**	352	**1,480**	2,107
Total net finance charges and transaction costs		**8,909**	9,853	**37,243**	34,165
(Loss) income before (recovery of) provision for income taxes		**(9,204)**	5,642	**(21,981)**	8,763
(Recovery of) provision for income taxes					
Current		**(2,404)**	1,677	**(2,650)**	5,322
Deferred		**(316)**	202	**(3,573)**	(2,994)
	13	**(2,720)**	1,879	**(6,223)**	2,328
Net (loss) income		**(6,484)**	3,763	**(15,758)**	6,435
Net (loss) income per share	14	**($0.10)**	$0.06	**($0.24)**	$0.10
Weighted average number of common shares outstanding	14	**67,039,123**	66,566,747	**67,006,381**	66,375,736

See accompanying notes.

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

Thousands of Canadian dollars

	Notes	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Net (loss) income		**(6,484)**	3,763	**(15,758)**	6,435
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	13	157	177	463	522
Total comprehensive (loss) income		**(6,327)**	3,940	**(15,295)**	6,957

See accompanying notes.

Thousands of Canadian dollars

	Notes	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
OPERATING ACTIVITIES					
Net (loss) income		**(6,484)**	3,763	**(15,758)**	6,435
Add (deduct) items not affecting cash					
Depreciation of property and equipment	8	**11,387**	10,522	**33,472**	31,549
Amortization of intangible assets	9	**8,013**	8,548	**24,786**	26,207
Current income tax (recoveries) expense		**(2,404)**	1,677	**(2,650)**	5,322
Deferred income tax (recoveries) expense		**(316)**	202	**(3,573)**	(2,994)
Share of net loss in joint venture	22	**58**	—	**229**	—
Share-based compensation expense (recovery)	16	**1,176**	256	**(2,408)**	2,854
Net finance charges	12	**8,826**	9,501	**35,763**	32,058
Gain on disposal of property and equipment	8	**—**	—	**(102)**	—
		20,256	34,469	**69,759**	101,431
Non-cash changes in working capital					
Accounts receivable and other assets		**2,161**	(548)	**(1,354)**	(457)
Prepaid expenses and deposits		**(1,668)**	662	**(4,776)**	(2,569)
Accounts payable and accrued liabilities		**(9,757)**	(2,682)	**13,777**	(8,153)
Government funding, net		**(29,373)**	2,907	**(54,458)**	7,439
		(38,637)	339	**(46,811)**	(3,740)
Interest paid on long-term debt		**(9,859)**	(11,978)	**(27,588)**	(30,739)
Net settlement payment on interest rate swap contracts		**(525)**	(73)	**(1,083)**	(327)
Income taxes paid		**—**	(1,800)	**(1,800)**	(5,400)
Government assistance related to the pandemic	4	**23,242**	—	**51,320**	—
Cash (used in) provided by operating activities		**(5,523)**	20,957	**43,797**	61,225
INVESTING ACTIVITIES					
Purchase of property and equipment	8	**(3,846)**	(4,804)	**(11,208)**	(11,412)
Proceeds from disposal of property and equipment	8	**—**	—	**861**	—
Purchase of intangible assets	9	**(163)**	(253)	**(320)**	(1,632)
Amounts received from construction funding	7	**3,158**	3,097	**9,475**	9,720
Interest received from cash	12	**691**	185	**1,056**	1,840
Investment in joint venture	22	**(103)**	—	**(2,615)**	—
Change in restricted cash	6	**(59)**	(61)	**(298)**	(298)
Cash (used in) provided by investing activities		**(322)**	(1,836)	**(3,049)**	(1,782)
FINANCING ACTIVITIES					
Repayment of long-term debt	11	**(65,291)**	(6,408)	**(138,748)**	(70,413)
Proceeds from long-term debt	11	**—**	10,000	**218,096**	52,873
Deferred financing costs		**(1,203)**	(37)	**(2,921)**	(1,461)
Change in principal reserve fund	6	**(2,135)**	(1,812)	**(5,518)**	(5,420)
Dividends paid	15	**(15,687)**	(11,997)	**(43,638)**	(35,490)
Cash (used in) provided by financing activities		**(84,316)**	(10,254)	**27,271**	(59,911)
(Decrease) increase in cash and cash equivalents during the period		**(90,161)**	8,867	**68,019**	(468)
Cash and cash equivalents, beginning of period		**178,956**	13,533	**20,776**	22,868
Cash and cash equivalents, end of period		**88,795**	22,400	**88,795**	22,400

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 September 30, 2020, 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 September 30, 2020, 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, 2019, 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 November 11, 2020.

