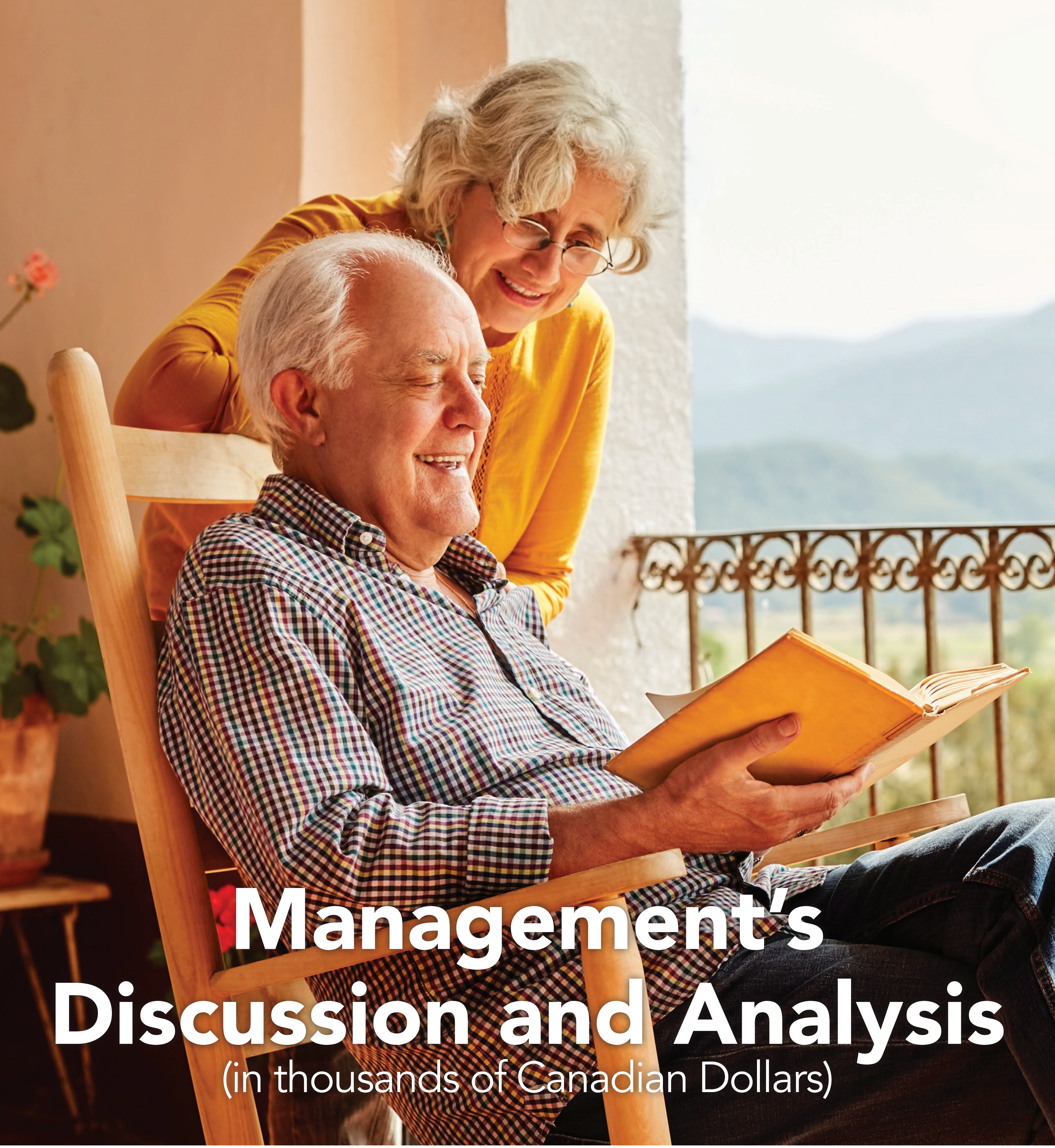
Report to Shareholders

Q3 2018

Sienna Senior Living Inc.



Management's Discussion and Analysis

(in thousands of Canadian Dollars)

Q3 2018

Sienna Senior Living Inc.

Sienna
SENIOR LIVING

Letter to Shareholders

Dear fellow shareholders,

As we near the end of 2018, I am pleased to share the progress we have made since the beginning of the year, including a strong performance in the third quarter. Our Q3 results reflect significant contributions from our portfolio acquisitions, in addition to strong organic growth. The Company's overall net operating income increased by 31.7% to $40.5 million in Q3 2018, compared to $30.8 million in Q3 2017. Strong same property results contributed to this growth with a 4.2% increase in our Retirement segment and a 3.5% increase in our Long-term Care/Residential Care segment, respectively. Diluted operating funds from operations increased by 4.6% to 36 cents per share in Q3 2018, compared to Q3 2017, driven by strong operating results.

With approximately $382 million in acquisitions of high quality retirement residences year-to-date in 2018, we continued to transform Sienna's portfolio and are now a leading owner and operator of retirement residences, providing independent living, assisted living and memory care in Ontario and British Columbia. We are making great progress in integrating the more than 1,200 recently acquired suites and over 1,000 new team members into Sienna's team and operating platform, all while maintaining the highest quality of service to residents.

In July, the dedication and expertise of our team was recognized by Accreditation Canada, who awarded our Residential Care communities in British Columbia a four-year Accreditation with Exemplary Standing, their highest distinction award. Sienna continues to outperform provincial and national averages on the quality of service in our residences' communities, thanks to the outstanding work and commitment of the many personal support workers, nurses and other team members, who help residents live fully every day.

With a team of over 12,000 employees and an award-winning workplace culture, we continue to invest in our people strategy with a focus on hiring, training and retaining the best talent in seniors' living. Our extensive learning and development strategies, including Sienna Academy, which helps our team members grow their careers through flexible, engaging and relevant learning, have played a key role in Sienna being recognized by Waterstone Human Capital last year for having one of Canada's Most Admired Corporate Cultures.

As a public company, we have reached a number of meaningful milestones in 2018. With a market capitalization of over $1 billion and an enterprise value of over $2 billion, Sienna was added to the S&P/TSX Composite Index earlier this year, a testament to our ability to execute on our growth strategy and our strong operating platform. Supported by the continued growth in our funds from operations, we were pleased to announce a 2% increase in the monthly dividend payment to our shareholders in August.

Throughout 2018, we further strengthened our balance sheet and ended Q3 with a debt to gross book value of 48.3%, in addition to increasing our interest coverage ratio to 4.0 times from 3.9 times a year ago. We will continue to optimize our capital structure by effectively managing our upcoming debt maturities, and maintaining a favourable credit rating and high level of liquidity.

Industry fundamentals in our key markets in Ontario and British Columbia remain strong with high occupancy rates, driven by increasing demand for seniors' living. With an aging population, governments increasingly look to the private sector to meet such demand. New development and redevelopment of seniors' living communities are key components to meet this increasing demand.

At Sienna, we remain disciplined in our approach to development and closely monitor any new supply within our key markets. We have a solid development pipeline and are actively engaged with regional and provincial authorities in seeking approvals for our Phase 1 development projects, which will include the new development of 1,000 older long-term care beds, and add 280 new LTC beds and 500 retirement suites over the next five years. Our key focus is to create seniors' living campuses, which will provide a wide range of care options and services to seniors in one location.

We have recently completed the retrofit of Bloomington Cove Care community, a LTC home in Stouffville, Ontario, meeting the needs of residents living with dementia, and expect to complete a 55-suite expansion at Island Park, a retirement residence in Campellford, Ontario by mid-2019.

Looking ahead, we are excited about the opportunities we see. We are poised to leverage our exceptional operating platform and further grow our business through accretive acquisitions, development and organic growth.

On behalf of our management team and our Board of Directors, I would like to sincerely thank you for your continued support.

"Lois Cormack"

Lois Cormack
President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

Basis of Presentation

The following Management's Discussion and Analysis ("**MD&A**") for Sienna Senior Living Inc. (the "**Company**" or "**Sienna**") provides a summary of the financial results for the three and nine months ended September 30, 2018. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements ("**interim consolidated financial statements**") for the three and nine months ended September 30, 2018. This material is available on the Company's website at www.siennaliving.ca. Additional information about the Company, including its Annual Information Form ("**AIF**") for the year ended December 31, 2017 can be found on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

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 document, including tabular amounts, are expressed in thousands of Canadian dollars.

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

Additional Information

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

Review and Approval by the Board of Directors

This MD&A is dated as of November 14, 2018, the date on which this report was approved by the Board of Directors of the Company, and is based on information available to management of the Company as of that date.

Company Profile

The Company and its predecessors have been operating since 1972. The Company is one of Canada's leading seniors' living providers serving the continuum of independent living ("**IL**"), independent supportive living ("**ISL**"), assisted living ("**AL**"), memory care ("**MC**") and long-term care/residential care (“**LTC**” or “**Long-term Care**”/ “**RC**” or “**Residential Care**”) through the ownership and operation of seniors' living residences in the Provinces of British Columbia and Ontario. The Company owns and operates a total of 70 seniors' living residences: 27 retirement residences ("**RRs**" or "**Retirement Residences**"); 35 LTC residences; and eight seniors' living residences providing both private-pay IL/AL and funded RC (including the Company's joint ownership in two residences in British Columbia), previously referred to as the "**Baltic Properties**". Under its management services division, the Company provides management services to 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 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 the Province of Ontario, except for two properties (referred to as the Option Properties and defined in the Appendix), which are owned through joint ventures between the Company and each of WVJ II General Partnership and WVJ Properties (Nicola) Ltd. (each an affiliate of Pacific Seniors Management Investments Ltd.).

As of November 14, 2018, the Company had 65,917,183 common shares outstanding.

Non-IFRS Performance Measures

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

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

"**FFO**" is defined as NOI less certain adjustments including finance charges and current income taxes. FFO is a recognized earnings measure that is widely used by public real estate entities, particularly by those entities that own and/or operate income-producing properties. The Company presents FFO in accordance with the Real Property Association of Canada (REALpac) White Paper on Funds From Operations for IFRS (Source: White Paper on Funds From Operations & Adjusted Funds From Operations for IFRS - February 2018). The use of FFO, combined with the required IFRS presentations, has been included for the purpose of improving the understanding of the Company's operating results. The IFRS measure most directly comparable to FFO is "net income". Please refer to the "Business Performance" section of this MD&A for a reconciliation of net income to FFO.

