Report to Shareholders

Q2 2019 Sienna Senior Living Inc.

Sienna SENIOR LIVING

LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

Our results in Q2 2019 and year to date highlight the benefits of owning and operating a balanced portfolio of high quality retirement and long-term care residences. As the seniors' living sector continues to scale up to accommodate the growth in the over-75 age demographic over the course of the next two decades, we believe that operating a balanced portfolio is a competitive advantage. We expect Sienna's retirement portfolio to provide organic growth, while long-term care delivers a stable, predictable return.

In the past quarter, we have spent considerable time and effort in enhancing our sales and marketing program and harmonizing the operating platform for Sienna's retirement portfolio, and expect to continue to do so for the remainder of 2019, in addition to completing minor renovations and aesthetic enhancements in the retirement residences we acquired in 2018. We have committed $5 million in capital expenditures for these residences and are in the process of making the planned enhancements in amenity spaces and suites, consistent with the Sienna brand.

Average occupancy in the retirement segment was 88.4% in Q2 2019. The combination of higher resident attrition rates in the portfolio acquired last year and ongoing oversupply in the Ottawa market impacted occupancy in Q2. Additional factors, including disruption associated with property upgrades, including a renovation at a retirement residence in British Columbia and ongoing harmonization of the retirement platform in all residences, contributed to the year-over-year occupancy decline of 3.2%. However, rental rate increases, reduced operating expenses due to the occupancy declines and the benefits of running a large scale platform resulted in positive net operating income ("**NOI**") growth in the retirement portfolio.

We are confident that the initiatives we are implementing, including enhanced marketing campaigns, improvements to the sales platform, leadership enhancements, and harmonization of the retirement residences' operating platform, will result in improved occupancy in the coming quarters.

Average occupancy in the long-term care segment remained high at 98.3% in Q2 2019. Sienna's high ranking among its peers in terms of quality and service provided, coupled with generally high demand for long-term care, is reflected in the waiting list at each of Sienna's long-term care residences.

The company's overall NOI increased by 1.4% to $39.9 million in Q2 2019. In our retirement segment, same property NOI grew by 1.6% in the quarter and 3.8% in the first six months of 2019, compared to 2018. This increase was largely driven by annual rental rate increases and higher market rates, offset by lower occupancy. In our long-term care segment, same property NOI grew by 1.2% in the quarter and 2.7% in the first six months of 2019, compared to 2018.

Diluted Operating Funds from Operations ("**OFFO**") decreased by 4.8% year-over-year to $0.356 per share, mainly due to an increase in mark-to-market adjustments on share-based compensation as a result of Sienna's increasing share price, partially offset by same property growth.

Industry Fundamentals

Fundamentals in the Canadian seniors' living sector remain strong as the population of seniors aged 80 and above is expected to grow by 3% – 4% annually over the next two decades. One of the sector's key challenges is to match the growing demand for seniors' residences and services with additional supply in key markets. We expect some competitive pressure in the short- to mid- term that could lead to increased competition in certain markets for retirement residences, although market research indicates that most of the new supply is concentrated in markets with unprecedented strength and demand. In addition, we anticipate that rising construction costs and the licencing requirements in the seniors' living sector will help limit oversupply.

In order to provide our stakeholders with more transparency respecting supply in our key markets, we have expanded our disclosure in our Management Discussion and Analysis this quarter to include information on new supply in Sienna's retirement markets.

Capital Structure and Stock Performance

Continuing with the trend we set over the past quarters, we further strengthened our balance sheet during Q2 2019, ending the quarter with a debt to gross book value of 46.6%, a 280 basis point decrease from Q2 2018. In addition, we further lowered our weighted average cost of debt to 3.7% in Q2 2019 from 3.9% in Q2 2018.

We intend to continue to optimize our capital structure by effectively managing our upcoming debt maturities and maintaining a healthy level of liquidity. We will also focus on maintaining a favourable credit rating for Sienna's Series B Debentures. The current DBRS A (low) credit rating remains one of the best ratings in the real estate sector.

Sienna's strong capital market performance is reflected in a total shareholder return of 25% for the first six months of 2019, outperforming the S&P/TSX Composite Low Volatility Index and the S&P/TSX Capped REIT Index.

Outlook

For the balance of 2019, we intend to further harmonize our operating platform and continue to focus on initiatives that we expect will position Sienna to achieve occupancy gains in the retirement portfolio in the coming quarters. We expect retirement occupancy for the remainder of the year to be consistent with occupancy as at the end of Q2 2019, and year-over-year same property NOI growth to be flat to low single digits.

We remain optimistic about future development opportunities, with a key focus on developing seniors' living 'campuses' capable of providing a wide range of care options and services to seniors in one Sienna location. Three such proposed projects in our pipeline have received the first level of approval from the Ministry of Health. Such projects remain subject to extensive planning, feasibility analysis and additional approvals. We also expect to continue to pursue intensification opportunities at existing retirement residences where surplus land and strong demand make it feasible to do so. In July 2019, we completed our planned expansion at Island Park Retirement Residence in Campbellford, Ontario, and currently, we are finalizing plans for an expansion at our Kingsmere Retirement Residence in Alliston, Ontario.

Looking ahead, we are excited about the opportunities we see across the seniors' living sector. With an exceptional team, a strong operating platform and a strategy in place that supports our growth plans while adding additional stability, I am confident about the company's future. I am also pleased to announce that we are increasing our monthly dividend by 2%, starting with the payment in September to shareholders of record as at August 30, 2019.

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

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

Yours truly,

Lois Cormack
President and Chief Executive Officer

Management's Discussion and Analysis

(in thousands of Canadian Dollars)

Q2 2019 Report to Shareholders

Management's Discussion and Analysis

Basis of Presentation

The following Management's Discussion and Analysis ("**MD&A**") for Sienna Senior Living Inc. (the "**Company**" or "**Sienna**") provides a summary of the financial results for the three and six months ended June 30, 2019. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements ("**interim consolidated financial statements**") for the three and six months ended June 30, 2019. This material is available on the Company's website at www.siennaliving.ca. Additional information about the Company, including its Annual Information Form ("**AIF**") for the year ended December 31, 2018, can be found on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

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

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

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

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

Additional Information

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

Review and Approval by the Board of Directors

This MD&A is dated as of August 14, 2019, the date this report was approved by the Board of Directors of the Company, and is based on information available to management of the Company as of that date.

Company Profile

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

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

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

Notes:

1. 82.6% and 17.4% of total beds/suites are located in Ontario and British Columbia, respectively.
2. 3.7% of total LTC beds and suites are partially owned. Nicola Lodge and Glenmore Lodge are referred to collectively as the "**Option Properties**", of which the Company owns 40% of Nicola Lodge and 77% of Glenmore Lodge as at June 30, 2019.

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

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

As at August 14, 2019, the Company had 66,534,294 common shares outstanding.

Non-IFRS Performance Measures

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

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

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

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

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

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

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

NOI, FFO, OFFO, AFFO 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.

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

Key Performance Indicators

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

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

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

The following table represents the Key Performance Indicators for the periods ended June 30:

Thousands of Canadian dollars, except occupancy, share and ratio data	Three Months Ended			Six Months Ended		
	2019	2018	Change	**2019**	2018	Change
OCCUPANCY						
Retirement same property - Average occupancy	**88.4%**	91.6%	(3.2%)	**89.7%**	91.8%	(2.1%)
Retirement acquisitions - Average occupancy	**N/A**	N/A	N/A	**88.4%**	N/A	N/A
Retirement - Average total occupancy	**88.4%**	91.6%	(3.2%)	**89.4%**	91.8%	(2.4%)
Retirement - As at total occupancy	**87.3%**	91.3%	(4.0%)	**87.3%**	91.3%	(4.0%)
LTC - Average total occupancy	**98.3%**	98.3%	—%	**98.3%**	98.1%	0.2%
LTC - Average private occupancy	**98.1%**	98.0%	0.1%	**98.2%**	98.0%	0.2%
FINANCIAL						
Revenue	**165,957**	162,124	3,833	**329,626**	307,481	22,145
Operating Expenses	**126,028**	122,734	3,294	**250,785**	235,687	15,098
Same Property NOI	**39,929**	39,390	539	**72,754**	71,794	960
Acquisitions NOI	**—**	—	—	**6,087**	—	6,087
Total NOI	**39,929**	39,390	539	**78,841**	71,794	7,047
EBITDA	**34,120**	34,661	(541)	**66,119**	62,415	3,704
Net income	**2,230**	3,548	(1,318)	**2,672**	4,581	(1,909)
OFFO(1)	**23,602**	24,343	(741)	**44,924**	42,952	1,972
AFFO(1)(2)(3)	**24,428**	26,137	(1,709)	**47,811**	46,911	900
Total Assets(4)	**1,715,479**	1,800,952	(85,473)	**1,715,479**	1,800,952	(85,473)
PER SHARE INFORMATION						
Net income per share, basic	**0.034**	0.055	(0.021)	**0.040**	0.074	(0.034)
Net income per share, diluted	**0.034**	0.055	(0.021)	**0.040**	0.074	(0.034)
OFFO per share, basic(1)	**0.356**	0.380	(0.024)	**0.678**	0.696	(0.018)
OFFO per share, diluted(1)	**0.356**	0.374	(0.018)	**0.678**	0.683	(0.005)
AFFO per share, basic(1)(2)(3)	**0.368**	0.405	(0.037)	**0.721**	0.758	(0.037)
AFFO per share, diluted(1)(2)(3)	**0.368**	0.400	(0.032)	**0.721**	0.744	(0.023)
Dividends per share	**0.230**	0.225	0.005	**0.459**	0.450	0.009
Payout ratio (basic AFFO)(1)(2)(3)	**62.5%**	55.6%	6.9%	**63.7%**	59.4%	4.3 %
FINANCIAL RATIOS						
Debt service coverage ratio	**1.9**	2.1	(0.2)	**1.9**	2.1	(0.2)
Debt to gross book value as at period end	**46.6%**	49.4%	(2.8%)	**46.6%**	49.4%	(2.8)%
Weighted average cost of debt as at period end	**3.7%**	3.9%	(0.2%)	**3.7%**	3.9%	(0.2%)
Debt to Adjusted EBITDA as at period end	**6.7**	7.5	(0.8)	**6.7**	7.5	(0.8)
Interest coverage ratio	**4.0**	4.1	(0.1)	**3.9**	4.0	(0.1)
Weighted average term to maturity as at period end	**4.4**	5.0	(0.6)	**4.4**	5.0	(0.6)
CHANGE IN SAME PROPERTY NOI						
Retirement			1.6%			3.8%
LTC(5)			1.2%			2.7%
Total			1.4%			3.1%

Notes:

1. OFFO and AFFO for the three and six months ended June 30, 2019 include mark-to-market expense (recovery) adjustments on share-based compensation of $261 and $1,662, respectively (2018 - ($514) and ($670), respectively).

2. AFFO is impacted by the timing of maintenance capex spend.

3. Effective as of Q3 2018, deferred share unit compensation expense is not added back to calculate AFFO. The prior quarters have been restated to reflect this change.

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

5. Year-over-year change in same property NOI for LTC excludes the prior year tax refund of $1,254 recorded in Q1 2018.

Second Quarter 2019 Summary

Sienna's Q2 2019 results highlight the benefits of owning and operating a balanced portfolio of high quality retirement and LTC residences. As the seniors' living sector continues to scale up to accommodate the growth in the over-75 age demographic over the course of the next two decades, we believe that operating a balanced portfolio is a competitive advantage. We expect our Retirement portfolio to provide organic growth, while LTC delivers a stable, predictable return.

OFFO and AFFO per share for the three and six months ended June 30, 2019 include mark-to-market expense (recovery) adjustments on share-based compensation of $261 and $1,662, respectively (2018 - ($514) and ($670), respectively). Excluding these mark-to-market adjustments on share-based compensation, OFFO and AFFO per share would increase (decrease) by $0.004 and $0.025 for the three and six months ended June 30, 2019, respectively (2018 - ($0.008) and ($0.011), respectively).

OFFO and AFFO per share for the six months ended June 30, 2018 includes a prior year tax refund of $1,254 in Q1 2018. Excluding this refund, OFFO and AFFO per share would decrease by $0.020 for the six months ended June 30, 2018.

Occupancy - Average occupancy in Retirement was 88.4% in Q2 2019, compared to 91.6% in Q2 2018. The combination of higher resident attrition rates in the portfolio acquired last year and ongoing oversupply in the Ottawa market impacted occupancy in Q2 2019. Additional factors, including disruption associated with property upgrades, including a renovation at a Retirement Residence in British Columbia and ongoing harmonization of the Retirement platform in all residences, contributed to the year-over-year occupancy decline of 3.2%. Average occupancy in Sienna's LTC portfolio remained high at 98.3% in Q2 2019, compared to Q2 2018.