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, 2019, except as described in the "Newly adopted accounting policies" section below and in Note 4.

Newly adopted accounting policies

Government assistance

Government assistance is recognized only to the extent that eligible expenses have been incurred and when the Company has reasonable assurance that the assistance will be received and the Company will comply with all relevant conditions attached to the assistance. Funding may be clawed back if the eligibility criteria are not met or funding is not spent. The government assistance is recognized as a reduction of related expenses and recognized over the period necessary to match the related expenses in these interim consolidated statements of operations and comprehensive income.

Restructuring costs
A provision for restructuring costs is recognized when there is a present obligation resulting from a past event, it is probable that there will be an outflow of resources to settle the obligation, and a reliable estimate of the obligation can be made. The restructuring costs are included in administrative expenses in these interim consolidated statements of operations and comprehensive income.

Joint arrangements
Joint arrangements are jointly controlled by the Company and a third party in terms of decision making. Joint arrangements can be classified as either joint operations or joint ventures depending on the Company's rights and obligations in the arrangement based on factors such as the structure, legal form and contractual terms of the arrangement. A joint operation is where the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is where the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint operations are proportionately consolidated in these interim consolidated financial statements from the date when joint control is transferred to the Company and continues to be proportionately consolidated until the date when the Company no longer has joint control over the joint operation. Joint ventures are included in the Company's interim consolidated financial statements as investments using the equity method, whereby the investment is initially recognized at cost, and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income or loss of the joint venture from the date of acquisition, increased by the Company's contributions and reduced by distributions received. The Company's share of joint venture profit or loss is included in the interim consolidated statements of operations and comprehensive income.

A joint venture is considered to be impaired if there is objective evidence of impairment, as a result of one or more events that occurred after initial recognition of the joint venture, and that event has a negative impact on future cash flows of the joint venture that can be reliably estimated.

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

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

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

4 Impact of COVID-19 on the Company

The COVID-19 global pandemic evolved quickly worldwide beginning in early 2020. Since the onset of COVID-19, the Company has been singularly focused on the health and safety of its residents and team members, steering Sienna through the first wave, learning from it, and positioning the Company to come out stronger. The Company continues to take all necessary steps to minimize the impact of new outbreaks while providing the best quality care for our seniors.

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 in the Company's operating expenses, net in its consolidated interim statement of operations. Other corporate pandemic expenses are recognized in administrative expenses in the interim consolidated statement of operations.

Thousands of Canadian dollars	Three months ended September 30, 2020				Nine months ended September 30, 2020			
	Retirement	**LTC**	**Administrative**	**Total**	**Retirement**	**LTC**	**Administrative**	**Total**
Government assistance - temporary pandemic pay	1,856	11,776	—	13,632	3,285	22,716	—	26,001
Government assistance	738	13,129	—	13,867	1,450	25,776	—	27,226
Total government assistance	**2,594**	**24,905**	**—**	**27,499**	**4,735**	**48,492**	**—**	**53,227**
Pandemic labour - temporary pandemic pay	1,856	11,776	—	13,632	3,285	22,716	—	26,001
Pandemic labour	972	15,508	—	16,480	2,459	28,035	—	30,494
Personal protective equipment	506	1,559	—	2,065	877	5,082	—	5,959
Other	48	2,451	2,560	5,059	288	5,427	5,572	11,287
Total pandemic expenses	**3,382**	**31,294**	**2,560**	**37,236**	**6,909**	**61,260**	**5,572**	**73,741**
Total net pandemic expenses	**788**	**6,389**	**2,560**	**9,737**	**2,174**	**12,768**	**5,572**	**20,514**

In addition, the Company has recognized $1,592 of pandemic related capital expenditures in its interim consolidated statements of financial position, reduced by $1,148 of related government assistance, which has 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 have to be returned to the Ministry of Long Term Care.