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

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

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

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

Key Performance Indicators

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

- **Occupancy**: Occupancy is a key driver of the Company's revenues.
- **NOI**: This value represents the underlying performance of the operating business segments. Please refer to the "Non-IFRS Performance Measures" section of this MD&A.
- **OFFO and OFFO per Share**: Management of the Company uses OFFO as an operating performance measure. Please refer to the "Non-IFRS Performance Measures" section of this MD&A.
- **AFFO and AFFO per Share**: Management of the Company uses AFFO as a cash flow measure to assess the Company's ability to earn cash and pay dividends. Please refer to the "Non-IFRS Performance Measures" section of this MD&A.
- **Payout Ratio**: Management of the Company monitors the ratio of dividends per share to basic AFFO per share to ensure the Company adheres to its dividend policy, in line with the Company's objectives.
- **Debt Service Coverage Ratio**: This ratio is useful for management of the Company to ensure it is in compliance with its financial covenants.
- **Debt to Gross Book Value**: In conjunction with the debt service coverage ratio, management of the Company monitors this to ensure compliance with certain financial covenants.
- **Weighted Average Cost of Debt**: This is a point in time calculation which is useful in comparing interest rates, either period over period, or to market rates.
- **Debt to Adjusted EBITDA Ratio**: This ratio measures the number of years required for current cash flows to repay all indebtedness.
- **Interest Coverage Ratio**: Interest coverage ratio is a common measure used to assess an entity's ability to service its debt obligations.

- **Weighted Average Term to Maturity**: This indicator is used by management of the Company to monitor its debt maturities.
- **Same Property**: Measures with "same property" are similar to "same-store" measures used in the retail business and are intended to measure the period over period performance of the same asset base, excluding acquisitions and assets undergoing new development, redevelopment or demolition.

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

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

	Three Months Ended			Nine Months Ended		
Thousands of dollars, except occupancy, share and ratio data	**2018**	2017	Change	**2018**	2017	Change
OCCUPANCY						
Retirement same property - Average occupancy[1]	**91.8%**	94.0%	(2.2%)	**92.8%**	94.1%	(1.3%)
Retirement same property - As at occupancy[1]	**93.0%**	94.1%	(1.1%)	**93.0%**	94.1%	(1.1%)
Retirement acquisitions - Average occupancy	**91.0%**	N/A	N/A	**90.3%**	N/A	N/A
Retirement acquisitions - As at occupancy	**90.6%**	N/A	N/A	**90.6%**	N/A	N/A
Retirement - Average total occupancy[2]	**91.4%**	94.0%	(2.6%)	**91.6%**	94.1%	(2.5%)
Retirement - As at total occupancy[2]	**91.8%**	94.1%	(2.3%)	**91.8%**	94.1%	(2.3%)
LTC/RC - Average total occupancy	**98.7%**	98.6%	0.1%	**98.3%**	98.3%	—%
LTC/RC - Average private occupancy	**98.6%**	98.5%	0.1%	**98.2%**	98.5%	(0.3%)
FINANCIAL						
Revenue	**165,048**	139,867	25,181	**472,529**	411,360	61,169
Net income[3]	**5,000**	6,214	(1,214)	**9,581**	17,619	(8,038)
EBITDA	**35,079**	25,686	9,393	**97,494**	72,334	25,160
NOI	**40,519**	30,758	9,761	**112,313**	87,629	24,684
OFFO	**23,825**	16,565	7,260	**66,495**	46,509	19,986
AFFO	**24,266**	18,217	6,049	**70,895**	51,538	19,357
PER SHARE INFORMATION						
OFFO per share, basic[4]	**0.362**	0.357	0.005	**1.054**	1.006	0.048
OFFO per share, diluted[4]	**0.362**	0.346	0.016	**1.042**	0.975	0.067
AFFO per share, basic[4]	**0.370**	0.393	(0.023)	**1.124**	1.115	0.009
AFFO per share, diluted[4]	**0.370**	0.380	(0.010)	**1.110**	1.078	0.032
Dividends per share	**0.228**	0.225	0.003	**0.678**	0.675	0.003
Payout ratio (basic AFFO)	**61.6%**	57.3%	4.3 %	**60.3%**	60.5%	(0.2)%

Thousands of dollars, except occupancy, share and ratio data	Three Months Ended 2018	2017	Change	Nine Months Ended 2018	2017	Change
FINANCIAL RATIOS						
Debt service coverage ratio	**2.0**	2.0	—	**2.0**	1.9	0.1
Debt to gross book value as at period end	**48.3%**	51.8%	(3.5)%	**48.3%**	51.8%	(3.5)%
Weighted average cost of debt as at period end	**3.9%**	3.8%	0.1%	**3.9%**	3.8%	0.1%
Debt to Adjusted EBITDA as at period end	**6.9**	7.0	(0.1)	**6.9**	7.0	(0.1)
Interest coverage ratio	**4.0**	3.9	0.1	**4.0**	3.7	0.3
Weighted average term to maturity as at period end	**5.0**	4.6	0.4	**5.0**	4.6	0.4
CHANGE IN SAME PROPERTY NOI						
Retirement			4.2%			5.3%
Long-term Care / Residential Care(5)			3.5%			1.8%
Total			3.7%			2.7%

Notes:

1. Quarter-over-quarter and year-over-year decreases in Retirement same property occupancy are due to increased resident turnover.
2. Quarter-over-quarter and year-over-year decreases in total Retirement occupancy are due to acquisitions with lower levels of occupancy and higher levels of short-term stays, increased resident turnover, and a more severe and prolonged flu season in early 2018.
3. Quarter-over-quarter decrease in net income of $1,214 is primarily due to interest, depreciation and amortization expenses incurred from the properties acquired since Q3 2017. Year-over-year decrease in net income of $8,038 is primarily due to higher transaction costs incurred for the Acquisition (as defined in the "Company Strategy and Objectives" section below). For additional information, please see the "Third Quarter 2018 Operating Results" and "Nine Months Ended September 30, 2018 Operating Results" sections below.
4. The nine months ended September 30, 2018 OFFO and AFFO per share, basic and diluted, includes a prior year tax refund of $1,254 recorded in Q1 2018. Excluding this refund, OFFO per share, basic and diluted would be $1.035 and $1.022, respectively, and AFFO per share, basic and diluted would be $1.104 and $1.090, respectively, for the nine months ended September 30, 2018.
5. Quarter-over-quarter change in same property NOI for LTC/RC is primarily attributable to increased funding in RC, rate increases and lower RC expenses due to a one-time reduction of $105 in British Columbia's Medical Service Plan ("**MSP**") premiums in 2018. Year-over-year change in same property NOI for LTC/RC excludes the prior year tax refund recorded in Q1 2018.

Third Quarter 2018 Summary

Sienna's Q3 2018 results were in line with its expectations. Slightly lower overall occupancy rates were offset by strong same property NOI growth in both its Retirement and LTC/RC segments, in addition to growth from accretive acquisitions.

Occupancy - Average occupancy in Sienna's LTC/RC portfolio remained high at 98.7% in Q3 2018, a 0.1% increase over Q3 2017. Average occupancy in the Retirement portfolio was 91.4% in Q3 2018 compared to 94.0% in Q3 2017. The decline was largely due to acquisitions with lower levels of occupancy and increased resident turnover during the quarter. Average occupancy in Retirement same property was 91.8% in Q3 2018 compared to 94.0% in Q3 2017, and trended higher at the end of Q3 2018 to 93.0%.

Revenue increased by 18.0% or $25,181 to $165,048 over the comparable prior year period. The increase was mainly a result of the revenues generated from acquisitions completed since Q3 2017, in addition to strong same property results driven by rent increases on suite turnover and in-place annual rent increases.

NOI increased by 31.7% or $9,761 to $40,519 over the comparable prior year period due to strong same property NOI growth and contributions from accretive acquisitions.

Net income was $5,000 for the three months ended September 30, 2018, representing a decrease of $1,214 over the comparable prior year period. The decrease was primarily related to incremental interest expense and depreciation and amortization incurred from the acquisitions completed since Q3 2017, partially offset by income generated from the acquisitions and lower income taxes.

OFFO increased by 43.8% or $7,260 to $23,825 over the comparable prior year period. The increase was primarily related to the income generated from the acquisitions completed since Q3 2017 and strong organic growth, partially offset by incremental interest expense on these acquired properties. On a per share basis, basic OFFO increased by 1.4%.

AFFO increased by 33.2% or $6,049 to $24,266 over the comparable prior year period. The increase was primarily related to the increase in OFFO noted above, partially offset by higher maintenance capital expenditures. On a per share basis, basic AFFO declined by 5.9% due to timing of maintenance capital expenditures, which were trending lower for the six months ended June 30, 2018, but which increased in Q3 2018.

2018 Outlook

Sienna believes that it is well positioned for both organic and external growth, supported by its strong operating platform, extensive expertise, depth of management, robust balance sheet, relationships with partners, balanced portfolio mix and strong industry fundamentals in the seniors' living sector.

Industry fundamentals

Industry fundamentals in Sienna's key markets remain strong with high occupancy rates, driven by an aging population and higher affluence among many seniors. With the growing demand for seniors' living, governments are increasingly looking to the private sector to meet the fast-growing demand. New development and redevelopment of seniors' living communities are key components to meet this increasing demand.

Retirement occupancy rates in British Columbia remain at high levels and occupancy rates in Ontario have continuously improved since 2014 (Source: CBRE Trends in the Seniors Housing and Healthcare Industry 2018). LTC occupancy rates persist at a high level with an extensive wait list in a sector that is relatively immune to economic cycles.

Retirement

In Sienna's Retirement segment, the Company expects moderate growth through stabilized occupancy, rate increases in accordance with market conditions and disciplined cost management. The Company focuses on aligning its marketing strategy and service offerings to the needs of key markets. With the addition of the high quality properties acquired in 2018, Sienna has achieved a well-balanced portfolio mix of Retirement and LTC/RC.

LTC/RC

Sienna's LTC/RC operating platform is consistently ranked high in quality of service provided among its peers. For the balance of 2018 and beyond, Sienna expects to continue to manage the complexities of its LTC/RC segment with its experienced team and sophisticated operating platform. The Company also expects that its LTC/RC segment will continue to achieve consistent performance, with continued conversion of the Class A private LTC beds at previously established rates to the new preferred accommodation rates, a focus on disciplined cost management and stable funding.

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

Capital Structure Optimization

In Q3 2018, the Company further lowered its debt to gross book value to 48.3%, a 350 basis point ("**bps**") reduction year-over-year from 51.8% and increased the Company's interest coverage ratio to 4.0 times year-over-year from 3.9 times in Q3 2017. In 2019, management expects to refinance $83,840 of property-level debt at an average interest rate of 4.5% on favorable terms as 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 re-develop 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 regional and provincial authorities in seeking approvals for certain projects, as per the Ministry of Health and Long-term Care's ("**MOHLTC**") renewal strategy guidelines. The Company anticipates that the development projects will be greenfield projects and will be campuses wherever feasible. The feasibility of such projects is assessed against hurdle rates of return, which are in excess of the Company's cost of capital.

Sienna is also planning to add additional suites at certain RR locations with high occupancy, market demand and excess land for expansion.

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

Significant Events

Dividend Increase

In August 2018, the Board of Directors approved a 2.0% increase in Sienna's monthly dividend from $0.075 per share to $0.0765 per share ($0.918 per share annualized). The increase commenced on September 14, 2018, payable to shareholders of record on August 31, 2018.

Our Vision, Mission and Values

Our Vision

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

Our Mission

To help you live fully, every day.