Revenue increased by 2.4% in Q2 2019, or $3,833, to $165,957, compared to Q2 2018. The increase was mainly a result of same property results driven by additional funding revenues and inflationary funding increases in the flow-through envelopes of the LTC segment, as well as rental rate increases in Retirement, partially offset by a decline in Retirement's occupancy.

Operating Expenses increased by 2.7% in Q2 2019, or $3,294, to $126,028, compared to Q2 2018. The increase was mainly a result of additional expenses associated with additional funding revenues in the flow-through envelopes and annual inflationary increases in the LTC segment, partially offset by reduced operating expenses due to occupancy declines and the benefits from running a large scale platform in Retirement.

NOI increased by 1.4% in Q2 2019, or $539, to $39,929, compared to Q2 2018.

Net income was $2,230 for Q2 2019, representing a decrease of $1,318 over the comparable prior year period. The decrease was primarily related to a higher fair value loss on interest rate swap contracts in Q2 2019 and an increase in mark-to-market adjustments on share-based compensation, partially offset by lower transaction costs, incremental same property NOI and lower income taxes.

OFFO decreased by 3.0% in Q2 2019, or $741, to $23,602 over the comparable prior year period. The decrease was primarily related to an increase in mark-to-market adjustments on share-based compensation, partially offset by same property NOI contributions and lower income taxes.

AFFO decreased by 6.5% in Q2 2019, or $1,709, to $24,428 over the comparable prior year period. The decrease was primarily related to the decrease in OFFO noted above and timing of maintenance capex spend.

Outlook

For the balance of 2019, we intend to further harmonize our operating platform and continue to focus on initiatives expected to achieve occupancy gains in the Retirement portfolio in the coming quarters.

We remain focused and disciplined about growing the Company through strategic acquisitions, and are optimistic about future development opportunities, with a key focus on developing seniors' living campuses. Such projects remain subject to extensive planning, feasibility analysis and additional approvals. We also expect to continue to pursue intensification opportunities at existing retirement residences where surplus land and strong demand make it feasible to do so.

Retirement

We will continue to enhance our sales and marketing program and harmonize the operating platform for Sienna's Retirement portfolio. We have committed $5 million in capital expenditures for the retirement residences acquired in 2018 and are in the process of making the planned enhancements in amenity spaces and suites, consistent with the Sienna brand.

Although average occupancy in our Retirement portfolio declined by 3.2% year-over-year in Q2 2019, total and same property NOI increased by 1.6% in Q2 2019 compared to Q2 2018, driven by market rate adjustments, annual rate increases and lower labour expenses due to lower occupancy. Management expects occupancy for the remainder of the year to be consistent with occupancy as at the end of Q2 2019, and year-over-year same property NOI growth to be flat to low single digits.

LTC

The Company continues to deliver strong results in its LTC segment, as reflected by the year-over-year same property NOI increase of 2.7%, predominantly resulting from inflationary funding increases. In addition, Sienna's LTC operating platform is consistently ranked above provincial and national averages in terms of quality of service provided, as reported quarterly by the Canadian Institute for Health Information as of March 2019.

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

Capital Structure Optimization

In Q2 2019, the Company further lowered its debt to gross book value to 46.6%, a 280 bps reduction year-over-year from 49.4%, and decreased its debt to Adjusted EBITDA ratio to 6.7 years from 7.5 years in Q2 2018. In addition, the Company further lowered its weighted average cost of debt to 3.7% in Q2 2019 from 3.9% in Q2 2018.

For the balance of 2019, management expects to refinance $68,643 of the Company's current portion of total debt at rates and on terms similar to its outstanding debt as at June 30, 2019, which has a weighted average rate of interest of 3.7% and weighted average term to maturity of 4.4 years. This is consistent with the Company's goal of refinancing approximately 10% of its total debt each year. The Company continues to focus on optimizing leverage and managing refinancing risk by creating a balanced 10-year debt maturity ladder.

Development

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

The Company also expects to pursue intensification opportunities at existing retirement residences where surplus land and strong demand make it feasible to do so. In July 2019, we completed our planned expansion at Island Park Retirement Residence in Campbellford, Ontario, and currently, we are finalizing plans for an expansion at our Kingsmere Retirement Residence in Alliston, Ontario.

Market Supply and Demand - Retirement

With the population of seniors expected to grow significantly over the next two decades, one of the sector's key challenges is to match the growing demand for seniors' residences with new supply. In order to provide more transparency of the supply in our key markets, we have included a table below that summarizes the supply that may impact some of Sienna's properties.

The study includes retirement residences currently under construction in the catchment areas of Sienna's Retirement Residences and outlines how the supply relates to the growing demand in each of these markets, assuming that the capture rate will remain at the 2018 level for each catchment area.

Region	Sienna Portfolio (as at June 30, 2019)[1]	New Supply (under construction)[2]	Required new suites by 2023 (to keep 2018 capture rate)[2][3]		
	Number of suites	Number of suites	2018 capture rate	Number of suites	Undersupply of suites
Eastern Ontario	535	682	11.4%	699	17
Ottawa	399	582	13.5%	702	120
Central Ontario	1,045	1,326	8.5%	2,193	867
Toronto GTA	571	1,646	5.2%	4,579	2,933
Lower Mainland, BC	620	778	4.6%	1,874	1,096
	3,170	**5,014**	**6.0%**	**10,049**	**5,033**

[1] Excludes Midland Gardens Senior Apartments due to its unique service platform compared to retirement residences

[2] Source: CBRE

[3] The 2018 capture rate is the existing supply of retirement suites divided by the population of seniors aged 75 and above. The undersupply of retirement suites is the difference between the number of new suites required in 2023 to maintain the 2018 capture rate and the new supply of retirement suites under construction.

The table above highlights that by 2023, demand will outpace supply. Rising construction costs and licensing requirements in the seniors' living sector are anticipated to limit oversupply.

While some volatility is expected in the next two to three years as the market is adjusting to increased supply, we expect that oversupply will be limited to a small number of markets.

Significant Event

The Board of Directors has approved an increase in Sienna's monthly dividend from $0.0765 per share to $0.078 per share ($0.936 per share annualized). The increase will commence on September 13, 2019, payable to shareholders of record as at August 30, 2019.

Our Vision, Mission and Values

Our Vision

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

Our Mission

To help you live fully, every day.

Our Values

Respect

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

Passion

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

Teamwork

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

Responsibility

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

Growth

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

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

Company Strategy and Objectives

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

Strong Operating Platform:

- Harmonizing the operating platform in all Retirement Residences;
- Implementing an enhanced sales program platform in Retirement;
- Implementing a people strategy aimed at recruiting, retaining and developing a high performing and engaged team;
- Providing a great resident experience by helping residents to live fully every day;
- Adopting innovative technology and practices to support operational efficiency;
- Advancing Sienna's brand in every community served.

Progress:
- ○ Implementing an enhanced sales platform and education for all Retirement team members
- ○ Implementing sales and marketing campaigns and community outreach in all Retirement Residences
- ○ Implementing strategies to attract and develop team members
- ○ Ongoing investments in technology and process improvements related to point-of-care services
- ○ Implementing a consistent Sienna operating platform in all Retirement Residences

Maintaining Strong Balance Sheet and Liquidity:

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

Progress:
- ○ Confirmed A (low) rating by Dominion Bond Rating Service ("**DBRS**") with a stable outlook for the Series B Debentures in March 2019
- ○ Increased year-over-year total property-level mortgages insured by CMHC by 5.2% as at June 30, 2019
- ○ Decreased year-over-year debt to gross book value by 280 basis points ("**bps**") to 46.6% as at June 30, 2019
- ○ Decreased year-over-year debt to Adjusted EBITDA to 6.7 years as at June 30, 2019, compared to 7.5 years in the comparable prior year period
- ○ Decreased weighted average cost of debt to 3.7% as at June 30, 2019, compared to 3.9% in the comparable prior year period

Growing the Company:

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

Organic Growth:

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

Development:

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

Acquisitions:

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

Progress:
○ Strong year-over-year organic growth in the Retirement and LTC segments, representing a 3.1% increase in total same property NOI for the six months ended June 30, 2019
○ Launched an enhanced company website in Q2 2019 as part of enhancing the Company's sales platform
○ Successful opening of a 55-suite expansion at Island Park Retirement Residence in Campbellford, Ontario in July 2019
○ Received preliminary approval from the MOHLTC for three development/redevelopment projects

Corporate Social Responsibility, Governance and Environmental Responsibility

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

Corporate Social Responsibility

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

As an active leader in each of the Canadian Association of Long Term Care, Ontario Long Term Care Association, Ontario Retirement Communities Association, British Columbia Care Providers Association and British Columbia Seniors Living Association, we advocate for and influence sound public policy regarding seniors' care and services.

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

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

Sienna for Seniors, our charitable giving program was launched in 2017 to support marginalized seniors facing economic and social challenges in the local communities. The funds raised through the charitable giving program support community-based agencies in providing much-needed specialized support to help seniors in need continue to live in their communities.

To date, Sienna for Seniors has donated over $350,000 to support senior-focused programs such as regional Alzheimer Societies, day programming and other services in the communities that support seniors and their families.

Sienna supports and participates in research to advance best practices in seniors' living. In cooperation with our partners, we focus on making advancements in innovative and collaborative care and service delivery that helps improve the quality of life for residents and their families.

Governance

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

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

Environmental

The Company is continuously implementing strategies to make its operations more sustainable and focuses on updating its infrastructure through key initiatives, including increasing water conservation by installing Flow Management Devices, a water-saving technology; and decreasing energy consumption by replacing lighting systems with Light Emitting Diode (LED) fixtures, and utilizing the most energy-efficient alternatives possible, including participation in ENERGY STAR programs. The Company is also focusing on reducing its usage of single-use plastics, maximizing its recycling efforts and reducing its internal printing and use of paper.

Industry Overview

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

Business of the Company

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

Quarterly Financial Information

	2019		2018				2017	
Thousands of Canadian dollars, except occupancy and per share data	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	165,957	163,669	169,455	165,048	162,124	145,357	146,330	139,867
Operating Expenses	126,028	124,757	130,556	124,529	122,734	112,953	115,831	109,109
Income before net finance charges, transaction costs and provision for (recovery of) income taxes	14,809	12,624	13,970	15,737	15,292	14,757	15,508	15,659
Net income	2,230	442	302	5,000	3,548	1,033	4,195	6,214
Per share basic	0.034	0.007	0.006	0.076	0.055	0.018	0.078	0.131
Per share diluted	0.034	0.007	0.006	0.076	0.055	0.018	0.078	0.131
OFFO	23,602	21,322	23,550	23,973	24,343	18,609	17,968	16,682
Per share basic	0.356	0.322	0.357	0.365	0.380	0.316	0.356	0.360
Per share diluted	0.356	0.322	0.357	0.365	0.374	0.309	0.346	0.349
AFFO(1)	24,428	23,383	21,738	24,414	26,137	20,774	17,082	18,334
Per share basic(1)	0.368	0.353	0.329	0.372	0.405	0.353	0.334	0.397
Per share diluted(1)	0.368	0.353	0.329	0.372	0.400	0.344	0.323	0.382
Dividends declared	15,241	15,196	15,145	14,995	14,620	13,523	11,437	10,430
Per share	0.230	0.230	0.230	0.228	0.225	0.225	0.225	0.225
Occupancy								
Retirement - Average total occupancy	88.4%	90.4%	91.8%	91.4%	91.6%	92.6%	93.2%	94.1%
Retirement - As at total occupancy	87.3%	89.4%	91.6%	91.8%	91.3%	92.6%	92.3%	94.1%
LTC - Average total occupancy	98.3%	98.2%	98.5%	98.7%	98.3%	97.9%	98.5%	98.6%
LTC - Average private occupancy(2)	98.1%	98.3%	98.6%	98.6%	98.0%	97.9%	98.5%	98.5%
Total assets(3)	1,715,479	1,738,577	1,753,200	1,746,612	1,800,952	1,759,189	1,394,858	1,221,813
Total debt(4)	962,742	987,640	984,917	985,694	1,025,857	1,022,128	818,951	762,044
Debt to gross book value as at period end	46.6%	47.8%	47.7%	48.3%	49.4%	50.3%	49.6%	51.8%

Notes:
1. Effective Q3 2018, deferred share unit compensation expense is not added back to calculate AFFO. The prior quarters have been restated to reflect this change.
2. The comparative periods have been restated to include both private-pay IL and AL.
3. Property and equipment and intangible assets included in total assets are measured at cost less accumulated depreciation and amortization.

4. The total debt is net of amounts paid into the principal reserve fund on the Series B Debentures. Total debt as at and prior to Q1 2018 included the Company's 4.65% extendible convertible unsecured debentures ("**Convertible Debentures**"), which were fully redeemed as at May 23, 2018 (the "**Redemption Date**").