In June 2020, Sienna entered into voluntary management agreements with hospital partners to provide expertise and resources in mitigating the impact of COVID-19 in three LTC residences. The duration of the agreements was anticipated to be short-term, and in September 2020, two of the three agreements have concluded. The hospital partners' management fees were $1,938 for the three and nine months ended September 30, 2020.

Rent collections from resident payments since COVID-19 up to the month of October 2020 have remained similar to past experience, with no significant change to the Company's expected credit losses.

The Company updated its fair value less cost of disposal valuation model to assess whether goodwill and indefinite lived intangible assets may be impaired. The Company adjusted its discount rate and short-term growth assumptions based on the current market conditions. No impairment losses were recognized based on the updated valuation model.

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.

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). The interest rate swap contracts are the only financial instruments carried at fair value through profit or loss and are considered to be Level 2 instruments. The carrying value of the Series B Debentures' principal reserve fund, 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 September 30, 2020 and December 31, 2019:

	As at September 30, 2020		As at December 31, 2019	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets:				
Construction funding receivable	**38,734**	**41,228**	46,887	48,678
Financial Liabilities:				
Current and long-term portion of debt	**1,069,823**	**1,060,582**	991,764	980,349

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 September 30, 2020. 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 September 30, 2020, the Company had negative working capital (current liabilities less current assets) of $253,915 (December 31, 2019 - $92,954), including the 3.474% Series B secured senior debentures, with a maturity date of February 3, 2021 (the "**Series B Secured Debentures**"), net of its principal reserve fund, in the amount of $246,030 which was subsequently fully repaid on October 2, 2020 (Note 23). 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.

6 Restricted cash

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

	September 30, 2020	December 31, 2019
Series B Debentures' principal reserve fund	**40,969**	35,452
Capital maintenance reserve	**2,910**	2,611
Restricted cash	**43,879**	38,063

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

7 Construction funding receivable

As at September 30, 2020, the Company is eligible to receive funding from the Government of Ontario of approximately $38,734 (December 31, 2019 - $46,887) 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 September 30, 2020, the condition for the funding has been met.

As at September 30, 2020, the weighted average remaining term of the construction funding is approximately 5.9 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, 2019	57,116
Additions [1]	551
Add: Interest income earned	2,159
Less: Construction funding payments received	(12,939)
As at December 31, 2019	46,887
Add: Interest income earned	1,322
Less: Construction funding payments received	(9,475)
As at September 30, 2020	**38,734**

[1] During 2019, the construction funding term for one of the Company's long-term care residences was adjusted to 25 years from 20 years. This construction funding was recorded as a reduction to the property and equipment cost.

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, 2020	139,063	1,194,752	69,143	1,211	10,477	1,177	1,435	3,049	1,420,307
Disposals	(500)	(234)	(55)	—	(7)	—	—	—	(796)
Additions	—	7,168	3,079	89	777	92	3	—	11,208
As at September 30, 2020	138,563	1,201,686	72,167	1,300	11,247	1,269	1,438	3,049	1,430,719
Accumulated depreciation									
As at January 1, 2020	—	227,281	26,674	776	3,244	207	—	669	258,851
Disposals	—	(14)	(18)	—	(5)	—	—	—	(37)
Charges for the period	—	25,745	5,534	141	1,249	302	—	501	33,472
As at September 30, 2020	—	253,012	32,190	917	4,488	509	—	1,170	292,286
Net book value as at September 30, 2020	**138,563**	**948,674**	**39,977**	**383**	**6,759**	**760**	**1,438**	**1,879**	**1,138,433**
Net book value as at December 31, 2019	139,063	967,471	42,469	435	7,233	970	1,435	2,380	1,161,456

[1] Includes right-of-use building and related depreciation of $2,250 and $676, respectively, and the right-of-use equipment and related depreciation of $799 and $494, respectively.