Our Values

Respect

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

Passion

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

Teamwork

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

Responsibility

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

Growth

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

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

Company Strategy and Objectives

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

Strengthening Operating Platform:

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

Progress:

- Sienna's Residential Care communities in British Columbia were awarded an Accreditation with Exemplary Standing in July 2018 - the highest distinction awarded by Accreditation Canada
- Sienna continues to outperform the provincial and national averages on the majority of publicly reported quality indicators
- Awarded one of "Canada's Most Admired Corporate Cultures" by Waterstone Human Capital in 2017
- Ongoing investments in technology and process improvements to residents' electronic health records
- Successful integration of Retirement Residences acquired in 2017 and Q1 2018
- Ongoing investments in people strategy, including enhancements to recruitment, on-boarding and leadership development

Improving Balance Sheet and Liquidity:

- Financing of acquisitions/development for 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 an A (low) rating on the 3.474% Series B Senior Secured Debentures, with an aggregate principal amount of $322,000 and a maturity date of February 3, 2021 ("**Series B Debentures**")

Progress:

- Raised $184,017 in an offering of common shares in February 2018, the proceeds of which were used to acquire a portfolio of ten seniors' living residences in Ontario (the "**Acquisition Offering**")
- Confirmed A (low) rating by Dominion Bond Rating Service ("**DBRS**") for the Series B Debentures in March 2018
- Redeemed all outstanding 4.65% extendible convertible unsecured debentures ("**Convertible Debentures**") as at May 23, 2018 (the "**Redemption Date**")
- Successfully financed/refinanced $380,220 of property-level mortgages and credit facilities year-to-date as of September 30, 2018
- Decreased year-over-year debt to gross book value by 350 bps to 48.3% as at September 30, 2018
- Increased year-over-year debt service coverage ratio by 0.1x to 2.0x for the nine months ended September 30, 2018
- Increased year-over-year interest coverage ratio by 0.3x to 4.0x for the nine months ended September 30, 2018

Growing the Company:

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

Organic Growth:

- Growing Sienna's portfolio organically through rate increases, stabilized occupancy and expanding services to meet resident needs
- Maintaining existing assets with preventative maintenance and ongoing capital improvements
- Leveraging Sienna's platform for efficiencies and disciplined cost management

Development:

- Developing older LTC residences in key Ontario markets to create seniors' living campuses providing IL, AL, MC and LTC
- Developing free standing RRs in certain markets with adequate demand
- Expanding seniors' living capacity in existing RRs with excess land
- Responding to requests for proposals, where feasible

***Acquisitions**:*

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

Progress:

- Strong year-over-year organic growth in the Retirement segment, representing a 5.3% increase in same property NOI
- Acquired a portfolio of ten seniors' living residences in Ontario in March 2018 ("the **Acquisition**"), consisting of 1,245 private-pay ISL and AL suites (the "**Acquired Properties**")
- Acquired an additional 16% interest in Glenmore Lodge in May 2018, increasing the Company's interest in Glenmore Lodge from 61% to 77%
- Completed the retrofit of one older Class C LTC seniors' living residence in Stouffville, Ontario, in Q2 2018
- Expanding the Island Park Retirement Residence in Campbellford, Ontario since Q4 2017, adding an additional 55 suites and amenity space, which is expected to be completed by mid-2019
- Received preliminary approval from the MOHLTC for two development/redevelopment projects

Corporate Social Responsibility

Sienna is deeply connected to its communities where it strives to create a positive experience for its residents, their families and its employees. With a high-performing team and an award-winning workplace culture, Sienna aims to never lose sight of its vision to awaken its communities to the positive possibilities of life's next chapters.

Social

Sienna is strongly committed to giving back in a number of profound ways, which plays an important role in its ongoing activities. An example is the Company's Sienna for Seniors initiative, a partnership with United Way dedicated to fundraising for seniors in need in the local communities it serves.

Within the Company's seniors' living residences, it aims to consistently create a positive resident experience, driven by shared values and a commitment to innovation and excellence. In July 2018, Sienna's eight residential care communities in British Columbia have once again been successfully accredited and received a four-year

Accreditation with Exemplary Standing - the highest distinction awarded by Accreditation Canada. This honour recognizes Sienna's BC Residential Care communities for going beyond the requirements of the rigorous national accreditation program and for demonstrating excellence in quality improvement.

With more than 12,000 employees across Canada, Sienna is committed to building and sustaining a culture that supports its employees, residents and their families. In 2017, Sienna was named one of Canada's Most Admired Corporate Cultures by Waterstone Human Capital, a leading executive search and professional recruitment firm. This award highlights Sienna's commitment to cultivating and sustaining a great culture and supporting its employees, which ultimately drives growth and performance.

Governance

As one of Canada's leading providers of seniors' living residences, Sienna is committed to maintaining the highest ethical standards through a strong governance framework and an experienced Board of Directors. With half of the Company's board being comprised of female leaders and 60% of its executive team being female, Sienna is among the Top 3 companies listed on the TSX when it comes to gender diversity.

Environmental

Sienna has been working diligently to establish building operations that reduce its environmental footprint. The Company continuously looks for ways to make its operations more sustainable and focus on updating its infrastructure through key initiatives that include increased water conservation and decreased energy consumption.

Industry Overview

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

Business of the Company

Please refer to the Company's AIF for the year ended December 31, 2017 for a discussion of the Business Overview.

Quarterly Financial Information

Thousands of dollars, except occupancy and per share data	2018			2017				2016
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	165,048	162,124	145,357	146,330	139,867	137,527	133,966	138,011
Income before net finance charges, transaction costs and provision for (recovery of) income taxes	15,737	15,292	14,757	15,508	15,659	15,464	13,392	13,136
Net income (loss)	5,000	3,548	1,033	4,195	6,214	6,726	4,679	4,044
Per share basic	0.076	0.055	0.018	0.083	0.131	0.144	0.099	0.088
Per share diluted	0.076	0.054	0.017	0.077	0.127	0.136	0.096	0.083
OFFO	23,825	24,199	18,471	17,834	16,565	15,754	14,190	15,106
Per share basic	0.362	0.378	0.314	0.353	0.357	0.341	0.308	0.328
Per share diluted	0.362	0.372	0.307	0.343	0.346	0.330	0.299	0.318
AFFO(1)	24,266	25,993	20,636	16,948	18,217	17,178	16,143	15,219
Per share basic(1)	0.370	0.403	0.351	0.335	0.393	0.372	0.350	0.330
Per share diluted(1)	0.370	0.398	0.342	0.326	0.380	0.359	0.339	0.320
Dividends declared	14,995	14,620	13,523	11,437	10,430	10,429	10,364	10,367
Per share	0.228	0.225	0.225	0.225	0.225	0.225	0.225	0.225
Occupancy								
Retirement - Average total occupancy	91.4%	91.6%	92.6%	93.2%	94.1%	94.2%	94.3%	95.2%
Retirement - As at total occupancy	91.8%	91.3%	92.6%	92.3%	94.1%	94.7%	93.8%	94.5%
LTC/RC - Average total occupancy	98.7%	98.3%	97.9%	98.5%	98.6%	98.5%	97.9%	98.6%
LTC/RC - Average private occupancy(2)	98.6%	98.0%	97.9%	98.5%	98.5%	98.4%	98.6%	99.3%
Total assets(3)	1,746,612	1,800,952	1,759,189	1,394,858	1,221,813	1,210,433	1,213,132	1,204,218
Total debt(4)	985,694	1,025,857	1,022,128	818,951	762,044	746,583	756,902	734,459
Debt to gross book value as at period end(5)	48.3%	49.4%	50.3%	49.6%	51.8%	51.5%	51.8%	51.5%

Notes:

1. Effective Q3 2018, deferred share unit compensation earned is not added back to calculate AFFO. The prior quarters have been re-stated to reflect this change.
2. The comparative periods have been re-stated to include both private independent living and assisted living.
3. Property and equipment included in total assets are measured at cost less accumulated depreciation, amortization and impairment losses.
4. Total debt includes the Convertible Debentures up to the Redemption Date and is net of amounts paid into the principal reserve fund on the Series B Debentures.
5. Refer to the debt to gross book value calculation in the "Liquidity and Capital Resources" section below.

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

A discussion of the operating results for the three and nine months ended September 30, 2018 compared to the same period in the prior year is provided below under the section "Operating Results".

Operating Results

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

	Three Months Ended			Nine Months Ended		
Thousands of dollars	**2018**	2017	Change	**2018**	2017	Change
Revenue	**165,048**	139,867	25,181	**472,529**	411,360	61,169
Expenses						
Operating	**124,529**	109,109	15,420	**360,216**	323,731	36,485
Depreciation and amortization	**19,342**	10,027	9,315	**51,708**	27,819	23,889
Administrative	**5,440**	5,072	368	**14,819**	15,295	(476)
	149,311	124,208	25,103	**426,743**	366,845	59,898
Income before net finance charges, transaction costs and provision for (recovery of) income taxes	**15,737**	15,659	78	**45,786**	44,515	1,271
Net finance charges	**7,970**	6,528	1,442	**23,532**	18,766	4,766
Transaction costs	**957**	756	201	**9,302**	1,969	7,333
Total other expenses	**8,927**	7,284	1,643	**32,834**	20,735	12,099
Income before provision for (recovery of) income taxes	**6,810**	8,375	(1,565)	**12,952**	23,780	(10,828)
Provision for (recovery of) income taxes						
Current	**2,233**	2,449	(216)	**6,473**	6,154	319
Deferred	**(423)**	(288)	(135)	**(3,102)**	7	(3,109)
	1,810	2,161	(351)	**3,371**	6,161	(2,790)
Net income	**5,000**	6,214	(1,214)	**9,581**	17,619	(8,038)
Net income attributable to:						
Shareholders of the Company	**5,000**	6,080	(1,080)	**9,581**	17,297	(7,716)
Non-controlling interest	**—**	134	(134)	**—**	322	(322)
	5,000	6,214	(1,214)	**9,581**	17,619	(8,038)
Total assets	**1,746,612**	1,221,813	524,799	**1,746,612**	1,221,813	524,799
Total debt (net of principal reserve fund)	**985,694**	762,044	223,650	**985,694**	762,044	223,650

Revenue Breakdown

The following table represents the revenue breakdown for the periods ended September 30:

	Three Months Ended			Nine Months Ended		
Thousands of dollars	**2018**	2017	Change	**2018**	2017	Change
Retirement						
Same property(1)	**18,880**	18,359	521	**53,045**	51,022	2,023
Acquisitions(1)	**19,923**	—	19,923	**47,924**	—	47,924
Total Retirement Revenue	**38,803**	18,359	20,444	**100,969**	51,022	49,947
Long-term Care / Residential Care						
Same property(2)	**126,245**	121,508	4,737	**370,216**	360,141	10,075
Acquisitions(2)	**—**	—	—	**1,344**	197	1,147
Total Long-term Care / Residential Care Revenue	**126,245**	121,508	4,737	**371,560**	360,338	11,222
Total Revenue						
Same property	**145,125**	139,867	5,258	**423,261**	411,163	12,098
Acquisitions	**19,923**	—	19,923	**49,268**	197	49,071
Total Revenue	**165,048**	139,867	25,181	**472,529**	411,360	61,169

Notes:

1. In June 2018 and July 2018, the results of Rosewood Retirement Residence ("**Rosewood**") and Kawartha Lakes Retirement Residence ("**Kawartha**") were respectively re-classified from Acquisitions to Same property. The results of Waterford Barrie Retirement Residence, Waterford Kingston Retirement Residence and the Acquired Properties (together with Rosewood and Kawartha, collectively referred to as the "**RR Properties**"), are included in Acquisitions for the applicable periods.
2. In Q2 2018, the results of Glenmore Lodge were re-classified from Acquisitions to Same property.