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

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

In 2018, the Company increased its monthly dividend per share by 2%, starting with the September payment payable to shareholders of record on August 31, 2018. The Company's balance sheet continues to strengthen as its total asset base has increased from $1,221,813 to $1,715,479 and its debt to gross book value has decreased from 51.8% to 46.6% as at Q3 2017 and Q2 2019, respectively.

A discussion of the operating results for the three and six months ended June 30, 2019 compared to the same period in the prior year is provided in the section "Operating Results."

Operating Results

Retirement

The Company's Retirement portfolio consists of 27 RRs, five of which are located in British Columbia and 22 of which are located in Ontario. The Company's Retirement portfolio operates in well located markets and generated 23.1% of overall revenues and 43.6% of total NOI in Q2 2019.

Long-term Care

The Company's LTC portfolio contributed 76.9% of the Company's revenues and generated 56.4% of its NOI in Q2 2019. In May 2019, the MOHLTC announced the annual funding rate increases, effective April 1, 2019. In 2018, funding rate increases for other accommodation and food were made effective July 1, 2018. Effective July 1, 2019, the regulated per diem premiums have increased to $26.64 per bed per day for new admissions to private accommodation in Class A homes, with existing residents in such preferred accommodations being grandfathered at substantially historical rates. The regulated per diem rates for Class B and C homes have increased to $19.17 and $8.52 per bed per day, respectively, for private and semi-private accommodation.

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

	Three Months Ended			Six Months Ended		
Thousands of Canadian dollars	**2019**	2018	Change	**2019**	2018	Change
Revenue	**165,957**	162,124	3,833	**329,626**	307,481	22,145
Expenses						
Operating	**126,028**	122,734	3,294	**250,785**	235,687	15,098
Depreciation and amortization	**19,311**	19,369	(58)	**38,686**	32,366	6,320
Administrative	**5,809**	4,729	1,080	**12,722**	9,379	3,343
	151,148	146,832	4,316	**302,193**	277,432	24,761
Income before net finance charges, transaction costs and provision for (recovery of) income taxes	**14,809**	15,292	(483)	**27,433**	30,049	(2,616)
Net finance charges	**11,201**	9,096	2,105	**22,557**	15,562	6,995
Transaction costs	**776**	1,470	(694)	**1,755**	8,345	(6,590)
Total other expenses	**11,977**	10,566	1,411	**24,312**	23,907	405
Income before provision for (recovery of) income taxes	**2,832**	4,726	(1,894)	**3,121**	6,142	(3,021)
Provision for (recovery of) income taxes						
Current	**1,595**	1,985	(390)	**3,645**	4,240	(595)
Deferred	**(993)**	(807)	(186)	**(3,196)**	(2,679)	(517)
	602	1,178	(576)	**449**	1,561	(1,112)
Net income	**2,230**	3,548	(1,318)	**2,672**	4,581	(1,909)
Total assets	**1,715,479**	1,800,952	(85,473)	**1,715,479**	1,800,952	(85,473)
Total debt (net of principal reserve fund)	**962,742**	1,025,857	(63,115)	**962,742**	1,025,857	(63,115)

Net Operating Income Consolidated

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

	Three Months Ended			Six Months Ended		
Thousands of Canadian dollars	**2019**	2018	Change	**2019**	2018	Change
Revenue						
Same property[1]	**165,957**	162,124	3,833	**315,699**	307,481	8,218
Acquisitions[1]	—	—	—	**13,927**	—	13,927
Total Revenue	**165,957**	162,124	3,833	**329,626**	307,481	22,145
Operating Expenses						
Same property[1]	**126,028**	122,734	3,294	**242,945**	235,687	7,258
Acquisitions[1]	—	—	—	**7,840**	—	7,840
Total Operating Expenses	**126,028**	122,734	3,294	**250,785**	235,687	15,098
NOI						
Same property[1]	**39,929**	39,390	539	**72,754**	70,540	2,214
Same property - prior year tax refund	—	—	—	—	1,254	(1,254)
Acquisitions[1]	—	—	—	**6,087**	—	6,087
Total NOI	**39,929**	39,390	539	**78,841**	71,794	7,047

Note:

1. Effective March 28, 2019, the results of the portfolio of ten Ontario seniors' living residences acquired on March 28, 2018, consisting of 1,245 private-pay ISL and AL suites (the "**Acquired Properties**"), were re-classified from "acquisitions" to "same property" in the table above. Accordingly, "acquisitions" consists of the Acquired Properties' results from January 1, 2019 to March 27, 2019.

Second Quarter 2019 Operating Results

The Company's total same property revenues for Q2 2019 increased by $3,833 to $165,957, compared to Q2 2018. Retirement's same property revenues for Q2 2019 increased by $24 to $38,283, compared to Q2 2018. LTC's same property revenues for Q2 2019 increased by $3,809 to $127,674, compared to Q2 2018, mainly due to inflationary funding increases in the flow-through envelopes.

The Company's total same property operating expenses for Q2 2019 increased by $3,294 to $126,028, compared to Q2 2018. Retirement same property operating expenses for Q2 2019 decreased by $243 to $20,872, compared to Q2 2018, due to occupancy declines. LTC's same property operating expenses for Q2 2019 increased by $3,537 to $105,156, compared to Q2 2018, mainly due to additional expenses associated with additional funding revenues in the flow-through envelopes.

The Company's total same property NOI for Q2 2019 increased by $539 to $39,929, compared to Q2 2018. Retirement's same property NOI for Q2 2019 increased by $267 to $17,411, compared to Q2 2018. LTC's same property NOI for Q2 2019 increased by $272 to $22,518 compared to Q2 2018.

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.

Six Months Ended June 30, 2019 Operating Results

The Company's total same property revenues for the six months ended June 30, 2019 increased by $8,218 to $315,699, over the comparable prior year period. Retirement's same property revenues increased by $878 to $63,044, over the comparable prior year period, and the Acquired Properties contributed $13,927 (2018 - $nil) to revenues for the six months ended June 30, 2019. LTC's same property revenues increased by $7,340 to $252,655, over the comparable prior year period.

The Company's total same property operating expenses for the six months ended June 30, 2019 increased by $7,258 to $242,945, over the comparable prior year period. Retirement's same property operating expenses decreased by $190 to $33,809, over the comparable prior year period, due to occupancy declines, and the Acquired Properties contributed $7,840 (2018 - $nil) to operating expenses for the six months ended June 30, 2019. LTC's same property operating expenses, excluding the prior year tax refund, increased by $6,194 to $209,136, over the comparable prior year period.

The Company's total same property NOI for the six months ended June 30, 2019 increased by $2,214 to $72,754, excluding the prior year tax refund, over the comparable prior year period. Retirement's same property NOI increased by $1,068 to $29,235, over the comparable prior year period, and the Acquired Properties contributed $6,087 (2018 - $nil) to NOI for the six months ended June 30, 2019. LTC's same property NOI, excluding the prior year tax refund, increased by $1,146 to $43,519, over the comparable prior year period.

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 June 30:

	Three Months Ended			Six Months Ended		
Thousands of Canadian dollars	**2019**	2018	Change	**2019**	2018	Change
Retirement Revenue						
Same property[1]	**38,283**	38,259	24	**63,044**	62,166	878
Acquisitions[1]	**—**	—	—	**13,927**	—	13,927
Total Retirement Revenue	**38,283**	38,259	24	**76,971**	62,166	14,805
Retirement Expenses						
Same property[1]	**20,872**	21,115	(243)	**33,809**	33,999	(190)
Acquisitions[1]	**—**	—	—	**7,840**	—	7,840
Total Retirement Expenses	**20,872**	21,115	(243)	**41,649**	33,999	7,650
Retirement NOI						
Same property[1]	**17,411**	17,144	267	**29,235**	28,167	1,068
Acquisitions[1]	**—**	—	—	**6,087**	—	6,087
Total Retirement NOI	**17,411**	17,144	267	**35,322**	28,167	7,155

Note:

1. Effective March 28, 2019, the results of the Acquired Properties were re-classified from "acquisitions" to "same property" in the table above. Accordingly, "acquisitions" consists of the Acquired Properties' results from January 1, 2019 to March 27, 2019.

Second Quarter 2019 Retirement Results

Retirement's same property revenues for Q2 2019 increased by $24 to $38,283, compared to Q2 2018, primarily attributable to market rate adjustments and annual rate increases, offset by lower occupancy.

Retirement's same property operating expenses for Q2 2019 decreased by $243 to $20,872, compared to Q2 2018, mainly due to lower labour expenses in correlation with occupancy, partially offset by inflationary increases mainly in wages.

Retirement's same property NOI for Q2 2019 increased by $267 to $17,411, compared to Q2 2018.

Six Months Ended June 30, 2019 Retirement Results

Retirement's same property revenues for the six months ended June 30, 2019 increased by $878 to $63,044, over the comparable prior year period, primarily attributable to market rate adjustments and annual rate increases, partially offset by lower occupancy. The Acquired Properties were re-classified from acquisitions to same property starting March 28, 2019.

Retirement's same property operating expenses for the six months ended June 30, 2019 decreased by $190 to $33,809, over the comparable prior year period, mainly due to lower labour expenses in correlation with occupancy, partially offset by inflationary increases in wages, and increases in property taxes and utilities.

Retirement's same property NOI for the six months ended June 30, 2019 increased by $1,068 to $29,235, over the comparable prior year period.

Long-term Care

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

	Three Months Ended			Six Months Ended		
Thousands of Canadian dollars	**2019**	2018	Change	**2019**	2018	Change
Long-term Care Revenue						
Same property	**127,674**	123,865	3,809	**252,655**	245,315	7,340
Total Long-term Care Revenue	**127,674**	123,865	3,809	**252,655**	245,315	7,340
Long-term Care Expenses						
Same property	**105,156**	101,619	3,537	**209,136**	202,942	6,194
Same property - prior year tax refund	—	—	—	—	(1,254)	1,254
Total Long-term Care Expenses	**105,156**	101,619	3,537	**209,136**	201,688	7,448
Long-term Care NOI						
Same property	**22,518**	22,246	272	**43,519**	42,373	1,146
Same property - prior year tax refund	—	—	—	—	1,254	(1,254)
Total Long-term Care NOI	**22,518**	22,246	272	**43,519**	43,627	(108)

Second Quarter 2019 Long-term Care Results

LTC's same property revenues for Q2 2019 increased by $3,809 to $127,674, compared to Q2 2018, primarily attributable to additional funding revenues and inflationary funding increases in the flow-through envelopes.

LTC's same property operating expenses for Q2 2019 increased by $3,537 to $105,156, compared to Q2 2018, due to additional expenses associated with additional funding revenues in the flow-through envelopes and annual inflationary increases.

LTC's same property NOI for Q2 2019 increased by $272 to $22,518 compared to Q2 2018.

Six Months Ended June 30, 2019 Long-term Care Results

LTC's same property revenues for the six months ended June 30, 2019 increased by $7,340 to $252,655, over the comparable prior year period, primarily attributable to additional funding revenues and inflationary funding increases in the flow-through envelopes.

LTC's same property operating expenses for the six months ended June 30, 2019, excluding the prior year tax refund, increased by $6,194 to $209,136, over the comparable prior year period, due to additional expenses associated with additional funding revenues and annual inflationary increases.

LTC's same property NOI for the six months ended June 30, 2019, excluding the prior year tax refund, increased by $1,146 to $43,519 over the comparable prior year period.

Depreciation and Amortization

Second Quarter 2019

Depreciation and amortization for Q2 2019 decreased by $58 to $19,311, compared to Q2 2018, due to the completion of amortization on certain customer relationships, partially offset by higher amortization on computer hardware and software.

Six Months Ended June 30, 2019

Depreciation and amortization for the six months ended June 30, 2019 increased by $6,320 to $38,686, over the comparable prior year period, due to the acquisition of the Acquired Properties in Q1 2018.

Administrative Expenses

Second Quarter 2019

Administrative expenses for Q2 2019 increased by $1,080 to $5,809, compared to Q2 2018, due to an increase of $775 in mark-to-market adjustments on share-based compensation and increases in employee costs commensurate with the Company's growth.

Six Months Ended June 30, 2019

Administrative expenses for the six months ended June 30, 2019 increased by $3,343 to $12,722, over the comparable prior year period, due to an increase of $2,332 in mark-to-market adjustments on share-based compensation and increases in employee costs commensurate with the Company's growth.