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

9 Intangible assets

	Licences	Resident relationships	Service contracts	Computer software	Total
Cost					
As at January 1, 2020	190,945	167,572	10,968	13,347	382,832
Additions	—	—	—	320	320
As at September 30, 2020	190,945	167,572	10,968	13,667	383,152
Accumulated amortization					
As at January 1, 2020	—	133,332	10,066	5,829	149,227
Charges for the period	—	22,848	62	1,876	24,786
As at September 30, 2020	—	156,180	10,128	7,705	174,013
Net book value as at September 30, 2020	**190,945**	**11,392**	**840**	**5,962**	**209,139**
Net book value as at December 31, 2019	190,945	34,240	902	7,518	233,605

10 Accounts payable and accrued liabilities

	September 30, 2020	December 31, 2019
Accounts payable and other liabilities	**36,414**	31,500
Accrued wages and benefits	**62,031**	53,468
Accrued interest payable	**4,662**	6,201
Dividends payable (Note 15)	**5,229**	5,214
Total	**108,336**	96,383

11 Long-term debt

	Interest rate	Maturity date	**September 30, 2020**	December 31, 2019
Series A Unsecured Debentures	3.109 %	November 4, 2024	**150,000**	150,000
Series B Secured Debentures (Note 23)	3.474 %	February 3, 2021	**287,000**	287,000
Credit facilities	Floating	2020-2025	**107,000**	—
Mortgages at fixed rates	1.65% - 5.80%	2021-2041	**378,185**	401,185
Mortgages at variable rates	Floating	2021-2029	**156,568**	160,753
Lease liability	3.87 %	2021-2024	**1,981**	2,448
			1,080,734	1,001,386
Fair value adjustments on acquired debt			**3,303**	3,689
Less: Deferred financing costs			**(14,214)**	(13,311)
Total debt			**1,069,823**	991,764
Less: Current portion			**311,221**	44,447
			758,602	947,317

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

Credit facilities and loans

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

	September 30, 2020	December 31, 2019
Credit facilities available	**228,500**	123,273
Amounts drawn under credit facilities	**107,000**	—
Remaining available balance under credit facilities	**121,500**	123,273

The credit facilities have a weighted average interest rate of 1.93% as at September 30, 2020 (December 31, 2019 - 3.74%).

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 banker's acceptances ("**BAs**") at 145 basis points ("**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. As at September 30, 2020, the Company had drawn $107,000 (2019 - $nil) under the Unsecured Revolving Credit Facility collateralized by all assets of Leisureworld Senior Care Limited Partnership, a subsidiary of the Company and its subsidiary partnerships and guaranteed by the subsidiary partnerships.

Subsequent to September 30, 2020, the Company repaid $30,000 of its credit facilities.

Mortgages

The following table summarizes the scheduled maturities of the Company's property-level mortgages as at September 30, 2020:

	Mortgages			
Year	Regular principal payments	Principal due at maturity	**Total**	% of Total
2020	5,231	—	**5,231**	1.0%
2021	21,176	16,339	**37,515**	7.0%
2022	19,605	28,169	**47,774**	8.9%
2023	17,837	60,824	**78,661**	14.7%
2024	16,049	50,104	**66,153**	12.4%
2025	12,511	41,065	**53,576**	10.0%
2026	12,544	—	**12,544**	2.3%
2027	11,844	35,115	**46,959**	8.8%
2028	6,809	115,703	**122,512**	22.9%
2029	2,379	5,477	**7,856**	1.5%
Thereafter	13,285	42,687	**55,972**	10.5%
	139,270	395,483	**534,753**	100.0%

The mortgages have a weighted average interest rate of 3.56% as at September 30, 2020 (December 31, 2019 - 3.86%).

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 September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Finance costs				
Interest expense on long-term debt	**8,473**	9,127	**25,724**	27,524
Fees on revolving credit facilities	**109**	106	**326**	303
Amortization of financing charges and fair value adjustments on acquired debt	**580**	627	**1,632**	1,567
Amortization of loss on bond forward contract	**223**	242	**658**	711
Fair value loss on interest rate swap contracts[1]	**148**	84	**9,891**	5,400
	9,533	10,186	**38,231**	35,505
Finance income				
Interest income on construction funding receivable	**415**	500	**1,322**	1,607
Other interest income	**292**	185	**1,146**	1,840
	707	685	**2,468**	3,447
Net finance charges	**8,826**	9,501	**35,763**	32,058

[1] As a result of the COVID-19 pandemic, the Bank of Canada decreased the overnight rate to support the Canadian economy. The resulting decrease in interest rates had a negative fair value impact on the valuation of the Company's interest rate swap contracts during the nine months ended September 30, 2020.