Operating Expense Breakdown

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

	Three Months Ended			Nine Months Ended		
Thousands of dollars	**2018**	2017	Change	**2018**	2017	Change
Retirement						
Same property[1]	**9,943**	9,784	159	**28,029**	27,255	774
Acquisitions[1]	**11,304**	—	11,304	**27,217**	—	27,217
Total Retirement Expenses	**21,247**	9,784	11,463	**55,246**	27,255	27,991
Long-term Care / Residential Care						
Same property[2]	**103,282**	99,325	3,957	**305,300**	296,344	8,956
Same property - prior year tax refund	**—**	—	—	**(1,254)**	—	(1,254)
Acquisitions[2]	**—**	—	—	**924**	132	792
Total Long-term Care / Residential Care Expenses	**103,282**	99,325	3,957	**304,970**	296,476	8,494
Total Operating Expenses						
Same property	**113,225**	109,109	4,116	**332,075**	323,599	8,476
Acquisitions	**11,304**	—	11,304	**28,141**	132	28,009
Total Operating Expenses	**124,529**	109,109	15,420	**360,216**	323,731	36,485

Notes:

1. In June 2018 and July 2018, the results of Rosewood and Kawartha were respectively re-classified from Acquisitions to Same property. The results of the RR Properties are included in Acquisitions for the applicable periods.
2. In Q2 2018, the results of Glenmore Lodge were re-classified from Acquisitions to Same property.

Net Operating Income Breakdown

The following table represents the net operating income breakdown for the periods ended September 30:

	Three Months Ended			Nine Months Ended		
Thousands of dollars	**2018**	2017	Change	**2018**	2017	Change
Retirement						
Same property[1]	**8,937**	8,575	362	**25,016**	23,767	1,249
Acquisitions[1]	**8,619**	—	8,619	**20,707**	—	20,707
Total Retirement NOI	**17,556**	8,575	8,981	**45,723**	23,767	21,956
Long-term Care / Residential Care						
Same property[2]	**22,963**	22,183	780	**64,916**	63,797	1,119
Same property - prior year tax refund	**—**	—	—	**1,254**	—	1,254
Acquisitions[2]	**—**	—	—	**420**	65	355
Total Long-term Care / Residential Care NOI	**22,963**	22,183	780	**66,590**	63,862	2,728
Total NOI						
Same property	**31,900**	30,758	1,142	**91,186**	87,564	3,622
Acquisitions	**8,619**	—	8,619	**21,127**	65	21,062
Total NOI	**40,519**	30,758	9,761	**112,313**	87,629	24,684

Notes:

1. In June 2018 and July 2018, the results of Rosewood and Kawartha were respectively re-classified from Acquisitions to Same property. The results of the RR Properties are included in Acquisitions for the applicable periods.
2. In Q2 2018, the results of Glenmore Lodge were re-classified from Acquisitions to Same property.

Third Quarter 2018 Operating Results

Revenue

Same property revenues for Q3 2018 increased by $5,258 to $145,125, compared to Q3 2017. Retirement's same property revenues for Q3 2018 increased by $521 to $18,880, compared to Q3 2017, primarily attributable to market rate adjustments and annual rate increases. LTC/RC's same property revenues for Q3 2018 increased by $4,737 to $126,245, compared to Q3 2017, primarily attributable to inflationary funding increases for RC.

The RR Properties contributed $19,923 to revenues from acquisitions for Q3 2018 (2017 - $nil), of which the Acquired Properties contributed $14,719 (2017 - $nil).

Operating Expenses

Same property operating expenses for Q3 2018 increased by $4,116 to $113,225, compared to Q3 2017. Retirement's same property operating expenses for Q3 2018 increased by $159 to $9,943, compared to Q3 2017, due to inflationary increases. LTC/RC's same property operating expenses for Q3 2018 increased by $3,957 to $103,282, compared to Q3 2017, due to inflationary increases, partially offset by a one-time reduction of $105 in MSP premiums in British Columbia in Q3 2018.

The RR Properties contributed $11,304 to operating expenses from acquisitions for Q3 2018 (2017 - $nil), of which the Acquired Properties contributed $8,343 (2017 - $nil).

NOI

Same property NOI for Q3 2018 increased by $1,142 to $31,900, compared to Q3 2017. Retirement's same property NOI for Q3 2018 increased by $362 to $8,937, compared to Q3 2017, primarily attributable to market rate adjustments, annual rate increases and operating efficiencies. LTC/RC's same property NOI for Q3 2018 increased by $780 to $22,963 compared to Q3 2017, primarily attributable to inflationary funding increases for RC and a one-time reduction in MSP premiums in British Columbia in Q3 2018.

The RR Properties contributed $8,619 to NOI from acquisitions for Q3 2018 (2017 - $nil), of which the Acquired Properties contributed $6,375 (2017 - $nil).

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

Depreciation and Amortization

Depreciation and amortization for Q3 2018 increased by $9,315 to $19,342, compared to Q3 2017, due to the RR Properties acquired since Q3 2017.

Administrative Expenses

Administrative expenses for Q3 2018 increased by $368 to $5,440, compared to Q3 2017, due to an increase in mark-to-market adjustments on share-based compensation and increases in employee costs commensurate with the Company's growth.

Net Finance Charges

Net finance charges for Q3 2018 increased by $1,442 to $7,970, compared to Q3 2017, primarily attributable to incremental interest expense due to the RR Properties acquired since Q3 2017, partially offset by a fair value gain on interest rate swap contracts in Q3 2018 and lower interest expense on Convertible Debentures which were fully redeemed in May 2018.

Transaction Costs

Transaction costs for Q3 2018 increased by $201 to $957 compared to Q3 2017, primarily attributable to costs incurred related to the Acquired Properties.

Income Taxes

Income tax expense for Q3 2018 decreased by $351 to $1,810, compared to Q3 2017. The current income tax expense for Q3 2018 decreased by $216 to $2,233 compared to Q3 2017, primarily attributable to tax depreciation and transaction costs associated with the RR Properties acquired since Q2 2017 and costs related to the Acquisition Offering, partially offset by an increase in NOI. The current income tax expense in Q3 2018 has been calculated at the weighted average combined corporate tax rate of 26.57% (2017 - 26.46%), an increase of 0.11% since Q2 2018. The deferred income tax recovery increased by $135 to $423 in Q3 2018 compared to Q3 2017, primarily attributable to the financing and transaction costs related to the RR Properties that are currently not deductible.

Nine Months Ended September 30, 2018 Operating Results

Revenue

Same property revenues for the nine months ended September 30, 2018 increased by $12,098 to $423,261 over the comparable prior year period. Retirement same property revenues for the nine months ended September 30, 2018 increased by $2,023 to $53,045, primarily attributable to market rate adjustments and annual rate increases. LTC/RC's same property revenues for the nine months ended September 30, 2018 increased by $10,075 to $370,216, primarily attributable to annual funding and rate increases.

Revenues from acquisitions for the nine months ended September 30, 2018 increased by $49,071 to $49,268 over the comparable prior year period. The RR Properties contributed $47,924 to revenues for the nine months ended September 30, 2018 (2017 - $nil), of which the Acquired Properties contributed $29,953 (2017 - $nil). LTC/RC's revenues from acquisitions for the nine months ended September 30, 2018 increased by $1,147 to $1,344 due to the interest in Glenmore Lodge acquired since Q1 2017.

Operating Expenses

Same property operating expenses for the nine months ended September 30, 2018 increased by $8,476 to $332,075, over the comparable prior year period. Retirement same property operating expenses for the nine months ended September 30, 2018 increased by $774 to $28,029, primarily due to inflationary increases. LTC/RC's same property operating expenses for the nine months ended September 30, 2018 increased by $7,702 to $304,046, primarily attributable to inflationary increases in the flow-through envelopes, partially offset by a prior year tax refund, lower utilities expenses and a one-time reduction of $293 in MSP premiums in British Columbia. The MSP premiums will be phased out in 2019, and a new Employer Health Tax will be introduced in British Columbia effective January 2019.

Operating expenses from acquisitions for the nine months ended September 30, 2018 increased by $28,009 to $28,141 over the comparable prior year period. The RR Properties contributed $27,217 of operating expenses for the nine months ended September 30, 2018 (2017 - $nil), of which the Acquired Properties contributed $16,999 (2017 - $nil). LTC/RC's operating expenses from acquisitions for the nine months ended September 30, 2018 increased by $792 to $924 due to the interest in Glenmore Lodge acquired since Q1 2017.

NOI

Same property NOI for the nine months ended September 30, 2018 increased by $3,622 to $91,186 over the comparable prior year period. Retirement's same property NOI increased by $1,249 to $25,016, primarily attributable to market rate adjustments, annual rate increases and operating efficiencies. LTC/RC's same property NOI for the nine months ended September 30, 2018 increased by $2,373 to $66,170 for the nine months ended September 30, 2018, primarily attributable to a prior year tax refund, increased funding in RC, rate increases, lower utilities expenses and a one-time reduction in MSP premiums in British Columbia.

NOI from acquisitions for the nine months ended September 30, 2018 increased by $21,062 to $21,127 over the comparable prior year period. The RR Properties contributed NOI of $20,707 for the nine months ended September 30, 2018 (2017 - $nil), of which the Acquired Properties contributed $12,954 (2017 - $nil). LTC/RC's NOI from acquisitions for the nine months ended September 30, 2018 increased by $355 to $420 due to the interest in Glenmore Lodge acquired since Q1 2017.

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

Depreciation and Amortization

Depreciation and amortization for the nine months ended September 30, 2018 increased by $23,889 to $51,708 over the comparable prior year period due to the RR Properties acquired since Q3 2017.

Administrative Expenses

Administrative expenses for the nine months ended September 30, 2018 decreased by $476 to $14,819 over the comparable prior year period, due to a decrease in mark-to-market adjustments on share-based compensation, partially offset by increases in employee costs commensurate with the Company's growth.

Net Finance Charges

Net finance charges for the nine months ended September 30, 2018 increased by $4,766 to $23,532 over the comparable prior year period, primarily attributable to incremental interest expense from the RR Properties acquired since Q3 2017 and the Bridge Loan entered into in Q1 2018, as described in the "Capital Resources" section below. This increase was partially offset by a fair value gain on interest rate swap contracts for the nine months ended September 30, 2018 and lower interest expense on Convertible Debentures which were fully redeemed in May 2018.