Net Finance Charges

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Finance costs				
Interest expense on long-term debt	**9,190**	8,803	**18,397**	16,141
Interest expense on Convertible Debentures	**—**	313	**—**	844
Fees on revolving credit facilities	**97**	92	**197**	124
Amortization of financing charges and fair value adjustments on acquired debt	**492**	407	**940**	667
Amortization of loss on bond forward contract	**237**	228	**469**	451
Fair value loss (gain) on interest rate swap contracts	**1,904**	249	**5,316**	(585)
	11,920	10,092	**25,319**	17,642
Finance income				
Interest income on construction funding receivable	**537**	655	**1,107**	1,312
Other interest income(1)	**182**	341	**1,655**	768
	719	996	**2,762**	2,080
Net finance charges	**11,201**	9,096	**22,557**	15,562

Notes:

1. Includes $nil and $1,346 interest income on a GST rebate for a prior year for the three and six months ended June 30, 2019, respectively (2018 - $nil and $nil, respectively).

Second Quarter 2019

Net finance charges for Q2 2019 increased by $2,105 to $11,201, compared to Q2 2018, primarily attributable to a higher fair value loss on interest rate swap contracts in Q2 2019.

Six Months Ended June 30, 2019

Net finance charges for the six months ended June 30, 2019 increased by $6,995 to $22,557, over the comparable prior year period, primarily attributable to a fair value loss on interest rate swap contracts and incremental interest expense due to the acquisition of the Acquired Properties in Q1 2018. This increase was partially offset by interest income received on a GST rebate for a prior year.

Transaction Costs

Second Quarter 2019

Transaction costs for Q2 2019 decreased by $694 to $776 compared to Q2 2018, primarily attributable to the acquisition and integration costs for the Acquired Properties in late Q1 2018.

Six Months Ended June 30, 2019

Transaction costs for the six months ended June 30, 2019 decreased by $6,590 to $1,755, over the comparable prior year period, primarily attributable to the acquisition and integration costs for the Acquired Properties in late Q1 2018.

Income Taxes

Second Quarter 2019

Income tax expense for Q2 2019 decreased by $576 to $602, compared to Q2 2018. The current income tax expense for Q2 2019 decreased by $390 to $1,595 compared to Q2 2018, primarily attributable to an increase in tax depreciation associated with new legislation enacted in the quarter to accelerate depreciation, partially offset by an increase in NOI and mark-to-market adjustments on share-based compensation which are currently not deductible. The current income tax expense has been calculated at the weighted average combined corporate tax rate of 26.57% (2018 - 26.46%). The deferred income tax recovery for Q2 2019 increased by $186 to $993 compared to Q2 2018, primarily attributable to a higher fair value loss on interest rate swap contracts which are currently not deductible.

Six Months Ended June 30, 2019

Income tax expense for the six months ended June 30, 2019 decreased by $1,112 to $449, over the comparable prior year period. The current income tax expense for the six months ended June 30, 2019 decreased by $595 to $3,645 over the comparable prior year period, primarily attributable to an increase in tax depreciation associated with new legislation enacted in the quarter to accelerate depreciation and an increase in interest expenses. This was partially offset by an increase in NOI and an increase in mark-to-market adjustments on share-based compensation and fair value loss on interest rate swap contracts, which are both currently not deductible. The current income tax expense has been calculated at the weighted average combined corporate tax rate of 26.57% (2018 - 26.46%). The deferred income tax recovery for the six months ended June 30, 2019 increased by $517 to $3,196 over the comparable prior year period, primarily attributable to the items currently not deductible as described above.

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

	Three Months Ended			Six Months Ended		
Thousands of Canadian dollars, except share and per share data	**2019**	2018	Change	**2019**	2018	Change
Net income	**2,230**	3,548	(1,318)	**2,672**	4,581	(1,909)
Deferred income tax recovery	**(993)**	(807)	(186)	**(3,196)**	(2,679)	(517)
Depreciation and amortization	**18,365**	18,946	(581)	**36,999**	31,529	5,470
Transaction costs	**776**	1,470	(694)	**1,755**	8,345	(6,590)
Fair value loss (gain) on interest rate swap contracts	**1,904**	249	1,655	**5,316**	(585)	5,901
IFRS 16 adjustment	**—**	53	(53)	**—**	100	(100)
Funds from operations (FFO)	**22,282**	23,459	(1,177)	**43,546**	41,291	2,255
Depreciation and amortization - corporate	**946**	423	523	**1,687**	837	850
Amortization of financing charges and fair value adjustments on acquired debt	**492**	407	85	**940**	667	273
Amortization of loss on bond forward contract	**237**	228	9	**469**	451	18
Net settlement payment on interest rate swap contracts	**(176)**	(88)	(88)	**(254)**	(358)	104
Tax shield due to the settlement of the bond-lock hedge	**(179)**	(177)	(2)	**(118)**	(118)	—
Interest income on a GST rebate for a prior year	**—**	—	—	**(1,346)**	—	(1,346)
IFRS 16 adjustment	**—**	91	(91)	**—**	182	(182)
Operating funds from operations (OFFO)	**23,602**	24,343	(741)	**44,924**	42,952	1,972
Income support	**—**	163	(163)	**—**	579	(579)
Construction funding	**2,764**	2,665	99	**5,516**	5,278	238
Maintenance capex	**(1,938)**	(1,034)	(904)	**(2,629)**	(1,898)	(731)
Adjusted funds from operations (AFFO)[(1)]	**24,428**	26,137	(1,709)	**47,811**	46,911	900
Adjusted funds from operations (AFFO)[(1)]	**24,428**	26,137	(1,709)	**47,811**	46,911	900
Dividends declared	**(15,241)**	(14,620)	(621)	**(30,437)**	(28,143)	(2,294)
AFFO retained	**9,187**	11,517	(2,330)	**17,374**	18,768	(1,394)
Basic FFO per share	**0.336**	0.364	(0.028)	**0.657**	0.669	(0.012)
Basic OFFO per share	**0.356**	0.380	(0.024)	**0.678**	0.696	(0.018)
Basic AFFO per share[(1)]	**0.368**	0.405	(0.037)	**0.721**	0.758	(0.037)
Weighted average common shares outstanding - Basic	**66,384,395**	64,529,917		**66,278,647**	61,695,281	
Diluted FFO per share	**0.336**	0.360	(0.024)	**0.657**	0.660	(0.003)
Diluted OFFO per share	**0.356**	0.374	(0.018)	**0.678**	0.683	(0.005)
Diluted AFFO per share[(1)]	**0.368**	0.400	(0.032)	**0.721**	0.744	(0.023)
Weighted average common shares outstanding - Diluted	**66,384,395**	66,015,259		**66,278,647**	63,762,715	

Note:

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

Reconciliation of diluted FFO, OFFO and AFFO

Thousands of Canadian dollars	Three Months Ended			Six Months Ended		
	2019	2018	Change	**2019**	2018	Change
FFO, Basic	**22,282**	23,459	(1,177)	**43,546**	41,291	2,255
Net financing charges on convertible debt	—	412	(412)	—	1,043	(1,043)
Current income tax expense adjustment	—	(95)	95	—	(276)	276
FFO, Diluted	**22,282**	23,776	(1,494)	**43,546**	42,058	1,488
OFFO, Basic	**23,602**	24,343	(741)	**44,924**	42,952	1,972
Interest expense on Convertible Debentures	—	313	(313)	—	844	(844)
Current income tax expense adjustment	—	(82)	82	—	(223)	223
OFFO, Diluted	**23,602**	24,574	(972)	**44,924**	43,573	1,351
AFFO, Basic	**24,428**	26,137	(1,709)	**47,811**	46,911	900
Interest expense on Convertible Debentures	—	313	(313)	—	844	(844)
Current income tax expense adjustment	—	(82)	82	—	(223)	223
AFFO, Diluted	**24,428**	26,368	(1,940)	**47,811**	47,532	279

Second Quarter 2019 Performance

For Q2 2019, basic FFO decreased by $1,177 to $22,282, compared to Q2 2018. The decrease was primarily due to an increase in mark-to-market adjustments on share-based compensation, partially offset by same property growth and lower income taxes.

For Q2 2019, basic OFFO decreased by $741 to $23,602, compared to Q2 2018. The decrease was primarily attributable to the decrease in basic FFO noted above.

For Q2 2019, basic AFFO decreased by $1,709 to $24,428, compared to Q2 2018. The decrease in AFFO was principally related to the decrease in basic OFFO noted above and timing of maintenance capex spend.

Six Months Ended June 30, 2019 Performance

FFO for the six months ended June 30, 2019 increased by $2,255 to $43,546 over the comparative prior year period. The increase was primarily attributable to the Acquired Properties transaction that closed in late Q1 2018, same property growth, lower income taxes and a prior year tax refund, partially offset by incremental interest expense due to the Acquired Properties.

OFFO for the six months ended June 30, 2019 increased by $1,972 to $44,924 over the comparative prior year period. The increase was primarily attributable to the increase in FFO noted above.

AFFO for the six months ended June 30, 2019 increased by $900 to $47,811 over the comparative prior year period. The increase was principally related to the increase in OFFO noted above, partially offset by an increase in maintenance capital expenditures mainly due to timing.

Construction Funding

The Company receives construction funding subsidies from the Ontario government 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 MOHLTC approval on the development or redevelopment and completing the construction in accordance with a development agreement signed with the MOHLTC. This funding is non-interest bearing, and 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 June 30, 2019, the condition for funding has been met.

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

Thousands of Canadian dollars	Construction funding interest income[1]	Construction funding principal[2]	Total construction funding to be received
2019	2,122	10,807	12,929
2020	1,692	10,907	12,599
2021	1,252	9,797	11,049
2022	859	9,120	9,979
2023	536	6,253	6,789
Thereafter	1,139	10,232	11,371
	7,600	**57,116**	**64,716**

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 six months ended June 30, 2019, $537 and $1,107 (2018 - $655 and $1,312) of interest income on construction funding receivable was recognized, respectively, and an adjustment of $2,764 and $5,516 (2018 - $2,665 and $5,278) was made to AFFO for construction funding principal received.

Maintenance Capital Expenditures

The Company monitors all of its properties for ongoing maintenance. As part of the capital investments' monitoring process, items are assessed and prioritized based on the urgency and necessity of the expenditure to improve or upgrade the condition of buildings, or to meet residents' needs and enhance residents' experience. The following table summarizes the Company's maintenance capital expenditures for the periods ended June 30:

	Three Months Ended		Six Months Ended	
Thousands of Canadian dollars	**2019**	2018	**2019**	2018
Building improvements	**136**	111	**314**	207
Mechanical and electrical	**814**	126	**980**	303
Suite renovations and common area upgrades	**737**	621	**807**	887
Communications and information systems	**55**	29	**111**	56
Furniture, fixtures and equipment	**196**	147	**417**	445
Total maintenance capital expenditures	**1,938**	1,034	**2,629**	1,898

Building Improvements

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

Mechanical and Electrical

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

Suite Renovations and Common Area Upgrades

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

Communication and Information Systems

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

Furniture, Fixtures and Equipment

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

Reconciliation of Cash Flow from Operations to Adjusted Funds from Operations

The IFRS measure most directly comparable to AFFO is "cash flow from operating activities." The following table represents the reconciliation of cash provided by operating activities to AFFO for the periods ended June 30:

	Three Months Ended			Six Months Ended		
Thousands of Canadian dollars	**2019**	2018	Change	**2019**	2018	Change
Cash provided by operating activities	**30,428**	30,633	(205)	**40,268**	35,925	4,343
Construction funding principal	**2,764**	2,665	99	**5,516**	5,278	238
Transaction costs	**776**	1,470	(694)	**1,755**	8,345	(6,590)
Tax shield due to settlement of the bond-lock hedge	**(179)**	(177)	(2)	**(118)**	(118)	—
Maintenance capex	**(1,938)**	(1,034)	(904)	**(2,629)**	(1,898)	(731)
Net change in working capital, interest and taxes[1]	**(7,357)**	(7,517)	160	**4,610**	(759)	5,369
Restricted share units and long-term incentive plan expense	**(66)**	(47)	(19)	**(245)**	(144)	(101)
Interest income on a GST rebate for a prior year	—	—	—	**(1,346)**	—	(1,346)
IFRS 16 adjustment	—	144	(144)	—	282	(282)
Adjusted funds from operations (AFFO)[1]	**24,428**	26,137	(1,709)	**47,811**	46,911	900
Adjusted funds from operations (AFFO)[1]	**24,428**	26,137	(1,709)	**47,811**	46,911	900
Dividends declared	**(15,241)**	(14,620)	(621)	**(30,437)**	(28,143)	(2,294)
AFFO retained[1]	**9,187**	11,517	(2,330)	**17,374**	18,768	(1,394)
Dividend reinvestment	**3,383**	2,564	819	**6,912**	4,331	2,581
AFFO retained after dividend reinvestment[1]	**12,570**	14,081	(1,511)	**24,286**	23,099	1,187

Note:

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

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

The following table summarizes the dividends declared in relation to cash flows from operating activities for the periods ended June 30:

	Three Months Ended			Six Months Ended		
Thousands of Canadian dollars	**2019**	2018	Change	**2019**	2018	Change
Cash flows from operating activities	**30,428**	30,633	(205)	**40,268**	35,925	4,343
Dividends declared	**15,241**	14,620	621	**30,437**	28,143	2,294
Excess of cash flows from operating activities over dividends declared	**15,187**	16,013	(826)	**9,831**	7,782	2,049

Financial Position Analysis

Balance Sheet Analysis

The following table summarizes the significant changes in assets, liabilities and equity for June 30, 2019 compared to December 31, 2018.