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

13 Income taxes

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
(Loss) income before (recovery of) provision for income taxes	**(9,204)**	5,642	**(21,981)**	8,763
Canadian combined income tax rate	**26.57 %**	26.57 %	**26.57 %**	26.57 %
Income tax (recovery) expense	**(2,445)**	1,499	**(5,840)**	2,328
Adjustments to income tax (recovery) provision:				
Non-deductible items	**39**	30	**54**	133
Book to filing adjustment	**(154)**	—	**(154)**	49
Other items charged to equity	**(160)**	350	**(283)**	(182)
(Recovery)/provision of income taxes	**(2,720)**	1,879	**(6,223)**	2,328

The following are the major deferred tax assets (liabilities) recognized by the Company and movements thereon during the nine months ended September 30, 2020:

	Depreciable tangible and intangible assets	**Share issuance**	**Construction funding interest**	**Other**	**Total**
As at January 1, 2019	(60,842)	3,179	2,411	1,006	(54,246)
Credit (charge) to net income	2,684	(1,037)	(574)	1,920	2,993
Book to filing adjustment	(463)	14	—	(34)	(483)
Charge to other comprehensive income	—	—	—	(286)	(286)
As at December 31, 2019	(58,621)	2,156	1,837	2,606	(52,022)
Credit (charge) to net income	3,838	(763)	(362)	1,093	3,806
Book to filing adjustment	56	4	—	(294)	(234)
Charge to other comprehensive income	—	—	—	(195)	(195)
As at September 30, 2020	**(54,727)**	**1,397**	**1,475**	**3,210**	**(48,645)**

The loss on bond forward contracts on the interim consolidated statements of comprehensive income is net of tax for the three and nine months ended September 30, 2020 of $66 and $195, respectively (2019 - $65 and $189, respectively).

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 as at January 1, 2019	66,058,149	859,005
Dividend reinvestment plan	757,284	13,674
Issued common shares, net of issuance costs	23,580	2,302
Long-term incentive plan, net of loans receivable	—	45
Share-based compensation	—	25
Balance as at December 31, 2019	66,839,013	875,051
Dividend reinvestment plan	200,110	3,393
Long-term incentive plan, net of loans receivable	—	35
Share-based compensation (Note 16)	—	20
Balance, September 30, 2020	**67,039,123**	**878,499**

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 9, 2020, the Company received approval from the TSX for 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 3,348,341 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 45,032 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 NCIB will terminate on March 10, 2021, or such earlier time as the Company completes its purchases pursuant to the NCIB or provides notice of intention. The Company did not purchase any shares under the NCIB during the nine months ended September 30, 2020.

Net (loss) income per share

Net (loss) income 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 and nine months ended September 30, 2020, the Company paid monthly dividends of $0.078 per common share totaling $15,687 and $43,638, respectively (2019 - $11,997 and $35,490, respectively). Dividends payable of $5,229 are included in accounts payable and accrued liabilities as at September 30, 2020 (December 31, 2019 - $5,214). Subsequent to September 30, 2020, the Board of Directors declared dividends of $0.078 per common share for October 2020 totalling $5,229.

16 Share-based compensation

The Company has share-based compensation plans, which are described below. The recoveries from mark-to-market adjustments recognized on the share-based compensation plans for the three and nine months ended September 30, 2020 are driven by the volatility in the equity markets resulting from the economic uncertainty surrounding the COVID-19 pandemic.

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

During the nine months ended September 30, 2020, 19,551 restricted share units ("**RSUs**") (2019 - 11,045) were granted pursuant to the RSUP. Total expenses (recoveries) related to the RSUP for the three and nine months ended September 30, 2020 were $49 and $27, respectively (2019 - $54 and $299, respectively), including mark-to-market adjustments, which were recognized in administrative expenses. The expenses (recoveries) related to the RSUP include restructuring costs for the three and nine months ended September 30, 2020 of $nil and $46, respectively (2019 $nil and $nil, respectively). The total liability recorded as part of the share-based compensation liability as at September 30, 2020 was $259 (December 31, 2019 - $232).