Transaction Costs

Transaction costs for the nine months ended September 30, 2018 increased by $7,333 to $9,302 over the comparable prior year period, primarily attributable to the Acquired Properties in Q1 2018, including land transfer tax.

Income Taxes

The income tax expense for the nine months ended September 30, 2018 decreased by $2,790 to $3,371 over the comparable prior year period. The current income tax expense increased by $319 over the comparable prior year period to $6,473, primarily attributable to an increase in NOI, partially offset by an increase in interest expense, tax depreciation and transaction costs associated with the RR Properties acquired since Q3 2017. The current income tax expense has been calculated at the year-to-date weighted average combined corporate tax rate of 26.57% (2017 - 26.46%). The deferred income tax recovery increased by $3,109 to $3,102 over the comparable prior year period, primarily attributable to temporary differences related to the RR properties that are currently not deductible.

Business Performance

The IFRS measure most directly comparable to FFO and OFFO is "net income". The following table represents the reconciliation of "net income" to FFO and OFFO for the periods ended September 30. The reconciliation from FFO to AFFO is provided as supplementary information.

	Three Months Ended			Nine Months Ended		
Thousands of dollars, except share and per share data	**2018**	2017	Change	**2018**	2017	Change
Net income	**5,000**	6,214	(1,214)	**9,581**	17,619	(8,038)
Deferred income tax (recovery) expense	**(423)**	(288)	(135)	**(3,102)**	7	(3,109)
Depreciation and amortization	**18,873**	9,666	9,207	**50,402**	26,689	23,713
Transaction costs	**957**	756	201	**9,302**	1,969	7,333
Fair value loss (gain) on interest rate swap contracts	**(1,889)**	(193)	(1,696)	**(2,474)**	(914)	(1,560)
Gain on Glenmore Lodge option (net of taxes)	**—**	—	—	**—**	(62)	62
Non-controlling interest	**—**	(134)	134	**—**	(322)	322
Funds from operations (FFO)	**22,518**	16,021	6,497	**63,709**	44,986	18,723
Depreciation and amortization - corporate	**469**	361	108	**1,306**	1,130	176
Amortization of financing charges and fair value adjustments on acquired debt	**897**	107	790	**1,564**	467	1,097
Amortization of loss on bond forward contract	**233**	224	9	**684**	659	25
Net settlement payment on interest rate swap contracts	**(233)**	(148)	(85)	**(591)**	(733)	142
Tax shield due to the settlement of the bond-lock hedge	**(59)**	—	(59)	**(177)**	—	(177)
Operating funds from operations (OFFO)	**23,825**	16,565	7,260	**66,495**	46,509	19,986
Income support	**130**	—	130	**709**	—	709
Construction funding(1)	**2,684**	2,548	136	**7,962**	7,587	375
Maintenance capex	**(2,373)**	(896)	(1,477)	**(4,271)**	(2,558)	(1,713)
Adjusted funds from operations (AFFO)(2)	**24,266**	18,217	6,049	**70,895**	51,538	19,357
Adjusted funds from operations (AFFO)(2)	**24,266**	18,217	6,049	**70,895**	51,538	19,357
Dividends declared	**(14,995)**	(10,430)	(4,565)	**(43,138)**	(31,223)	(11,915)
AFFO retained	**9,271**	7,787	1,484	**27,757**	20,315	7,442
Basic FFO per share	**0.342**	0.346	(0.004)	**1.010**	0.973	0.037
Basic OFFO per share	**0.362**	0.357	0.005	**1.054**	1.006	0.048
Basic AFFO per share(2)	**0.370**	0.393	(0.023)	**1.124**	1.115	0.009
Weighted average common shares outstanding - Basic	**65,752,737**	46,346,054		**63,062,629**	46,242,420	
Diluted FFO per share	**0.342**	0.337	0.005	**1.001**	0.949	0.052
Diluted OFFO per share	**0.362**	0.346	0.016	**1.042**	0.975	0.067
Diluted AFFO per share(2)	**0.370**	0.380	(0.010)	**1.110**	1.078	0.032
Weighted average common shares outstanding - Diluted	**65,752,737**	49,007,478		**64,433,345**	48,922,700	

Notes:

1. The Company receives funding from the Ontario government for the construction costs of LTC homes constructed after April 1, 1988. The amounts are non-interest bearing, and are received for certain LTC homes, subject to the condition that the homes continue to operate as long-term care communities for the period for which the homes are entitled to the construction funding. As at September 30, 2018, the condition for the funding has been met.
2. Effective Q3 2018, deferred share unit compensation earned is not added back to calculate AFFO. The comparative periods have been re-stated to reflect this change.

Reconciliation of diluted FFO, OFFO and AFFO

	Three Months Ended			Nine Months Ended		
Thousands of Dollars	**2018**	2017	Change	**2018**	2017	Change
FFO, Basic	**22,518**	16,021	6,497	**63,709**	44,986	18,723
Net financing charges on convertible debt	—	647	(647)	**1,043**	1,928	(885)
Current income tax expense adjustment	—	(171)	171	**(276)**	(510)	234
FFO, Diluted	**22,518**	16,497	6,021	**64,476**	46,404	18,072
OFFO, Basic	**23,825**	16,565	7,260	**66,495**	46,509	19,986
Interest expense on convertible debentures	—	543	(543)	**844**	1,623	(779)
Current income tax expense adjustment	—	(144)	144	**(223)**	(429)	206
OFFO, Diluted	**23,825**	16,964	6,861	**67,116**	47,703	19,413
AFFO, Basic	**24,266**	18,217	6,049	**70,895**	51,538	19,357
Interest expense on convertible debentures	—	543	(543)	**844**	1,623	(779)
Current income tax expense adjustment	—	(144)	144	**(223)**	(429)	206
AFFO, Diluted	**24,266**	18,616	5,650	**71,516**	52,732	18,784

Third Quarter 2018 Performance

FFO increased by $6,497 to $22,518, compared to Q3 2017. The increase was primarily attributable to the RR Properties acquired since Q3 2017 and same property growth, partially offset by incremental interest expense.

OFFO increased by $7,260 to $23,825, compared to Q3 2017. The increase was primarily attributable to the increase in FFO noted above.

AFFO increased by $6,049 to $24,266, compared to Q3 2017. The increase in AFFO was principally related to the increase in OFFO noted above, partially offset by an increase in maintenance capital expenditures mainly due to the Company's growth from acquisitions and the timing of these expenditures.

Nine Months Ended September 30, 2018 Performance

FFO for the nine months ended September 30, 2018 increased by $18,723 to $63,709 over the comparative prior year period. The increase was primarily attributable to the RR Properties acquired since Q3 2017, same property growth and a prior year tax refund, partially offset by incremental interest expense due to the RR Properties.

OFFO for the nine months ended September 30, 2018 increased by $19,986 to $66,495 over the comparative prior year period. The increase was primarily attributable to the increase in FFO noted above.

AFFO for the nine months ended September 30, 2018 increased by $19,357 to $70,895 over the comparative prior year period. The increase was principally related to the increase in OFFO noted above and income support received, partially offset by an increase in maintenance capital expenditures mainly due to the Company's growth from acquisitions.

Construction funding

The construction funding amount to reconcile from OFFO to AFFO represents the change in the construction funding receivable balance, which consists of the cash to be received, offset by the interest income on the construction funding receivable recognized in "net income". For the years ending December 31, 2018 through 2023, and thereafter, the Company estimates that the construction funding amount will be as follows:

Thousands of Dollars	Interest income on construction funding receivable	Adjustment to AFFO for construction funding	Total construction funding to be received
2018[1]	2,553	10,675	13,228
2019	2,133	10,807	12,940
2020	1,693	10,905	12,598
2021	1,252	9,797	11,049
2022	861	9,120	9,981
2023	528	6,254	6,782
Thereafter	1,147	10,234	11,381
	10,167	**67,792**	**77,959**

Note:
1. For the three and nine months ended September 30, 2018, $633 and $1,945 of interest income on construction funding receivable was recognized, respectively, and $2,684 and $7,962 was the adjustment to AFFO for construction funding received, respectively.

Reconciliation of Cash Flow from Operations to Adjusted Funds from Operations

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

	Three Months Ended			Nine Months Ended		
Thousands of dollars	**2018**	2017	Change	**2018**	2017	Change
Cash provided by operating activities	**14,554**	12,271	2,283	**50,479**	36,471	14,008
Gain on Glenmore Lodge option (net of taxes)	**—**	—	—	**—**	(62)	62
Non-controlling interest	**—**	(134)	134	**—**	(322)	322
Construction funding principal	**2,684**	2,548	136	**7,962**	7,587	375
Transaction costs	**957**	756	201	**9,302**	1,969	7,333
Tax shield due to settlement of the bond-lock hedge	**(59)**	—	(59)	**(177)**	—	(177)
Maintenance capex	**(2,373)**	(896)	(1,477)	**(4,271)**	(2,558)	(1,713)
Net change in working capital, interest and taxes[1]	**8,584**	3,737	4,847	**7,825**	8,713	(888)
Restricted share units and long-term incentive plan expense	**(81)**	(64)	(17)	**(225)**	(259)	34
Adjusted funds from operations (AFFO)[1]	**24,266**	18,218	6,048	**70,895**	51,539	19,356
Adjusted funds from operations (AFFO)[1]	**24,266**	18,217	6,049	**70,895**	51,538	19,357
Dividends declared	**(14,995)**	(10,430)	(4,565)	**(43,138)**	(31,223)	(11,915)
AFFO retained[1]	**9,271**	7,787	1,484	**27,757**	20,315	7,442
Dividend reinvestment	**3,329**	1,338	1,991	**7,660**	3,916	3,744
AFFO retained after dividend reinvestment[1]	**12,600**	9,125	3,475	**35,417**	24,231	11,186

Note:

1. Effective Q3 2018, deferred share unit compensation earned is not added back to calculate AFFO. The comparative periods have been re-stated 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 September 30:

	Three Months Ended			Nine Months Ended		
Thousands of dollars	**2018**	2017	Change	**2018**	2017	Change
Cash flows from operating activities	**14,554**	12,271	2,283	**50,479**	36,471	14,008
Dividends declared	**14,995**	10,430	4,565	**43,138**	31,223	11,915
(Deficit)/Excess of cash flows from operating activities over dividends declared	**(441)**	1,841	(2,282)	**7,341**	5,248	2,093

The deficit of cash flows from operating activities over dividends declared in Q3 2018 is primarily attributable to seasonality in the Company's operating results and changes in working capital balances, which are expected to normalize during the course of the year. This deficit was financed utilizing the Company's credit facilities and available cash on hand. For the nine months ended September 30, 2018, cash flow from operating activities exceeded declared dividends by $7,341. The Company believes that its current dividend level is sustainable.