Thousands of Canadian dollars	**2019**	2018	Change
Total assets	**1,715,479**	1,753,200	(37,721)
Total liabilities	**1,168,411**	1,185,549	(17,138)
Total equity	**547,068**	567,651	(20,583)

Total assets decreased by $37,721 to $1,715,479 primarily due to the amortization of customer relationships and depreciation of property and equipment from the Acquired Properties.

Total liabilities decreased by $17,138 to $1,168,411 primarily due to the repayment of long-term debt of $64,005 and a decrease of $6,273 in accounts payable and accrued liabilities. This was partially offset by $42,873 from the re-financing of long-term debt, an increase of $2,847 to the share-based compensation liability primarily driven by mark-to-market adjustments and addition of the lease liability of $2,749.

Total equity decreased by $20,583 to $547,068 primarily due to the payment of dividends, partially offset by dividend reinvestments.

Cash Flow Analysis

The following table represents the summary of cash flows for the periods ended June 30, 2019:

	Three Months Ended			Six Months Ended		
Thousands of Canadian dollars	**2019**	2018	Change	**2019**	2018	Change
Cash provided by (used in):						
Operating activities	**30,428**	30,633	(205)	**40,268**	35,925	4,343
Investing activities	**(1,598)**	(6,082)	4,484	**54**	(307,952)	308,006
Financing activities	**(40,284)**	18,721	(59,005)	**(49,657)**	309,958	(359,615)
(Decrease)/increase in cash during the period	**(11,454)**	43,272	(54,726)	**(9,335)**	37,931	(47,266)
Cash, end of period	**13,533**	56,696		**13,533**	56,696	

Second Quarter 2019

Cash flows provided by operating activities for the three months ended June 30, 2019 decreased by $205 to $30,428 primarily due to a decrease in non-cash changes in working capital, partially offset by a decrease in interest paid on long-term debt.

Cash flows used in investing activities for the three months ended June 30, 2019 decreased by $4,484 to $1,598 primarily due to the acquisition of an additional interest in Glenmore Lodge in Q2 2018 for $2,796, partially offset by an increase in the purchase of property and equipment.

Cash flows used in financing activities for the three months ended June 30, 2019 increased by $59,005 to $40,284 primarily due to a decrease in net proceeds from financing/re-financing of long-term debt, partially offset by the redemption of the Convertible Debentures in Q2 2018.

Six Months Ended June 30, 2019

Cash flows provided by operating activities for the six months ended June 30, 2019 increased by $4,343 to $40,268 primarily due to NOI generated by the Acquired Properties and lower transaction costs, partially offset by an increase in interest paid on long-term debt due to the Acquired Properties.

Cash flows provided by investing activities for the six months ended June 30, 2019 increased by $308,006 to $54 primarily due to acquisitions in Q1 and Q2 2018 totalling $300,504 and a GST rebate for a prior year received in Q1 2019 of $4,147.

Cash flows used in financing activities for the six months ended June 30, 2019 increased by $359,615 to $49,657 primarily due to the Company's offering of common shares in Q1 2018 to finance the acquisition of the Acquired Properties of $175,033 net of share issuance costs, and a decrease in net proceeds from the financing/re-financing of long-term debt, partially offset by the redemption of the Convertible Debentures in Q2 2018.

Liquidity and Capital Resources

Liquidity

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

The Company measures its liquidity as the available funds of $115,492 from existing credit facilities of $154,492 plus available cash on hand of $13,533. The Company's liquidity was $129,025 as at June 30, 2019.

As at June 30, 2019, the Company had a working capital deficiency (current liabilities less current assets) of $201,570, primarily attributable to the current portion of long-term debt of $149,844, which includes credit facilities and loans of $39,000, and mortgage liabilities that are due within a 12-month period. To support the Company's working capital deficiency, the Company plans to use its operating cash flows, proceeds from refinancing its debt and, if necessary, its undrawn credit facilities, all of which management of the Company believes to be sufficient to address this working capital deficiency.

Debt

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

The Company's goal is to continue to optimize its debt maturity schedule over a 10-year period in order to manage interest rate and financial risks. The Company's strategy is to build a 10-year debt maturity ladder by refinancing approximately 10% of its debt annually, which is equivalent to $96,274 as at June 30, 2019. The Company plans to capitalize on external growth opportunities and refinance mortgages to build its debt maturity ladder around the Series B Debentures to reduce risk when these debentures mature in 2021. In March 2019, DBRS confirmed the A (low) rating for the Series B Debentures.

The Company's total debt is comprised as follows:

Thousands of Canadian dollars	**June 30, 2019**	December 31, 2018
Series B Debentures	**322,000**	322,000
Mortgages	**643,285**	626,617
Credit facilities and loans	**39,000**	76,500
Lease liability	**2,749**	—
	1,007,034	1,025,117
Mark-to-market adjustments on acquisitions	**3,952**	4,243
Less: Deferred financing costs	**(13,427)**	(13,234)
Less: Series B Debentures principal reserve fund	**(34,817)**	(31,209)
Total debt	**962,742**	984,917

The Company's total debt as at June 30, 2019 was $962,742 (December 31, 2018 - $984,917), which is net of the Series B Debentures' principal reserve fund of $34,817 (December 31, 2018 - $31,209). The decrease of $22,175 was primarily related to repayments to the Company's credit facilities and mortgages, and monthly contributions to the Series B Debentures' principal reserve fund, partially offset by the re-financing of property-level mortgages.

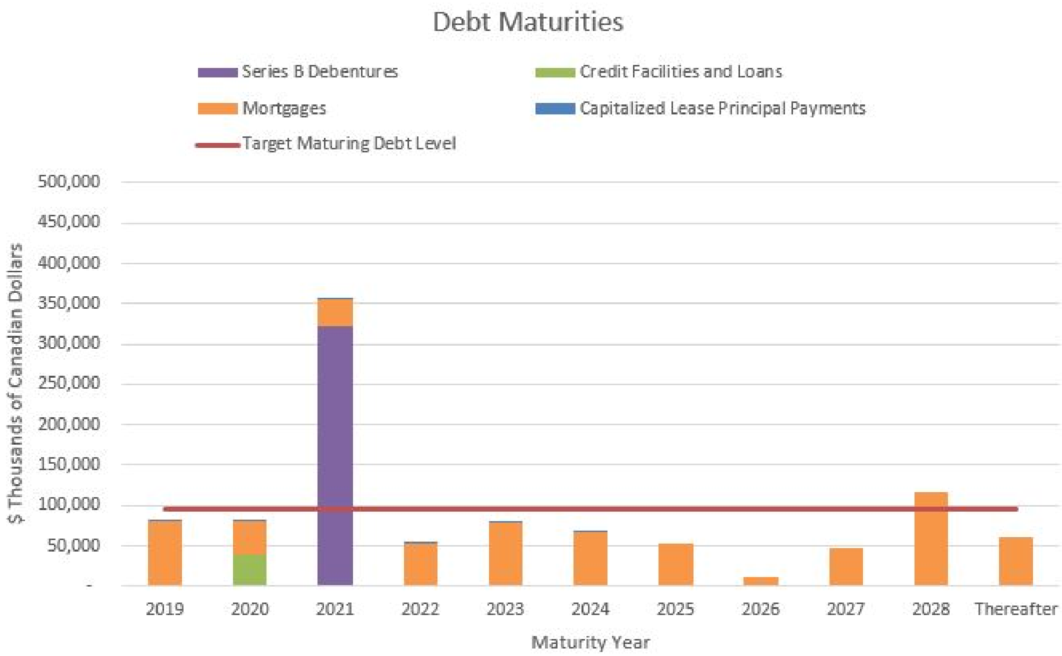
The following table summarizes the scheduled principal maturities of the Company's long-term debt commitments as at June 30, 2019:

				Mortgages				
Year	Series B Debentures[1]	Credit Facilities and Loans[2]	Capitalized Lease Principal Payments[3]	Regular Principal Repayments	Principal Due at Maturity	Weighted Average Interest Rate on Maturing Mortgages	**Total**	Consolidated Weighted Average Interest Rate on Maturing Debt
2019	—	—	303	12,233	68,643	**3.86%**	**81,179**	3.86%
2020	—	39,000	631	20,793	19,992	**3.49%**	**80,416**	3.53%
2021	322,000	—	525	20,933	13,426	**3.36%**	**356,884**	3.47%
2022	—	—	494	19,519	33,199	**4.32%**	**53,212**	4.32%
2023	—	—	435	17,632	60,824	**4.14%**	**78,891**	4.14%
2024	—	—	361	15,846	50,104	**4.10%**	**66,311**	4.09%
2025	—	—	—	12,311	41,065	**4.81%**	**53,376**	4.81%
2026	—	—	—	12,347	—	**-**	**12,347**	-
2027	—	—	—	11,650	35,115	**3.29%**	**46,765**	3.29%
2028	—	—	—	6,579	109,737	**3.36%**	**116,316**	3.36%
Thereafter	—	—	—	16,404	44,933	**4.37%**	**61,337**	4.37%
	322,000	**39,000**	**2,749**	**166,247**	**477,038**	**3.88%**	**1,007,034**	3.74%
Mark-to-market adjustments on acquisitions							**3,952**	
Less: Deferred financing costs							**(13,427)**	
							997,559	

Notes:

1. The interest rate for the Series B Debentures is 3.474%.
2. The weighted average interest rate for credit facilities and loans maturing in 2020 is 3.55%.
3. 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:



Series B Senior Secured Debentures

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

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

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

Thousands of Canadian dollars	**June 30, 2019**	December 31, 2018
Series B Debentures	**322,000**	322,000
Less: Series B principal reserve fund	**(34,817)**	(31,209)
Less: Deferred financing costs	**(917)**	(1,190)
	286,266	289,601

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 are subject to certain customary financial and non-financial covenants.

The Company has increased its low-cost mortgage financing with Canada Mortgage and Housing Corporation ("**CMHC**"). As at June 30, 2019, 28.1% of the Company's total property-level mortgages were insured by CMHC, which is a year-over-year increase of 5.2%.

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

Thousands of Canadian dollars	**June 30, 2019**	December 31, 2018
Mortgages	**643,285**	626,617
Mark-to-market adjustments on acquisitions	**3,952**	4,243
Less: Deferred financing costs	**(12,353)**	(11,754)
	634,884	619,106

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

	June 30, 2019			December 31, 2018
	Fixed Rate[(1)]	**Variable Rate**	**Total**	Total
Weighted average interest rate	3.91%	3.30%	**3.88%**	4.00%
Weighted average term to maturity (years)	6.2	0.4	**5.9**	6.6

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

Credit Facilities and Loans

The Company has a combined total borrowing capacity of $154,492 pursuant to its credit facilities and, as at June 30, 2019, has drawn $39,000 from the facilities.

The Company's subsidiary, The Royale LP, has a credit agreement with a Canadian lender for a revolving credit facility of $105,000 (the "**Royale Credit Facility**"). The Royale Credit Facility has a current borrowing capacity of $95,992 and matures on January 18, 2020. This facility is intended to be used for general corporate purposes, including the short-term financing of future acquisitions. Borrowings under the Royale Credit Facility can take place by way of loans (at Canadian prime rate plus 75 bps per annum), bankers' acceptances ("**BAs**") (at 175 bps per annum over the floating BA rate published by the Bank of Canada) and letters of credit (at 175 bps per annum). The Royale Credit Facility is secured by the assets of three Retirement Residences and guaranteed by Sienna, and is subject to certain customary financial and non-financial covenants, including restrictions on the pledging of assets and the maintenance of various financial covenants. As at June 30, 2019, the Company had drawn $10,000 under the Royale Credit Facility.

The Company has a credit agreement with a Canadian lender for a non-revolving facility of $29,000 which is due on March 27, 2020 and is available by way of BAs (at the BA rate plus 175 bps) or loans (at prime plus 50 bps per annum). This loan is secured by the assets of one of the Company's residences and is subject to certain customary financial and non-financial covenants. As at June 30, 2019, the Company had drawn $29,000 under this facility.