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

	Number of RSUs
Outstanding, January 1, 2019	46,576
Granted	11,045
Forfeited	(6,555)
Dividend equivalents	1,831
Settled in cash	(10,385)
Settled in shares	(19,353)
Outstanding, December 31, 2019	23,159
Granted	19,551
Dividend equivalents	1,588
Outstanding, September 30, 2020	44,298

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

During the nine months ended September 30, 2020, 39,397 deferred share units ("**DSUs**") (2019 - 28,723) were granted pursuant to the DSUP. Total expenses (recoveries) related to the DSUP for the three and nine months ended September 30, 2020 were $907 and $(1,540), respectively (2019 - $99 and $1,483, respectively), 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 September 30, 2020 was $4,137 (December 31, 2019 - $5,677). 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

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

During the nine months ended September 30, 2020, 83,530 (2019 - 52,038) executive deferred share units ("**EDSUs**") were granted. Total expenses (recoveries) related to the EDSUP for the three and nine months ended September 30, 2020 were $220 and $(895), respectively (2019 - $103 and $1,072, respectively), including mark-to-market adjustments, which were recognized in administrative expenses. The expenses (recoveries) related to EDSUP include restructuring costs for the three and nine months ended September 30, 2020 of $nil and $712, respectively (2019 $nil and $nil, respectively). During the nine months ended September 30, 2020, 20,322 vested EDSUs were redeemed in cash, which decreased the total liability by $351. The total liability recorded related to the EDSUP as a part of the share-based compensation liability as at September 30, 2020 was $3,322 (December 31, 2019 - $3,918).

17 Key management compensation

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Salaries and short-term employee benefits	**702**	1,172	**2,918**	3,578
Share-based compensation expense (recovery) (Note 16)	**1,176**	256	**(3,166)**	2,854
Restructuring costs	**479**	—	**4,218**	—
	2,357	**1,428**	**3,970**	**6,432**

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 and nine months ended September 30, 2020, the Company received approximately $113,861 and $318,359, respectively (2019 - $102,454 and $269,531, respectively) in respect of these licences and pandemic related funding.

19 Administrative expenses

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
General and administrative expenses	**5,274**	5,341	**16,554**	15,465
Restructuring costs	**782**	—	**4,648**	—
Pandemic related expenses	**2,560**	—	**5,572**	—
Share-based compensation expense (recovery) (1)	**1,176**	256	**(3,166)**	2,854
Total administrative expenses	**9,792**	5,597	**23,608**	18,319

(1) Includes mark-to-maket adjustments on share-based compensation for the three and nine months ended September 30, 2020 of $881 and $(4,343), respectively (2019 $(211) and $1,451, respectively).

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

20 Expenses by category

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Salaries, benefits and other people costs	**102,292**	98,538	**300,989**	292,050
Depreciation and amortization	**19,400**	19,070	**58,258**	57,756
Food	**7,459**	7,899	**22,702**	22,730
Purchased services and non-medical supplies	**6,022**	5,978	**17,774**	17,723
Property taxes	**3,898**	3,754	**11,477**	11,427
Utilities	**4,177**	3,757	**12,599**	12,236
Restructuring costs	**782**	—	**4,648**	—
Other	**13,378**	13,456	**31,176**	40,723
Total expenses before net pandemic expenses	**157,408**	152,452	**459,623**	454,645
Pandemic labour	**30,112**	—	**56,495**	—
Personal protective equipment	**2,065**	—	**5,959**	—
Other pandemic related expenses(1)	**5,059**	—	**11,287**	—
Government assistance(2)	**(27,499)**	—	**(53,227)**	—
Net pandemic expenses	**9,737**	—	**20,514**	—
Total expenses	**167,145**	152,452	**480,137**	454,645

(1)Other pandemic expenses are primarily for HVAC system rentals to improve air quality and enhance infection control, 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.

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 September 30, 2020			
	Retirement[1]	**LTC**	**Corporate, eliminations and other**	**Total**
Gross revenue	**37,151**	**133,932**	**16,171**	**187,254**
Less: Internal revenue	**—**	**4,233**	**16,171**	**20,404**
Net revenue	**37,151**	**129,699**	**—**	**166,850**
Operating expense, net [2]	**23,138**	**114,757**	**—**	**137,895**
Depreciation and amortization	**12,610**	**5,749**	**1,041**	**19,400**
Administrative expense [2]	**—**	**—**	**9,792**	**9,792**
Share of net loss in joint venture	**—**	**—**	**58**	**58**
Income (loss) before net finance charges, transaction costs and recovery of income taxes	**1,403**	**9,193**	**(10,891)**	**(295)**
Finance costs	**2,799**	**4,754**	**1,980**	**9,533**
Finance income	**—**	**(592)**	**(115)**	**(707)**
Transaction costs	**—**	**—**	**83**	**83**
Recovery of income taxes	**—**	**—**	**(2,720)**	**(2,720)**
Net (loss) income	**(1,396)**	**5,031**	**(10,119)**	**(6,484)**
Purchase of property and equipment	**2,565**	**1,037**	**244**	**3,846**
Purchase of intangible assets	**—**	**—**	**163**	**163**