Liquidity and Capital Resources

Financial Position Analysis

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

	Three Months Ended			Nine Months Ended		
Thousands of dollars	**2018**	2017	Change	**2018**	2017	Change
Cash provided by (used in):						
Operating activities	**14,554**	12,271	2,283	**50,479**	36,471	14,008
Investing activities	**(9,599)**	(21,047)	11,448	**(317,551)**	(27,308)	(290,243)
Financing activities	**(52,569)**	6,175	(58,744)	**257,389**	(21,294)	278,683
Decrease in cash during the period	**(47,614)**	(2,601)	(45,013)	**(9,683)**	(12,131)	2,448
Cash, end of period	**9,082**	15,069	(5,987)	**9,082**	15,069	(5,987)

Third Quarter 2018

Operating Activities

Operating activities for Q3 2018 provided $14,554 of cash, which was primarily attributable to the following:

- Cash from operating activities before non-cash changes in working capital, interest and taxes of $34,706;
- Increase in net government funding payables of $2,058;
- Decrease in prepaid expenses and deposits of $1,268;
- Partially offset by interest paid on long-term debt of $11,780, decrease in accounts payable and accrued liabilities of $8,730, income taxes paid of $1,800 and an increase in accounts receivable and other assets of $1,065.

For Q3 2017, operating activities provided $12,271 of cash, which was primarily attributable to the following:

- Cash from operating activities before non-cash changes in working capital, interest and taxes of $25,314;
- Increase in net government funding payables of $2,956;
- Decrease in prepaid expenses and deposits of $927;
- Partially offset by interest paid on long-term debt and Convertible Debentures of $9,428, decrease in accounts payable and accrued liabilities of $3,668, increase in accounts receivable and other assets of $1,478 and income taxes paid of $2,205.

Investing Activities

In Q3 2018, $9,599 in cash was used for investing activities, which was primarily attributable to the following:

- Purchase of property and equipment of $12,639 and intangible assets of $782;
- Partially offset by construction funding received in the amount of $3,317.

In Q3 2017, $21,047 in cash was used for investing activities, which was primarily attributable to the following:

- Acquisition of Kawartha Lakes for $20,896;
- Purchase of property and equipment of $2,829 and intangible assets of $666;
- Partially offset by construction funding received in the amount of $3,269.

Financing Activities

In Q3 2018, $52,569 of cash was used for financing activities, which was primarily attributable to the following:

- Repayment of long-term debt of $71,630 relating to mortgage principal payments and voluntary repayments on the Company's revolving credit facilities;
- Dividends paid in the quarter of $11,555;
- Contributions to the Series B Debentures' principal reserve fund of $1,821;
- Payment of deferred financing costs of $1,691;
- Partially offset by proceeds from long-term debt of $34,082.

For Q3 2017, financing activities provided $6,175 in cash, which was primarily attributable to the following:

- Proceeds from long-term debt of $56,407;
- Partially offset by repayment of long-term debt of $38,623 relating to mortgage principal payments and voluntary repayments on the Company's revolving credit facilities, dividends paid in the quarter of $9,087 and contributions to the Series B Debentures' principal reserve fund of $1,758.

Nine Months Ended September 30, 2018

Operating Activities

For the nine months ended September 30, 2018, operating activities provided $50,479 of cash, which was primarily attributable to the following:

- Cash from operating activities before non-cash changes in working capital, interest and taxes of $88,925;
- Increase in net government funding payables $5,463;
- Partially offset by interest paid on long-term debt and Convertible Debentures of $28,815, income taxes paid of $5,290, decrease in accounts payable and accrued liabilities of $4,865, increase in prepaid expenses and deposits of $3,465 and increase in accounts receivable and other assets of $1,592.

For the nine months ended September 30, 2017, operating activities provided $36,471 of cash, which was primarily attributable to the following:

- Cash from operating activities before non-cash changes in working capital, interest and taxes of $71,946;
- Increase in net government funding payables of $5,908;
- Partially offset by interest paid on long-term debt and Convertible Debentures of $23,498, income taxes paid of $8,510, decrease in accounts payable and accrued liabilities $7,172 and increase in prepaid expenses and deposits of $2,267.

Investing Activities

For the nine months ended September 30, 2018, $317,551 in cash was used for investing activities, which was primarily attributable to the following:

- Acquisition of the Acquired Properties for $297,708 and the additional interest in Glenmore Lodge for $2,796;
- Purchase of property and equipment of $25,568 and intangible assets of $2,213;
- Partially offset by construction funding received in the amount of $9,907.

For the nine months ended September 30, 2017, $27,308 in cash was used for investing activities, which was primarily attributable to the following:

- Acquisition of Kawartha Lakes for $20,896, the initial interest in Glenmore Lodge for $5,699 and Rosewood for $2,038;
- Purchase of property and equipment of $6,802 and intangible assets of $1,402;
- Partially offset by construction funding received in the amount of $9,809.

Financing Activities

For the nine months ended September 30, 2018, financing activities provided $257,389 of cash, which was primarily attributable to the following:

- Proceeds from long-term debt of $407,160;
- Gross proceeds from the issuance of common shares of $184,017;
- Partially offset by repayment of long-term debt of $260,976 relating to mortgage principal payments and voluntary repayments on the Company's revolving credit facilities, dividends paid of $34,419, redemption of Convertible Debentures for $12,956, payment of deferred financing costs of $11,037, share issuance costs of $8,938 and contributions to the Series B Debentures' principal reserve fund of $5,462.

For the nine months ended September 30, 2017, $21,294 in cash was used for financing activities, which was primarily attributable to the following:

- Repayment of long-term debt of $60,656 relating to mortgage principal payments and voluntary repayments on the Company's revolving credit facilities;
- Dividends paid of $27,286;
- Contributions to the Series B Debentures' principal reserve fund of $5,103;
- Partially offset by proceeds from long-term debt of $73,507.

Capital Resources

On March 28, 2018, the Company entered into a credit agreement with a Canadian lender for an acquisition term loan facility of $115,000 (the "**Bridge Loan**"). The Bridge Loan was due one year from the closing of the Acquisition, and was used to finance the Acquisition. Borrowings under the Bridge Loan were available by way of banker's acceptance ("**BA**") at the BA rate plus 200 bps and loans at an interest rate of prime plus 100 bps per annum. The Bridge Loan was secured by a pool of properties, and was subject to certain customary financial and non-financial covenants. A total of $37,000 was outstanding on the Bridge Loan at the end of Q2 2018, and was fully repaid during Q3 2018.

On March 28, 2018, the Company assumed a non-revolving facility in the amount of $22,000 and negotiated a $7,000 increase. This facility is due on March 27, 2020 and is available by way of BA's at the BA rate plus 175 bps or loans at an interest rate of prime plus 50 bps per annum. This facility is secured by the assets of one of the Acquired Properties. As at September 30, 2018, the Company has drawn $29,000 under this facility.

The Company's total debt as at September 30, 2018 was $985,694 (December 31, 2017 - $818,951), net of the Series B Debentures' principal reserve fund of $29,386 (December 31, 2017 - $23,924). The increase of $166,743 was primarily related to the mortgages assumed from the Acquisition and drawdowns from its credit facilities, partially offset by monthly payments to the Series B Debentures' principal reserve fund, payments toward mortgage liabilities and redemption of the Convertible Debentures. The Company has credit facilities of $182,000, and as at September 30, 2018, had drawn $76,500 from these facilities.

As at September 30, 2018, the Company had a working capital deficiency (current liabilities less current assets) of $135,138, primarily attributable to the current portion of long-term debt of $90,196 relating to the portion of mortgage liabilities that are due within a 12-month period. The balance in the current portion of long-term debt is consistent with the Company's strategy to build a 10-year debt maturity ladder, thereby refinancing approximately 10% of its debt annually, which is equivalent to $98,569 as at September 30, 2018. 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 will be sufficient to address this working capital deficiency.

Liquidity and Capital Commitments

Liquidity

The Company's primary source of liquidity is cash flow generated from operating activities. The Company expects to meet its operating cash requirements through fiscal 2018 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.

Capital Commitments

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

Debt Strategy

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

The Company's goal is to continue to optimize its debt maturity schedule over a 10-year period in order to manage interest rate and financial risks. The Company plans to capitalize on external growth opportunities and refinance mortgages to build the 10-year debt maturity ladder around the Series B Debentures to reduce risk when these debentures mature in 2021. In March 2018, DBRS confirmed the A (low) rating for the Series B Debentures.

The Company has adopted interest coverage guidelines which are consistent with the coverage covenants contained in its bank credit facility agreements. Interest coverage ratios provide an indication of the ability to service or pay interest charges relating to the underlying debt. The interest coverage ratio calculations may differ depending on the lender.

Interest Coverage Ratio

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

	Three Months Ended		Nine Months Ended	
Thousands of dollars, except ratio	**2018**	2017	**2018**	2017
Net finance charges	**7,970**	6,528	**23,532**	18,766
Add (deduct):				
Amortization of financing charges and fair value adjustments on acquired debt	**(897)**	(107)	**(1,564)**	(467)
Amortization of loss on bond forward contract	**(233)**	(224)	**(684)**	(659)
Interest income on construction funding receivable	**633**	671	**1,945**	2,222
Other interest income	**109**	230	**877**	464
Gain on interest rate swap contracts	**2,122**	341	**3,065**	1,647
Net finance charges, adjusted	**9,704**	7,439	**27,171**	21,973
Adjusted EBITDA	**38,396**	28,955	**107,401**	82,143
Interest coverage ratio	**4.0**	3.9	**4.0**	3.7

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

	Three Months Ended		Nine Months Ended	
Thousands of dollars	**2018**	2017	**2018**	2017
Net income	**5,000**	6,214	**9,581**	17,619
Net finance charges	**7,970**	6,528	**23,532**	18,766
Provision for income taxes	**1,810**	2,161	**3,371**	6,161
Depreciation and amortization	**19,342**	10,027	**51,708**	27,819
Transaction costs	**957**	756	**9,302**	1,969
Proceeds from construction funding	**3,317**	3,269	**9,907**	9,809
Adjusted EBITDA	**38,396**	28,955	**107,401**	82,143

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 September 30:

	Three Months Ended		Nine Months Ended	
Thousands of dollars, except ratio	**2018**	2017	**2018**	2017
Net finance charges	**7,970**	6,528	**23,532**	18,766
Add (deduct):				
Amortization of financing charges and fair value adjustments on acquired debt	**(897)**	(107)	**(1,564)**	(467)
Amortization of loss on bond forward contract	**(233)**	(224)	**(684)**	(659)
Interest income on construction funding receivable	**633**	671	**1,945**	2,222
Other interest income	**109**	230	**877**	464
Gain on interest rate swap contracts	**2,122**	341	**3,065**	1,647
Net finance charges, adjusted	**9,704**	7,439	**27,171**	21,973
Principal repayments (1)	**5,630**	3,851	**15,264**	10,884
Principal reserve fund	**1,821**	1,758	**5,462**	5,103
Total debt service	**17,155**	13,048	**47,897**	37,960
Adjusted EBITDA	**38,396**	28,955	**107,401**	82,143
Deduct:				
Maintenance capex	**(2,373)**	(896)	**(4,271)**	(2,558)
Cash income taxes	**(1,800)**	(2,205)	**(5,290)**	(8,510)
Adjusted EBITDA (for covenant calculations)	**34,223**	25,854	**97,840**	71,075
Debt service coverage ratio	**2.0**	2.0	**2.0**	1.9

Notes:

1. During the three and nine months ended September 30, 2018, the Company made voluntary payments of $66,000 and $238,000 (2017 - $15,000 and $30,000) towards its credit facilities and Bridge Loan, 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 nine months ended September 30, 2018.