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

Thousands of Canadian dollars	**June 30, 2019**	December 31, 2018
Credit facilities and loans drawn	**39,000**	76,500
Less: Deferred financing costs	**(157)**	(290)
	38,843	76,210

Lease Liability

The lease liability as at June 30, 2019 of $2,749 represents the Company's lease on its office equipment and Markham corporate office space.

Financial Covenants

The Company is in compliance with all financial covenants on its borrowings as at June 30, 2019. However, there can be no assurance that covenant requirements will be met at all times. If the Company does not remain in compliance, its ability to amend the covenants or refinance its debt could be adversely affected.

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

Interest Coverage Ratio

The Interest Coverage Ratio is a common measure used to assess an entity's ability to service its debt obligations. In general, higher ratios indicate a lower risk of default. The interest coverage ratio is calculated as follows for the periods ended June 30:

	Three Months Ended		Six Months Ended	
Thousands of Canadian dollars, except ratio	**2019**	2018	**2019**	2018
Net finance charges	**11,201**	9,096	**22,557**	15,562
Add (deduct):				
Amortization of financing charges and fair value adjustments on acquired debt	**(492)**	(407)	**(940)**	(667)
Amortization of loss on bond forward contract	**(237)**	(228)	**(469)**	(451)
Interest income on construction funding receivable	**537**	655	**1,107**	1,312
Other interest income	**182**	341	**1,655**	768
(Loss)/gain on interest rate swap contracts	**(1,728)**	(161)	**(5,062)**	943
Net finance charges, adjusted	**9,463**	9,296	**18,848**	17,467
Adjusted EBITDA	**37,421**	37,981	**72,742**	69,005
Interest coverage ratio	**4.0**	4.1	**3.9**	4.0

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

Thousands of Canadian dollars	Three Months Ended 2019	Three Months Ended 2018	Six Months Ended 2019	Six Months Ended 2018
Net income	**2,230**	3,548	**2,672**	4,581
Net finance charges	**11,201**	9,096	**22,557**	15,562
Provision for income taxes	**602**	1,178	**449**	1,561
Depreciation and amortization	**19,311**	19,369	**38,686**	32,366
Transaction costs	**776**	1,470	**1,755**	8,345
Proceeds from construction funding	**3,301**	3,320	**6,623**	6,590
Adjusted EBITDA	**37,421**	37,981	**72,742**	69,005

Debt Service Coverage Ratio

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

Thousands of Canadian dollars, except ratio	Three Months Ended 2019	Three Months Ended 2018	Six Months Ended 2019	Six Months Ended 2018
Net finance charges	**11,201**	9,096	**22,557**	15,562
Add (deduct):				
Amortization of financing charges and fair value adjustments on acquired debt	**(492)**	(407)	**(940)**	(667)
Amortization of loss on bond forward contract	**(237)**	(228)	**(469)**	(451)
Interest income on construction funding receivable	**537**	655	**1,107**	1,312
Other interest income	**182**	341	**1,655**	768
(Loss)/gain on interest rate swap contracts	**(1,728)**	(161)	**(5,062)**	943
Net finance charges, adjusted	**9,463**	9,296	**18,848**	17,467
Principal repayments[(1)]	**6,610**	5,355	**12,635**	9,634
Principal reserve fund	**1,826**	1,873	**3,608**	3,641
Total debt service	**17,899**	16,524	**35,091**	30,742
Adjusted EBITDA	**37,421**	37,981	**72,742**	69,005
Deduct:				
Maintenance capex	**(1,938)**	(1,034)	**(2,629)**	(1,898)
Cash income taxes	**(1,800)**	(1,800)	**(3,600)**	(3,490)
Adjusted EBITDA (for covenant calculations)	**33,683**	35,147	**66,513**	63,617
Debt service coverage ratio	**1.9**	2.1	**1.9**	2.1

Note:

1. During the three and six months ended June 30, 2019, the Company made voluntary payments of $32,500 and $47,500 (2018 - $122,000 and $172,000) toward its credit facilities and loans, respectively, which have been excluded from the debt service coverage ratio calculation. Debt repayments on maturity have also been excluded from the debt service coverage ratio calculation.

Debt to Adjusted EBITDA Ratio

The Debt to Adjusted EBITDA ratio is an indicator of the approximate number of years required for current cash flows to repay all indebtedness. The Adjusted EBITDA below is annualized using the Adjusted EBITDA for the six months ended June 30, 2019.

	June 30	
Thousands of Canadian dollars, except ratio	**2019**	2018
Total indebtedness		
Series B Debentures	**322,000**	322,000
Series B Debentures - Principal reserve fund	**(34,817)**	(27,565)
Credit facilities and loans	**39,000**	142,500
Mortgages	**643,285**	597,288
Lease liability	**2,749**	—
	972,217	1,034,223
Adjusted EBITDA	**145,484**	138,010
Debt to Adjusted EBITDA	**6.7**	7.5

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.

	June 30	
Thousands of Canadian dollars, except ratio	**2019**	2018
Total indebtedness		
Series B Debentures	**322,000**	322,000
Series B Debentures - Principal reserve fund	**(34,817)**	(27,565)
Credit facilities and loans	**39,000**	142,500
Mortgages	**643,285**	597,288
Lease liability	**2,749**	—
	972,217	1,034,223
Total assets	**1,715,479**	1,800,952
Accumulated depreciation on property and equipment	**237,047**	195,719
Accumulated amortization on intangible assets	**132,262**	96,145
Gross book value	**2,084,788**	2,092,816
Debt to gross book value	**46.6%**	49.4%

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 five years and thereafter.

Critical Accounting Estimates and Accounting Policies

The accounting policies and estimates that are critical to the understanding of the Company's business operations and results of operations are identified in Note 3 of the Company's annual audited consolidated financial statements for the year ended December 31, 2018. Changes in accounting policies are identified in Note 3 of the interim consolidated financial statements for the three and six months ended June 30, 2019. Please refer to those statements for further details.

Significant Judgments and Estimates

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

Risk Factors

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

Controls and Procedures

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

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

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

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

Forward-Looking Statements

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

Consolidated Financial Statements

(in thousands of Canadian Dollars)

Q2 2019 Report to Shareholders

Condensed Interim Consolidated Financial Statements

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

Thousands of Canadian dollars

	Notes	**June 30, 2019**	December 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents		**13,533**	22,868
Accounts receivable and other assets		**11,509**	11,566
Prepaid expenses and deposits		**7,262**	4,031
Government funding receivable	4	**4,374**	4,582
Construction funding receivable	4, 6	**10,575**	10,893
Interest rate swap contracts	4	**292**	409
Income taxes receivable		**347**	392
		47,892	54,741
Non-current assets			
Government funding receivable	4	**221**	626
Interest rate swap contracts	4	**167**	1,631
Restricted cash	5	**37,307**	33,462
Construction funding receivable	4, 6	**41,025**	46,223
Property and equipment	7	**1,171,113**	1,182,483
Intangible assets	8	**250,088**	266,368
Goodwill		**167,666**	167,666
Total assets		**1,715,479**	1,753,200
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**92,143**	98,416
Government funding payable	4	**6,575**	5,261
Current portion of long-term debt	4, 9	**149,844**	113,888
Interest rate swap contracts	4	**900**	401
		249,462	217,966
Non-current liabilities			
Long-term debt	4, 9	**847,715**	902,238
Deferred income taxes	11	**51,699**	54,246
Government funding payable	4	**5,061**	2,456
Share-based compensation liability	14	**9,667**	6,820
Interest rate swap contracts	4	**4,807**	1,823
Total liabilities		**1,168,411**	1,185,549
EQUITY			
Shareholders' equity		**547,068**	567,651
Total equity		**547,068**	567,651
Total liabilities and equity		**1,715,479**	1,753,200

See accompanying notes.

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

"Dino Chiesa"

Dino Chiesa
Chair and Director

"Janet Graham"

Janet Graham
Director

Thousands of Canadian dollars

	Notes	Share capital	Equity portion of convertible debentures	Contributed surplus	Shareholders' deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, January 1, 2019		**859,005**	**—**	**203**	**(290,059)**	**(1,498)**	**567,651**
Issuance of shares	12	**6,803**	**—**	**—**	**—**	**—**	**6,803**
Net income		**—**	**—**	**—**	**2,672**	**—**	**2,672**
Other comprehensive income		**—**	**—**	**—**	**—**	**345**	**345**
Long-term incentive plan	12, 14	**22**	**—**	**—**	**—**	**—**	**22**
Share purchase loan	12	**12**	**—**	**—**	**—**	**—**	**12**
Dividends	12, 13	**—**	**—**	**—**	**(30,437)**	**—**	**(30,437)**
Balance, June 30, 2019		**865,842**	**—**	**203**	**(317,824)**	**(1,153)**	**547,068**

	Notes	Share capital	Equity portion of convertible debentures	Contributed surplus	Shareholders' deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, January 1, 2018		639,361	515	157	(241,659)	(2,174)	396,200
Issuance of shares	12	213,411	(515)	—	—	—	212,896
Net income		—	—	—	4,581	—	4,581
Other comprehensive income		—	—	—	—	332	332
Long-term incentive plan	12, 14	31	—	46	—	—	77
Share purchase loan	12	12	—	—	—	—	12
Dividends	12, 13	—	—	—	(28,143)	—	(28,143)
Balance, June 30, 2018		852,815	—	203	(265,221)	(1,842)	585,955

See accompanying notes.

Condensed Interim Consolidated Statements of Operations
(Unaudited)

Thousands of Canadian dollars, except share and per share data

	Notes	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Revenue	17	**165,957**	162,124	**329,626**	307,481
Expenses					
Operating		**126,028**	122,734	**250,785**	235,687
Depreciation and amortization		**19,311**	19,369	**38,686**	32,366
Administrative		**5,809**	4,729	**12,722**	9,379
	18	**151,148**	146,832	**302,193**	277,432
Income before net finance charges, transaction costs and provision for (recovery of) income taxes		**14,809**	15,292	**27,433**	30,049
Net finance charges	10	**11,201**	9,096	**22,557**	15,562
Transaction costs		**776**	1,470	**1,755**	8,345
Total other expenses		**11,977**	10,566	**24,312**	23,907
Income before provision for (recovery of) income taxes		**2,832**	4,726	**3,121**	6,142
Provision for (recovery of) income taxes					
Current		**1,595**	1,985	**3,645**	4,240
Deferred		**(993)**	(807)	**(3,196)**	(2,679)
	11	**602**	1,178	**449**	1,561
Net income		**2,230**	3,548	**2,672**	4,581
Basic and diluted net income per share	12	**$0.03**	$0.05	**$0.04**	$0.07
Weighted average number of common shares outstanding - basic	12	**66,384,395**	64,529,917	**66,278,647**	61,695,281
Weighted average number of common shares outstanding - diluted	12	**66,384,395**	66,015,259	**66,278,647**	63,762,715

See accompanying notes.

Condensed Interim Consolidated Statements of Comprehensive Income
(Unaudited)
Thousands of Canadian dollars

	Notes	Three months ended June 30,		Six months ended June 30,	
		2019	2018	**2019**	2018
Net income		**2,230**	3,548	**2,672**	4,581
Other comprehensive income					
Items that may be subsequently reclassified to the consolidated statements of operations:					
Amortization of loss on bond forward contracts, net of tax	11	174	168	345	332
Total comprehensive income		**2,404**	3,716	**3,017**	4,913

See accompanying notes.