[1] For the three months ended September 30, 2020, the Retirement segment recognized accommodation revenues of $17,461 and service revenues of $19,690.
[2] Includes net pandemic expense of $788 for Retirement, $6,389 for LTC and $2,560 for corporate, eliminations and other.

	Three months ended September 30, 2019			
	Retirement[1]	LTC	Corporate, eliminations and other	Total
Gross revenue	38,090	133,864	15,993	187,947
Less: Internal revenue	—	4,007	15,993	20,000
Net revenue	38,090	129,857	—	167,947
Operating expense, net	21,237	106,548	—	127,785
Depreciation and amortization	12,692	5,372	1,006	19,070
Administrative expense	—	—	5,597	5,597
Income (loss) before net finance charges, transaction costs and recovery of income taxes	4,161	17,937	(6,603)	15,495
Finance costs	4,192	5,964	30	10,186
Finance income	—	(629)	(56)	(685)
Transaction costs	—	—	352	352
Recovery of income taxes	—	—	1,879	1,879
Net (loss) income	(31)	12,602	(8,808)	3,763
Purchase of property and equipment	3,376	1,169	259	4,804
Purchase of intangible assets	8	1	244	253

[1] For the three months ended September 30, 2019, the Retirement segment recognized accommodation revenues of $17,140 and service revenues of $20,950.

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

	Nine months ended September 30, 2020			
	Retirement[1]	**LTC**	**Corporate, eliminations and other**	**Total**
Gross revenue	**112,651**	**395,221**	**48,696**	**556,568**
Less: Internal revenue	**—**	**12,473**	**48,696**	**61,169**
Net revenue	**112,651**	**382,748**	**—**	**495,399**
Operating expense, net [2]	**67,445**	**330,597**	**—**	**398,042**
Depreciation and amortization	**38,174**	**16,923**	**3,161**	**58,258**
Administrative expense [2]	**—**	**—**	**23,608**	**23,608**
Share of net loss in joint venture	**—**	**—**	**229**	**229**
Income (loss) before net finance charges, transaction costs and recovery of income taxes	**7,032**	**35,228**	**(26,998)**	**15,262**
Finance costs	**18,211**	**14,749**	**5,271**	**38,231**
Finance income	**—**	**(2,126)**	**(342)**	**(2,468)**
Transaction costs	**—**	**—**	**1,480**	**1,480**
Recovery of income taxes	**—**	**—**	**(6,223)**	**(6,223)**
Net (loss) income	**(11,179)**	**22,605**	**(27,184)**	**(15,758)**
Purchase of property and equipment	**6,182**	**4,382**	**644**	**11,208**
Purchase of intangible assets	**(5)**	**—**	**325**	**320**

[1] For the nine months ended September 30, 2020, the Retirement segment recognized accommodation revenues of $52,946 and service revenues of $59,705.
[2] Includes net pandemic expense of $2,174 for Retirement, $12,768 for LTC and $5,572 for corporate, eliminations and other.

	Nine months ended September 30, 2019			
	Retirement[1]	LTC	Corporate, eliminations and other	Total
Gross revenue	115,061	394,430	47,652	557,143
Less: Internal revenue	—	11,918	47,652	59,570
Net revenue	115,061	382,512	—	497,573
Operating expense, net	62,886	315,684	—	378,570
Depreciation and amortization	38,119	16,711	2,926	57,756
Administrative expense	—	—	18,319	18,319
Income (loss) before net finance charges, transaction costs and provision for income taxes	14,056	50,117	(21,245)	42,928
Finance costs	17,640	17,792	73	35,505
Finance income	—	(3,274)	(173)	(3,447)
Transaction costs	—	—	2,107	2,107
Provision for income taxes	—	—	2,328	2,328
Net (loss) income	(3,584)	35,599	(25,580)	6,435
Purchase of property and equipment	9,889	4,825	845	15,559
Purchase of intangible assets	29	6	1,597	1,632

[1] For the nine months ended September 30, 2019, the Retirement segment recognized accommodation revenues of $51,777 and service revenues of $63,284.