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)
Thousands of Canadian dollars

	Notes	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
OPERATING ACTIVITIES					
Net income		**2,230**	3,548	**2,672**	4,581
Add (deduct) items not affecting cash					
Depreciation of property and equipment		**10,477**	10,000	**21,027**	18,464
Amortization of intangible assets		**8,834**	9,369	**17,659**	13,902
Current income taxes		**1,595**	1,985	**3,645**	4,240
Deferred income tax recoveries		**(993)**	(807)	**(3,196)**	(2,679)
Share-based compensation	14	**691**	(128)	**2,598**	149
Net finance charges	10	**11,201**	9,096	**22,557**	15,562
		34,035	33,063	**66,962**	54,219
Non-cash changes in working capital					
Accounts receivable and other assets		**3,166**	(797)	**91**	(527)
Prepaid expenses and deposits		**(2,874)**	(3,912)	**(3,231)**	(4,733)
Accounts payable and accrued liabilities		**4,310**	11,432	**(5,471)**	3,865
Income support		**—**	163	**—**	579
Government funding, net		**254**	212	**4,532**	3,405
		4,856	7,098	**(4,079)**	2,589
Interest paid on long-term debt and convertible debentures		**(6,487)**	(7,640)	**(18,761)**	(17,035)
Net settlement payment on interest rate swap contracts		**(176)**	(88)	**(254)**	(358)
Income taxes paid		**(1,800)**	(1,800)	**(3,600)**	(3,490)
Cash provided by operating activities		**30,428**	30,633	**40,268**	35,925
INVESTING ACTIVITIES					
Purchase of property and equipment, net of adjustments	7	**(4,052)**	(6,070)	**(6,608)**	(12,929)
Purchase of intangible assets	8	**(853)**	(637)	**(1,379)**	(1,431)
Amounts received from construction funding	6	**3,301**	3,320	**6,623**	6,590
Interest received from cash	10	**182**	341	**1,655**	768
Acquisition of Glenmore Lodge		**—**	(2,796)	**—**	(2,796)
Acquisition of ten seniors' living residences		**—**	—	**—**	(297,708)
Change in restricted cash	5	**(176)**	(240)	**(237)**	(446)
Cash (used in) provided by investing activities		**(1,598)**	(6,082)	**54**	(307,952)
FINANCING ACTIVITIES					
Gross proceeds from issuance of common shares	12	**—**	—	**—**	184,017
Share issuance costs		**—**	(725)	**—**	(8,984)
Redemption of convertible debentures	12	**—**	(12,956)	**—**	(12,956)
Repayment of long-term debt	9	**(42,980)**	(130,208)	**(64,005)**	(189,346)
Proceeds from long-term debt	9	**16,441**	184,597	**42,873**	373,078
Deferred financing costs		**(74)**	(8,211)	**(1,424)**	(9,346)
Change in Series B Debenture principal reserve fund	5	**(1,826)**	(1,873)	**(3,608)**	(3,641)
Dividends paid	13	**(11,845)**	(11,903)	**(23,493)**	(22,864)
Cash (used in) provided by financing activities		**(40,284)**	18,721	**(49,657)**	309,958
(Decrease)/increase in cash and cash equivalents during the period		**(11,454)**	**43,272**	**(9,335)**	37,931
Cash and cash equivalents, beginning of period		**24,987**	13,424	**22,868**	18,765
Cash and cash equivalents, end of period		**13,533**	56,696	**13,533**	56,696

See accompanying notes.

1 Organization

Sienna Senior Living Inc. (the "**Company**") and its predecessors have been operating since 1972. The Company is one of Canada's leading seniors' living providers serving the continuum of independent living ("**IL**"), independent supportive living ("**ISL**"), assisted living ("**AL**"), memory care ("**MC**") and long-term care ("**LTC**"or "**Long-term Care**") through the ownership and operation of seniors' living residences in the Provinces of British Columbia and Ontario. As at June 30, 2019, the Company owns and operates a total of 70 seniors' living residences: 27 retirement residences ("**RRs**" or "**Retirement Residences**"); 35 LTC residences; and eight seniors' living residences providing both private-pay IL and AL and funded LTC (including the Company's joint ownership in two residences in British Columbia). The Company also provides management services to 17 seniors' living residences in British Columbia and Ontario.

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

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

As at June 30, 2019, the Company had outstanding 66,475,010 common shares.

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

2 Basis of preparation

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

The interim consolidated financial statements were approved by the Board of Directors on August 14, 2019.

3 Summary of significant accounting policies, judgments and estimation uncertainty

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

Changes in accounting policies

IFRS 16, Leases

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

IFRIC 23, Uncertainty over Income Tax Treatments

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

Accounting standards issued but not yet applied

Amendments to IFRS 3, Business Combinations

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

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

4 Financial instruments

Fair value of financial instruments

The Company uses a fair value hierarchy to categorize the type of valuation techniques from which fair values are derived. Financial instruments are valued using unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), inputs that are observable for the assets or liabilities either directly or indirectly (Level 2) and inputs for assets or liabilities that are not based on observable market data (Level 3). The interest rate swap contracts 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 following financial instruments are at amortized cost and the fair value is disclosed as follows as at June 30, 2019 and December 31, 2018:

	As at June 30, 2019		As at December 31, 2018	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets:				
Construction funding receivable	**51,600**	**54,035**	57,116	58,958
Financial Liabilities:				
Current and long-term portion of debt	**997,559**	**994,476**	1,016,126	1,003,057

Liquidity risk

Liquidity risk is the risk the Company may encounter difficulties in meeting its obligations associated with financial liabilities and commitments. The Company has credit agreements in place related to its long-term debt. These credit agreements contain a number of standard financial and other covenants. The Company was in compliance with all covenants on its borrowings as at June 30, 2019. A failure by the Company to comply with the obligations in these credit agreements could result in a default that, if not rectified or waived, could permit acceleration of the relevant indebtedness.

As at June 30, 2019, the Company had negative working capital (current liabilities less current assets) of $201,570 (December 31, 2018 - $163,225). To support the Company’s working capital deficiency, the Company has available cash from operations and, if necessary, may draw from its credit facilities.

5 Restricted cash

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

	June 30, 2019	December 31, 2018
Series B Debentures' principal reserve fund	**34,817**	31,209
Capital maintenance reserve	**2,490**	2,253
Restricted cash	**37,307**	33,462

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

6 Construction funding receivable

As at June 30, 2019, the Company is eligible to receive gross funding from the Ontario government of approximately $51,600 (December 31, 2018 - $57,116) related to the costs of developing or redeveloping eligible LTC residences. The receipt of this funding is subject to the condition that the residences continue to operate as long-term care residences for the period for which the residences are entitled to the construction funding. As at June 30, 2019, the condition for the funding has been met.

As at June 30, 2019, the weighted average remaining term of the construction funding is approximately 7.5 years. The fair value of the construction funding receivable is determined by discounting the expected future cash flows of the receivable using the applicable Ontario government bond rates.

The following table summarizes the construction funding activity:

As at January 1, 2018	64,614
Additions[1]	3,177
Add: Interest income earned	2,553
Less: Construction funding payments received	(13,228)
As at December 31, 2018	57,116
Add: Interest income earned	1,107
Less: Construction funding payments received	(6,623)
As at June 30, 2019	**51,600**

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

7 Property and equipment

	Land	Buildings	Furniture and fixtures	Automobiles	Computer hardware	Circulating equipment	Construction in progress	Right-of-use building and equipment[1]	Total
Cost									
As at January 1, 2019	139,063	1,176,111	63,227	1,194	9,113	1,121	8,674	—	1,398,503
Adjustments[1][2]	—	(4,147)	—	—	—	—	—	3,049	(1,098)
Additions	2	5,057	1,308	19	648	2	3,719	—	10,755
As at June 30, 2019	139,065	1,177,021	64,535	1,213	9,761	1,123	12,393	3,049	1,408,160
Accumulated depreciation									
As at January 1, 2019	—	193,467	20,406	594	1,553	—	—	—	216,020
Charges for the period	—	16,901	2,991	92	709	—	—	334	21,027
As at June 30, 2019	—	210,368	23,397	686	2,262	—	—	334	237,047
Net book value as at June 30, 2019	**139,065**	**966,653**	**41,138**	**527**	**7,499**	**1,123**	**12,393**	**2,715**	**1,171,113**

[1]Due to the adoption of IFRS 16, Leases, on January 1, 2019 as discussed in Note 3, the right-of-use building and related depreciation of $2,250 and $192, respectively, and the right-of-use equipment and related depreciation of $799 and $142, respectively, were added to Property and Equipment.
[2]The adjustment to buildings is related to a GST rebate for a prior year.

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

8 Intangible assets

	Licences	Resident relationships	Service contracts	Computer software	Total
Cost					
As at January 1, 2019	190,945	167,572	10,968	11,486	380,971
Additions	—	—	—	1,379	1,379
As at June 30, 2019	190,945	167,572	10,968	12,865	382,350
Accumulated amortization					
As at January 1, 2019	—	101,225	9,800	3,578	114,603
Charges for the period	—	16,429	180	1,050	17,659
As at June 30, 2019	—	117,654	9,980	4,628	132,262
Net book value as at June 30, 2019	**190,945**	**49,918**	**988**	**8,237**	**250,088**

9 Long-term debt

	Interest rate	Maturity date	June 30, 2019	December 31, 2018
Series B Debentures	3.474%	February 3, 2021	**322,000**	322,000
Credit facilities	Floating	2020	**39,000**	76,500
Mortgages at fixed rates	2.83% - 5.80%	2019-2041	**448,010**	436,668
Mortgages at variable rates	Floating	2019-2029	**195,275**	189,949
Lease liability	3.87%	2021-2024	**2,749**	—
			1,007,034	1,025,117
Mark-to-market adjustments on acquisitions			**3,952**	4,243
Less: Deferred financing costs			**(13,427)**	(13,234)
Total debt			**997,559**	1,016,126
Less: Current portion			**149,844**	113,888
			847,715	902,238

Credit facilities and loans

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

	June 30, 2019	December 31, 2018
Credit facilities available	**154,492**	178,457
Amounts drawn under credit facilities	**39,000**	76,500
Remaining available balance under credit facilities	**115,492**	101,957

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

Mortgages

The following table summarizes the scheduled maturities of the Company's property-level mortgages as at June 30, 2019:

	Mortgages			
Year	Regular principal payments	Principal due at maturity	**Total**	% of Total
2019	12,233	68,643	**80,876**	12.6%
2020	20,793	19,992	**40,785**	6.3%
2021	20,933	13,426	**34,359**	5.3%
2022	19,519	33,199	**52,718**	8.2%
2023	17,632	60,824	**78,456**	12.2%
2024	15,846	50,104	**65,950**	10.3%
2025	12,311	41,065	**53,376**	8.3%
2026	12,347	—	**12,347**	1.9%
2027	11,650	35,115	**46,765**	7.3%
2028	6,579	109,737	**116,316**	18.1%
Thereafter	16,404	44,933	**61,337**	9.5%
	166,247	477,038	**643,285**	100.0%

10 Net finance charges

	Three months ended June 30,		**Six months ended June 30,**	
	2019	2018	**2019**	2018
Finance costs				
Interest expense on long-term debt	**9,190**	8,803	**18,397**	16,141
Interest expense on Convertible Debentures	**—**	313	**—**	844
Fees on revolving credit facilities	**97**	92	**197**	124
Amortization of financing charges and fair value adjustments on acquired debt	**492**	407	**940**	667
Amortization of loss on bond forward contract	**237**	228	**469**	451
Fair value loss (gain) on interest rate swap contracts	**1,904**	249	**5,316**	(585)
	11,920	10,092	**25,319**	17,642
Finance income				
Interest income on construction funding receivable	**537**	655	**1,107**	1,312
Other interest income(1)	**182**	341	**1,655**	768
	719	996	**2,762**	2,080
Net finance charges	**11,201**	9,096	**22,557**	15,562

(1)Includes $nil and $1,346 interest income on a GST rebate for a prior year recorded in the three and six months ended June 30, 2019, respectively (2018 - $nil and $nil, respectively).

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

11 Income taxes

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Income before provision for income taxes	**2,832**	4,726	**3,121**	6,142
Canadian combined income tax rate	**26.57%**	26.46%	**26.57%**	26.46%
Income tax expense	**752**	1,250	**829**	1,625
Adjustments to income tax provision:				
Non-deductible items	**41**	(112)	**103**	(8)
Book to filing adjustment	**49**	36	**49**	186
Other items charged to equity	**(240)**	4	**(532)**	(242)
Provision for income taxes	**602**	1,178	**449**	1,561

The following are the major deferred tax assets (liabilities) recognized by the Company and movements thereon during the six months ended June 30, 2019:

	Depreciable tangible and intangible assets	Share issuance	Construction funding interest	Other	Total
As at January 1, 2018	(66,495)	2,057	3,067	1,709	(59,662)
Due to acquisitions during the year	—	—	—	399	399
Credit (charge) to net income	5,738	(150)	(656)	(533)	4,399
Book to filing adjustment	(85)	108	—	(215)	(192)
Charge to other comprehensive income	—	—	—	(243)	(243)
Credit to equity	—	1,164	—	(111)	1,053
As at December 31, 2018	(60,842)	3,179	2,411	1,006	(54,246)
Credit (charge) to net income	1,306	—	(294)	2,667	3,679
Book to filing adjustment	(463)	14	—	(34)	(483)
Charge to other comprehensive income	—	—	—	(124)	(124)
Charge to equity	—	(525)	—	—	(525)
As at June 30, 2019	**(59,999)**	**2,668**	**2,117**	**3,515**	**(51,699)**

The loss on bond forward contracts on the interim consolidated statements of comprehensive income is net of tax for the three and six months ended June 30, 2019 of $63 and $124, respectively (2018 - $60 and $119, respectively).