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

	As at September 30, 2020			
	Retirement	**LTC**	**Corporate, eliminations and other**	**Total**
Total assets	**766,484**	**886,951**	**80,397**	**1,733,832**

	As at December 31, 2019			
	Retirement	LTC	Corporate, eliminations and other	Total
Total assets	792,556	880,786	19,258	1,692,600

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 joint venture as at January 1, 2020	—
Contributions to joint venture	2,615
Share of net loss from joint venture	(229)
Investment in joint venture as at September 30, 2020	**2,386**

	September 30, 2020	December 31, 2019
Current assets	**58**	—
Long-term assets	**3,434**	—
Total assets	**3,492**	—
Current liabilities	**84**	—
Total liabilities	**84**	—
Net assets	**3,408**	—
Net investment in joint venture	**2,386**	—

	Three months ended September 30,		**Nine months ended September 30,**	
	2020	2019	**2020**	2019
Transaction costs	**82**	—	**327**	—
Net loss	**(82)**	—	**(327)**	—
Share of net loss in joint venture	**(58)**	—	**(229)**	—

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.

	September 30, 2020	December 31, 2019
Current assets	**3,619**	3,080
Long-term assets	**100,335**	102,317
Total assets	**103,954**	105,397
Current liabilities	**6,591**	4,784
Long-term liabilities	**63,963**	64,867
Total liabilities	**70,554**	69,651
Net assets	**33,400**	35,746
Share of net assets	**17,018**	18,246

As at September 30, 2020, the Company's share of net assets in Nicola Lodge and Glenmore Lodge was $9,432 and $7,586, respectively (December 31, 2019 - $10,057 and $8,189, respectively).

	Three months ended September 30,		**Nine months ended September 30,**	
	2020	2019	**2020**	2019
Revenue	**7,657**	7,694	**23,146**	22,332
Expenses				
Operating, net	**5,756**	5,279	**17,566**	15,764
Depreciation and amortization	**663**	711	**2,074**	2,155
	6,419	5,990	**19,640**	17,919
Income before net finance charges	**1,238**	1,704	**3,506**	4,413
Net finance charges	**788**	729	**2,243**	2,163
Net income	**450**	975	**1,263**	2,250
Share of net income	**273**	501	**634**	1,140

For the three months ended September 30, 2020, the Company's share of net income (loss) in Nicola Lodge and Glenmore Lodge was $80 and $193, respectively (2019 - $271 and $230), respectively.

For the nine months ended September 30, 2020, the Company's share of net income in Nicola Lodge and Glenmore Lodge was $366 and $268, respectively (2019 - $642 and $498), respectively.

23 Subsequent events

On October 2, 2020, the Company issued $175,000 aggregate principal amount of Series B senior unsecured debentures (the "**Series B Unsecured Debentures**"). The Series B Unsecured Debentures 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 may be redeemed in whole or in part at the option of the Company at any time, as long as the Company provides not less than 10 days' and not more than 60 days' notice to the holders of the Series B Unsecured Debentures.

On October 2, 2020, the Company entered into a credit agreement for a $100,000 secured term 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 banker's acceptances ("**BAs**") at 225 basis points ("**bps**") per annum over the floating BA rate or at the Canadian prime rate plus 200 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.

On October 2, 2020, the Company repaid all of the outstanding Series B Secured Debentures in the amount of $246,030, net of its principal reserve fund, of Sienna's wholly-owned subsidiary, Leisureworld Senior Care LP ("**LSCLP**"). The Company repaid the Series B Secured Debentures using its principal reserve fund of $40,969, and a portion of the net proceeds from the Series B Unsecured Debentures and Secured Credit Facility, and paid an early redemption premium of $2,815.

On October 1, 2020, the Company terminated its credit agreement for the $20,000 revolving credit facility for LSCLP ("**LSCLP Credit Facility**"). The LSCLP Credit Facility had no amounts drawn as at September 30, 2020.

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