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

12 Share capital

Authorized

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

Issued and outstanding

Common shares

	Common shares	Amount
Balance, January 1, 2018	53,054,642	639,361
Long-term incentive plan, net of loans receivable	13,712	52
Share-based compensation	—	24
Dividend reinvestment plan	663,131	10,962
Issued common shares, net of issuance costs	12,326,664	208,606
Balance, December 31, 2018	66,058,149	859,005
Long-term incentive plan, net of loans receivable (Note 14)	—	22
Share-based compensation (Note 14)	—	12
Dividend reinvestment plan	393,281	6,912
Issued common shares (Note 14)	23,580	416
Amortization of deferred tax asset on share issuance costs	—	(525)
Balance, June 30, 2019	**66,475,010**	**865,842**

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

Dividend reinvestment plan

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

Net income per share

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

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

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Reconciliation of net income used as the numerator				
Net income	**2,230**	3,548	**2,672**	4,581
Net income used in calculating basic income per share	**2,230**	3,548	**2,672**	4,581
Net finance charges on Convertible Debentures	—	412	—	1,043
Current income tax adjustment	—	(109)	—	(276)
Net income used in calculating diluted income per share	**2,230**	3,851	**2,672**	5,348
Weighted average number of common shares used as the denominator				
Weighted average number of common shares - basic	**66,384,395**	64,529,917	**66,278,647**	61,695,281
Shares issued if all Convertible Debentures were converted	—	1,485,342	—	2,067,434
Weighted average number of common shares - diluted[1]	**66,384,395**	66,015,259	**66,278,647**	63,762,715

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

13 Dividends

The Company paid monthly dividends of $0.0765 per common share totaling $11,845 for the three months ended and $23,493 for the six months ended June 30, 2019 (2018 - $11,903 and $22,864, respectively). Dividends payable of $5,086 are included in accounts payable and accrued liabilities as at June 30, 2019 (December 31, 2018 - $5,054). Subsequent to June 30, 2019, the Board of Directors declared dividends of $0.0765 per common share for July 2019 totaling $5,090.

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

14 Share-based compensation

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

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

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

On February 15, 2018, incentive award amounts entitling eligible senior executives ("**Participants**") to purchase 13,712 common shares pursuant to the LTIP were granted in connection with the year ended December 31, 2017. Each Participant may borrow from the Company an amount not greater than 95% of the purchase price for the common shares in order to purchase the shares. On the grant date, the Company provided loans to the Participants for a portion of the common shares purchased, and the Participants collectively paid $12 towards the purchase of common shares. This payment was recorded as an increase to share capital. Related to the LTIP in the six months ended June 30, 2019, the Company recorded an increase of $22 to share capital (2018 - $31) and $nil to contributed surplus (2018 - $46). As at June 30, 2019, the outstanding loan balance totalled $936 in the aggregate (December 31, 2018 - $958). Total expense related to the LTIP for the three and six months ended June 30, 2019 was $nil and $nil, respectively (2018 - $nil and $46, respectively).

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

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

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

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

During the six months ended June 30, 2019, 11,045 restricted share units ("**RSUs**") (2018 - 23,508) were granted pursuant to the RSUP. Total expenses related to the RSUP for the three and six months ended June 30, 2019 were $66 and $245, respectively (2018 - $47 and $98, respectively), including mark-to-market adjustments and net of forfeitures, which were recognized in administrative expenses. During the six months ended June 30, 2019, 23,579 RSUs vested and 19,353 were settled in common shares, resulting in a decrease of $416 to the share-based compensation liability. The total liability recorded as part of the share-based compensation liability as at June 30, 2019 was $258 (December 31, 2018 - $429).

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

	Number of RSUs
Outstanding, January 1, 2018	37,736
Granted	23,508
Dividends reinvested	2,341
Settled in cash	(8,222)
Settled in shares	(8,787)
Outstanding, December 31, 2018	46,576
Granted	11,045
Dividends reinvested	1,023
Settled in cash	(4,226)
Settled in shares	(19,353)
Outstanding, June 30, 2019	35,065

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

Total expenses (recoveries) related to the DSUP for the three and six months ended June 30, 2019 were $336 and $1,384, respectively (2018 - $(145) and $(45), 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 June 30, 2019 was $5,604 (December 31, 2018 - $4,220). The value of each deferred share unit is measured at each reporting date and is equivalent to the fair value of a common share at the reporting date.

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

During the six months ended June 30, 2019, 52,038 (2018 - 33,481) executive deferred share units ("**EDSUs**") were granted. Total expenses (recoveries) related to the EDSUP for the three and six months ended June 30, 2019 were $289 and $969, respectively (2018 - $(30) and $50, respectively), including mark-to-market adjustments, which were recognized in administrative expenses. The total liability recorded related to the EDSUP as a part of the share-based compensation liability as at June 30, 2019 was $3,805 (December 31, 2018 - $2,171).

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

15 Key management compensation

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Salaries and short-term employee benefits	**1,274**	1,103	**2,406**	2,013
Share-based compensation	**691**	(128)	**2,598**	149
	1,965	975	**5,004**	2,162

16 Related party transactions

As at June 30, 2019, the Company had amounts outstanding from certain key management of $1,299 (December 31, 2018 - $1,334) in relation to grants under the LTIP and related share purchase loans (see Note 14), which have been recorded as a reduction to shareholders' equity. The terms of the LTIP provide for the loans to bear interest at the Canadian prime rate prevailing at the Company's bank at the time of grant. The underlying common shares have been pledged as security against the respective loans.

17 Economic dependence

The Company holds licences related to each of its LTC residences and receives funding from the applicable health authorities related to those licences, which are included in revenues. During the three and six months ended June 30, 2019, the Company received approximately $77,212 and $167,077, respectively (2018 - $85,872 and $173,133, respectively) in respect of these licences.

18 Expenses by category

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Salaries, benefits and other people costs	**97,341**	94,525	**193,512**	183,307
Depreciation and amortization	**19,311**	19,369	**38,686**	32,366
Food	**7,745**	7,277	**14,831**	13,819
Purchased services and non-medical supplies	**5,898**	5,530	**11,745**	9,065
Property taxes	**3,853**	3,901	**7,673**	7,174
Utilities	**3,535**	3,794	**8,479**	8,128
Other	**13,465**	12,436	**27,267**	23,573
Total expenses	**151,148**	146,832	**302,193**	277,432

19 Segmented information

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

The Company is comprised of the following main business segments:

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

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

	Three months ended June 30, 2019			
	Retirement[(1)]	**LTC**	**Corporate, Eliminations and Other**	**Total**
Gross revenue	**38,283**	**131,662**	**15,753**	**185,698**
Less: Internal revenue	**—**	**3,988**	**15,753**	**19,741**
Net revenue	**38,283**	**127,674**	**—**	**165,957**
Operating expense	**20,872**	**105,156**	**—**	**126,028**
Depreciation and amortization	**12,746**	**5,600**	**965**	**19,311**
Administrative expense	**—**	**—**	**5,809**	**5,809**
Income (loss) before net finance charges, transaction costs and provision for income taxes	**4,665**	**16,918**	**(6,774)**	**14,809**
Finance costs	**5,991**	**5,907**	**22**	**11,920**
Finance income	**—**	**(654)**	**(65)**	**(719)**
Transaction costs	**—**	**—**	**776**	**776**
Provision for income taxes	**—**	**—**	**602**	**602**
Net income (loss)	**(1,326)**	**11,665**	**(8,109)**	**2,230**
Purchase of property and equipment, net of disposals	**3,644**	**3,100**	**357**	**7,101**
Purchase of intangible assets	**21**	**5**	**827**	**853**

(1) For the three months ended June 30, 2019, the Retirement segment recognized accommodation revenues of $17,325 and service revenues of $20,958.

	Three months ended June 30, 2018			
	Retirement[(1)]	LTC	Corporate, Eliminations and Other	Total
Gross revenue	38,259	127,764	15,334	181,357
Less: Internal revenue	—	3,899	15,334	19,233
Net revenue	38,259	123,865	—	162,124
Operating expense	21,115	101,619	—	122,734
Depreciation and amortization	13,078	5,686	605	19,369
Administrative expense	—	—	4,729	4,729
Income (loss) before net finance charges, transaction costs and provision for income taxes	4,066	16,560	(5,334)	15,292
Finance costs	3,575	5,366	1,151	10,092
Finance income	—	(922)	(74)	(996)
Transaction costs	—	—	1,470	1,470
Provision for income taxes	—	—	1,178	1,178
Net income (loss)	491	12,116	(9,059)	3,548
Purchase of property and equipment, net of disposals	2,411	5,102	662	8,175
Purchase of intangible assets	—	1,766	637	2,403

(1) For the three months ended June 30, 2018, the Retirement segment recognized accommodation revenues of $16,657 and service revenues of $21,602.

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

	Six months ended June 30, 2019			
	Retirement[(1)]	**LTC**	**Corporate, eliminations and other**	**Total**
Gross revenue	**76,971**	**260,566**	**31,659**	**369,196**
Less: Internal revenue	**—**	**7,911**	**31,659**	**39,570**
Net revenue	**76,971**	**252,655**	**—**	**329,626**
Operating expense	**41,649**	**209,136**	**—**	**250,785**
Depreciation and amortization	**25,427**	**11,339**	**1,920**	**38,686**
Administrative expense	**—**	**—**	**12,722**	**12,722**
Income (loss) before net finance charges, transaction costs and recovery of income taxes	**9,895**	**32,180**	**(14,642)**	**27,433**
Finance costs	**13,448**	**11,828**	**43**	**25,319**
Finance income	**—**	**(2,645)**	**(117)**	**(2,762)**
Transaction costs	**—**	**—**	**1,755**	**1,755**
Recovery of income taxes	**—**	**—**	**449**	**449**
Net income (loss)	**(3,553)**	**22,997**	**(16,772)**	**2,672**
Purchase of property and equipment	**6,513**	**3,656**	**586**	**10,755**
Purchase of intangible assets	**21**	**5**	**1,353**	**1,379**

(1) For the six months ended June 30, 2019, the Retirement segment recognized accommodation revenues of $34,637 and service revenues of $42,334.

	Six months ended June 30, 2018			
	Retirement[(1)]	LTC	Corporate, eliminations and other	Total
Gross revenue	62,166	253,043	29,295	344,504
Less: Internal revenue	—	7,728	29,295	37,023
Net revenue	62,166	245,315	—	307,481
Operating expense	33,999	201,688	—	235,687
Depreciation and amortization	20,047	11,115	1,204	32,366
Administrative expense	—	—	9,379	9,379
Income (loss) before net finance charges, transaction costs and provision for income taxes	8,120	32,512	(10,583)	30,049
Finance costs	4,837	10,627	2,178	17,642
Finance income	—	(1,709)	(371)	(2,080)
Transaction costs	—	—	8,345	8,345
Provision for income taxes	—	—	1,561	1,561
Net income (loss)	3,283	23,594	(22,296)	4,581
Purchase of property and equipment, net of disposals	277,653	9,368	1,513	288,534
Purchase of intangible assets, net of disposals	64,070	1,766	1,431	67,267

(1) For the six months ended June 30, 2018, the Retirement segment recognized accommodation revenues of $27,387 and service revenues of $34,779.

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

	As at June 30, 2019			
	Retirement	**LTC**	**Corporate, eliminations and other**	**Total**
Total assets	**809,234**	**885,981**	**20,264**	**1,715,479**

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

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

20 Joint arrangements

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

	June 30, 2019	December 31, 2018[1]
Current assets	**2,742**	2,829
Long-term assets	**103,492**	104,937
Total assets	**106,234**	107,766
Current liabilities	**4,369**	3,874
Long-term liabilities	**65,503**	66,547
Total liabilities	**69,872**	70,421
Net assets	**36,362**	37,345
Share of net assets	**18,603**	19,113

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

As at June 30, 2019, the Company's share of net assets in Nicola Lodge and Glenmore Lodge was $10,187 and $8,416, respectively (December 31, 2018 - $10,453 and $8,660, respectively).

	Three months ended June 30,		**Six months ended June 30,**	
	2019	2018	**2019**	2018
Revenue	**7,408**	7,138	**14,638**	14,180
Expenses				
Operating	**5,279**	4,763	**10,485**	9,606
Depreciation and amortization	**721**	1,004	**1,444**	1,629
	6,000	5,767	**11,929**	11,235
Income before net finance charges	**1,408**	1,371	**2,709**	2,945
Net finance charges	**730**	746	**1,434**	1,491
Net income	**678**	625	**1,275**	1,454
Share of net income	**343**	331	**639**	719

For the three months ended June 30, 2019, the Company's share of net income in Nicola Lodge and Glenmore Lodge was $193 and $150, respectively (2018 - $166 and $165, respectively).

For the six months ended June 30, 2019, the Company's share of net income in Nicola Lodge and Glenmore Lodge was $371 and $268, respectively (2018 - $388 and $331, respectively).

21 Comparative figures

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

22 Subsequent event

The Board of Directors has approved an increase in the Company's monthly dividend from $0.0765 per share to $0.078 per share ($0.936 per share annualized). The increase will commence on September 13, 2019, payable to shareholders of record as at August 30, 2019.

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