	September 30	
Thousands of dollars, except ratio	**2018**	2017
Total indebtedness		
Series B Debentures	**322,000**	322,000
Series B Debentures - Principal reserve fund	**(29,386)**	(22,219)
Credit facilities and loans	**76,500**	57,000
Mortgages	**625,740**	361,364
Convertible Debentures	**—**	44,564
	994,854	762,709
Adjusted EBITDA	**143,201**	109,524
Debt to Adjusted EBITDA	**6.9**	7.0

Debt Profile

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

	Weighted Average Debt							
	Three Months Ended September 30				Nine Months Ended September 30			
	2018	**Rate (%)**	2017	Rate (%)	**2018**	**Rate (%)**	2017	Rate (%)
Fixed Rate								
Debentures	**322,000**	**3.47%**	322,000	3.47%	**322,000**	**3.47%**	322,000	3.47%
Mortgages [1]	**618,429**	**4.06%**	356,084	4.03%	**503,783**	**4.14%**	409,232	4.02%
Convertible Debentures	**—**	**—%**	44,564	4.65%	**—**	**—%**	44,564	4.65%
Total Fixed	**940,429**	**3.86%**	722,648	3.83%	**825,783**	**3.88%**	775,796	3.81%
Floating Rate								
Credit facilities and loans	**82,793**	**3.74%**	62,815	2.93%	**103,947**	**3.75%**	48,744	2.70%
Mortgages	**—**	**—%**	7,011	3.29%	**13**	**4.45%**	5,875	3.30%
Total Floating	**82,793**	**3.74%**	69,826	2.97%	**103,960**	**3.75%**	54,619	2.76%
Total Debt	**1,023,222**	**3.85%**	792,474	3.75%	**929,743**	**3.87%**	830,415	3.77%

Notes:

1. For the three and nine months ended September 30, 2018, includes floating rate mortgages of $183,567 and $150,423 (2017 - $60,329 and $130,142) respectively, that have been fixed through interest rate swaps.

Debt to Gross Book Value

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

Thousands of dollars, except ratio	September 30 2018	2017
Total indebtedness		
Series B Debentures	**322,000**	322,000
Series B Debentures - Principal reserve fund	**(29,386)**	(22,219)
Credit facilities and loans	**76,500**	57,000
Mortgages	**625,740**	361,364
Convertible Debentures	**—**	44,564
	994,854	762,709
Total assets	**1,746,612**	1,221,813
Accumulated depreciation on property and equipment	**205,720**	169,327
Accumulated amortization on intangible assets	**105,437**	80,370
Gross book value	**2,057,769**	1,471,510
Debt to gross book value	**48.3%**	51.8%
Debt, excluding Convertible Debentures, to gross book value	**n/a**	48.8%

Capital Disclosure

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

The Company's objectives when managing capital are to:

(i) maintain a capital structure that provides options to the Company for accessing capital on commercially reasonable terms, without exceeding its debt capacity, or the limitations in its credit facilities, or taking on undue risks;

(ii) maintain financial flexibility in order to meet financial obligations, including debt service payments and regular dividend payments; and

(iii) deploy capital to provide an appropriate investment return to its shareholders.

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

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

The Company has property-level mortgages that are secured by each of the underlying properties' assets, guaranteed by the Company and are subject to certain customary financial and non-financial covenants. The

Company is in compliance with all financial covenants on its borrowings as at September 30, 2018. However, there can be no assurance that covenant requirements will be met at all times. If the Company does not remain in compliance, its ability to amend the covenants or refinance its debt could be adversely affected.

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

Contractual Obligations and Other Commitments

Long-term Debt

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

			Amortizing Debt				
Year	Series B Debentures	Floating Rate Debt	Regular Principal Payments	Principal Due at Maturity	**Total**	% of Total	Weighted Average Interest on Maturing Debt
2018	—	—	5,776	22,219	**27,995**	2.7%	5.8%
2019	—	18,500	22,463	65,340	**106,303**	10.4%	4.5%
2020	—	58,000	19,525	19,992	**97,517**	9.5%	3.5%
2021	322,000	—	19,616	13,426	**355,042**	34.8%	3.5%
2022	—	—	18,150	33,199	**51,349**	5.0%	4.5%
2023	—	—	16,209	60,824	**77,033**	7.5%	4.2%
2024	—	—	14,440	25,893	**40,333**	3.9%	4.1%
2025	—	—	11,647	41,065	**52,712**	5.1%	4.8%
2026	—	—	11,660	—	**11,660**	1.1%	—%
2027	—	—	10,876	35,115	**45,991**	4.5%	3.3%
Thereafter	—	—	24,612	133,693	**158,305**	15.5%	3.6%
	322,000	**76,500**	**174,974**	**450,766**	**1,024,240**	100.0%	
Mark-to-market adjustment arising from acquisitions					**4,368**		
Less: Deferred financing costs					**(13,528)**		
					1,015,080		

Operating Leases

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

Related Party Transactions

As at September 30, 2018, the Company had amounts outstanding from certain key management of $1,351 (December 31, 2017 - $1,171) in relation to grants under the Company's Long-term Incentive Plan ("**LTIP**") and related share purchase loans, which have been recorded as a reduction to shareholders' equity. The LTIP's terms provide for the loans to bear interest at the Canadian prime rate prevailing at the Company's bank at the time of grant. The underlying common shares have been pledged as security against the respective loans. The Board of Directors has determined that, effective as of January 1, 2018, no further grants will be awarded or issued under the LTIP and the LTIP will be terminated.

Critical Accounting Estimates and Accounting Policies

The accounting policies and estimates that are critical to the understanding of the Company's business operations and results of operations are identified in Note 3 of the Company's annual audited consolidated financial statements for the year ended December 31, 2017. Please refer to those statements for further detail.

In preparing the interim consolidated financial statements, the accounting policies utilized are consistent with those utilized in the preparation of the annual audited consolidated financial statements for the year ended December 31, 2017, other than those new accounting policies specifically disclosed in the interim consolidated financial statements for the nine months ended September 30, 2018. The annual audited consolidated financial statements are available on SEDAR or may be accessed on the Company's website.

Significant Judgments and Estimates

The critical accounting estimates used by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual audited consolidated financial statements for the year ended December 31, 2017, which are available on SEDAR or the Company's website. Please refer to those consolidated financial statements for further detail.

Risk Factors

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

On May 2, 2018, the Company was served with a proposed class action alleging, amongst other things, negligence, and claiming damages in the amount of $150,000. On October 25, 2018, the Ontario Superior Court of Justice issued an order discontinuing the action as a class action. The Company expects that the action will continue as an individual claim, and that any potential liability pursuant to such claim will be covered by insurance and should therefore not have a material adverse impact on the business, operating results or financial condition of the Company. The Company will continue to vigorously defend such claim through the appropriate court process.

Controls and Procedures

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

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

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

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

Forward-Looking Statements

This document contains forward-looking information based on management's current expectations, estimates and projections about the future results, performance, achievements, prospects or opportunities for the Company as of the date of this MD&A. Forward-looking statements involve significant known and unknown risks and uncertainties and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. Such known and unknown risks, uncertainties and other factors may cause the actual results to be materially different from any future results expressed or implied by such forward-looking statements. When used in this MD&A, such statements use words such as "may", "might", "will", "expect", "believe", "plan", "budget", "should", "could", "would", "anticipate", "estimate", "forecast", "intend", "continue", "project", "schedule" and other similar terminology. The forward-looking statements contained in this MD&A are based on information currently available to management of the Company and that management currently believes are based on reasonable assumptions. However, neither the Company nor management of the Company can ensure actual results will be consistent with these forward-looking statements. These forward-looking statements are as of the date of this MD&A, and the Company and its management assume no obligation to update or revise them to reflect new events or circumstances except as required by securities laws. Readers are cautioned not to place undue reliance on any forward-looking statements.

Appendix: Property List

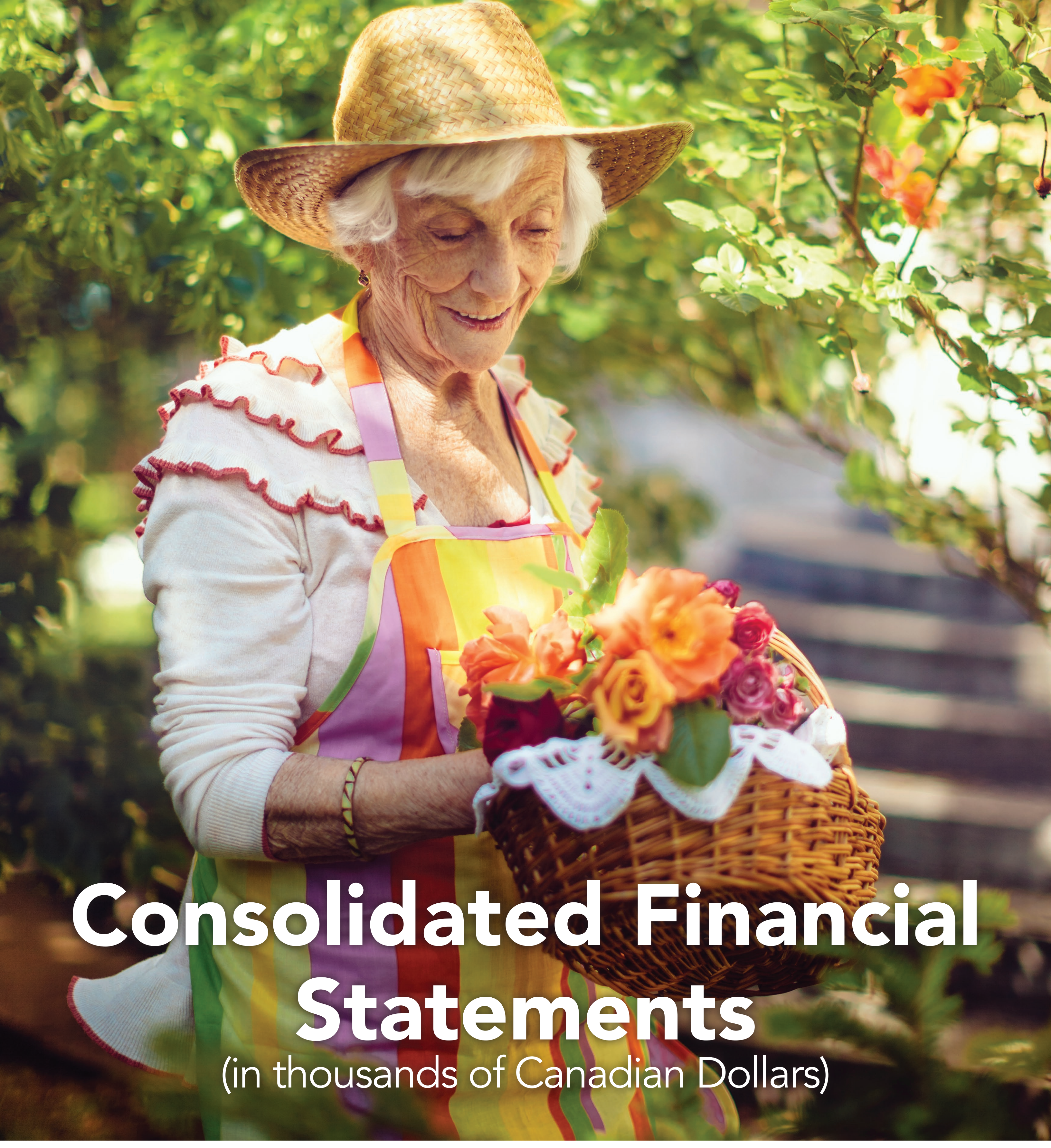
The table below presents the properties owned and operated by the Company:

NAME OF COMMUNITY	LOCATION	FUNDED	PRIVATE	TOTAL BEDS/ SUITES
Retirement				
Astoria Retirement Residence	Port Coquitlam, BC	—	135	135
Bearbrook Retirement Residence	Ottawa, ON	—	101	101
Carolina Retirement Residence	Perth, ON	—	140	140
Cedarvale Lodge Retirement & Care Community	Keswick, ON	—	130	130
Doon Village Retirement Residence	Kitchener, ON	—	97	97
Heatherwood Retirement Residence	St. Catharines, ON	—	167	167
Island Park Retirement Residence	Campbellford, ON	—	83	83
Island View Retirement Residence	Arnprior, ON	—	107	107
Kawartha Lakes Retirement Residence	Bobcaygeon, ON	—	93	93
Kensington Place Retirement Residence	Toronto, ON	—	101	101
Kingsmere Retirement Residence	Alliston, ON	—	98	98
Lincoln Park Retirement Residence	Grimsby, ON	—	70	70
Martindale Gardens Retirement Residence	Milton, ON	—	75	75
Mayfair Terrace Retirement Residence	Port Coquitlam, BC	—	89	89
Midland Gardens Seniors Apartments	Scarborough, ON	—	53	53
Pacifica Retirement Residence	Surrey, BC	—	131	131
Peninsula Retirement Residence	Surrey, BC	—	127	127
Quinte Gardens Retirement Residence	Belleville, ON	—	235	235
Red Oak Retirement Residence	Kanata, ON	—	158	158
Rideau Retirement Residence	Burnaby, BC	—	138	138
Rosewood Retirement Residence	Kingston, ON	—	68	68
Royale Place Retirement Residence	Kingston, ON	—	136	136
Traditions of Durham Retirement Residence	Oshawa, ON	—	141	141
Trillium Retirement and Care Community	Kingston, ON	—	42	42
Villa Da Vinci Retirement Residence	Woodbridge, ON	—	124	124
Waterford Barrie Retirement Residence	Barrie, ON	—	202	202
Waterford Kingston Retirement Residence	Kingston, ON	—	182	182
Total Retirement		**—**	**3,223**	**3,223**
Residential Care				
Brookside Lodge	Surrey, BC	102	14	116
Glenmore Lodge[(1)]	Kelowna, BC	100	18	118
Lake Country Lodge	Lake Country, BC	45	45	90
Lakeview Lodge	West Kelowna, BC	100	14	114
Mariposa Gardens	Osoyoos, BC	114	31	145
Nicola Lodge[(1)]	Port Coquitlam, BC	238	18	256
Ridgeview Lodge	Kamloops, BC	106	23	129
The Cascades	Chilliwack, BC	150	17	167
Total Residential Care		**955**	**180**	**1,135**

NAME OF COMMUNITY	LOCATION	FUNDED	PRIVATE	TOTAL BEDS/ SUITES
Long-term Care				
Altamont Care Community	West Hill, ON	159	—	159
Barnswallow Place Care Community	Elmira, ON	96	—	96
Bloomington Cove Care Community	Stouffville, ON	113	—	113
Bradford Valley Care Community	Bradford, ON	246	—	246
Camilla Care Community	Mississauga, ON	236	—	236
Case Manor Care Community	Bobcaygeon, ON	96	—	96
Cedarvale Lodge Retirement & Care Community	Keswick, ON	60	—	60
Cheltenham Care Community	Toronto, ON	170	—	170
Creedan Valley Care Community	Creemore, ON	95	—	95
Deerwood Creek Care Community	Etobicoke, ON	160	—	160
Fieldstone Commons Care Community	Scarborough, ON	224	—	224
Fountain View Care Community	Toronto, ON	158	—	158
Fox Ridge Care Community	Brantford, ON	122	—	122
Granite Ridge Care Community	Stittsville, ON	224	—	224
Harmony Hills Care Community	Toronto, ON	160	—	160
Hawthorn Woods Care Community	Brampton, ON	160	—	160
Langstaff Square Care Community	Richmond Hill, ON	160	—	160
Madonna Care Community	Orleans, ON	160	—	160
Maple Grove Care Community	Brampton, ON	160	—	160
Midland Gardens Care Community	Scarborough, ON	299	—	299
Muskoka Shores Care Community	Gravenhurst, ON	206	—	206
Norfinch Care Community	North York, ON	160	—	160
Owen Hill Care Community	Barrie, ON	57	—	57
Rockcliffe Care Community	Scarborough, ON	204	—	204
Secord Trails Care Community	Ingersoll, ON	80	—	80
Silverthorn Care Community	Mississauga, ON	160	—	160
Spencer House, Orillia[(2)]	Orillia, ON	160	—	160
St. George Care Community	Toronto, ON	238	—	238
Streetsville Care Community	Mississauga, ON	118	—	118
Trillium Retirement and Care Community	Kingston, ON	190	—	190
Tullamore Care Community	Brampton, ON	159	—	159
Waters Edge Care Community	North Bay, ON	148	—	148
Weston Terrace Care Community	Toronto, ON	224	—	224
Woodbridge Vista Care Community	Woodbridge, ON	224	—	224
Woodhall Park Care Community	Brampton, ON	147	—	147
Total Long-term Care		**5,733**	**—**	**5,733**
Total Long-term Care / Residential Care		**6,688**	**180**	**6,868**
Total Retirement and Long-term Care / Residential Care		**6,688**	**3,403**	**10,091**

Notes:

1. Nicola Lodge and Glenmore Lodge are referred to collectively as the "**Option Properties**", of which the Company owns 40% of Nicola Lodge (acquired in Q3 2016) and 77% of Glenmore Lodge (61% acquired in Q1 2017 and 16% acquired in Q2 2018) as at June 30, 2018. The Company has the option to acquire up to a 100% interest in each of these properties.
2. Spencer House Inc., a non-profit organization, holds the licence from the MOHLTC to operate the LTC beds at Orillia, and is the counterparty to the services agreement with the applicable Local Health Integration Network. The Company is the appointed manager of Spencer House, Orillia, and is the owner of the land, buildings, furniture, fixtures and equipment used to operate and manage Spencer House, Orillia (which land, buildings, furniture, fixtures and equipment are leased to Spencer House Inc.).



Consolidated Financial Statements

(in thousands of Canadian Dollars)

Q3 2018

Sienna Senior Living Inc.

Sienna
SENIOR LIVING

Condensed Interim Consolidated Financial Statements

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

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

Thousands of dollars

	Notes	**September 30, 2018**	December 31, 2017
ASSETS			
Current assets			
Cash		**9,082**	18,765
Accounts receivable and other assets	17	**9,828**	7,833
Income support		**156**	865
Prepaid expenses and deposits		**5,466**	9,530
Government funding receivable		**3,670**	3,751
Construction funding receivable	5	**10,953**	10,589
Income taxes receivable		**—**	934
		39,155	52,267
Government funding receivable		**235**	639
Interest rate swap contracts	5	**4,253**	1,881
Restricted cash	6	**33,487**	27,975
Construction funding receivable	5	**48,876**	54,025
Property and equipment	7	**1,178,275**	906,610
Intangible assets	8	**274,665**	229,810
Goodwill	4	**167,666**	121,651
Total assets		**1,746,612**	1,394,858
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**78,209**	81,858
Government funding payable		**5,377**	3,128
Current portion of long-term debt	5, 9	**90,196**	47,185
Convertible debentures	5, 10	**—**	44,267
Income taxes payable		**249**	—
Interest rate swap contracts	5	**262**	380
		174,293	176,818
Long-term debt	5, 9	**924,884**	751,423
Deferred income taxes	12	**55,427**	59,662
Government funding payable		**4,940**	2,211
Share-based compensation liability	15	**7,023**	7,186
Interest rate swap contracts	5	**783**	1,358
Total liabilities		**1,167,350**	998,658
EQUITY			
Shareholders' equity		**579,262**	396,200
Total equity		**579,262**	396,200
Total liabilities and equity		**1,746,612**	1,394,858

See accompanying notes.

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

"Dino Chiesa"

Dino Chiesa
Chair and Director

"Janet Graham"

Janet Graham
Director

Thousands of dollars

	Notes	Share capital	Equity portion of convertible debentures	Contributed surplus	Shareholders' deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity	Non-controlling interest	Total equity
Balance, January 1, 2018		**639,361**	**515**	**157**	**(241,659)**	**(2,174)**	**396,200**	**—**	**396,200**
Issuance of shares	13	**216,526**	**(515)**	**—**	**—**	**—**	**216,011**	**—**	**216,011**
Net income		**—**	**—**	**—**	**9,581**	**—**	**9,581**	**—**	**9,581**
Other comprehensive income		**—**	**—**	**—**	**—**	**503**	**503**	**—**	**503**
Long-term incentive plan	13, 15	**41**	**—**	**46**	**—**	**—**	**87**	**—**	**87**
Share purchase loan	13	**18**	**—**	**—**	**—**	**—**	**18**	**—**	**18**
Dividends	13, 14	**—**	**—**	**—**	**(43,138)**	**—**	**(43,138)**	**—**	**(43,138)**
Balance, September 30, 2018		**855,946**	**—**	**203**	**(275,216)**	**(1,671)**	**579,262**	**—**	**579,262**

	Notes	Share capital	Equity portion of convertible debentures	Contributed surplus	Shareholders' deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity	Non-controlling interest	Total equity
Balance, January 1, 2017		522,766	515	121	(220,401)	(2,825)	300,176	31	300,207
Issuance of shares	13	4,332	—	—	—	—	4,332	—	4,332
Net income	21	—	—	—	17,297	—	17,297	322	17,619
Other comprehensive income		—	—	—	—	484	484	—	484
Long-term incentive plan	13, 15	36	—	36	—	—	72	—	72
Share purchase loan	13	17	—	—	—	—	17	—	17
Dividends	13, 14	—	—	—	(31,223)	—	(31,223)	—	(31,223)
Distributions		—	—	—	—	—	—	(275)	(275)
Balance, September 30, 2017		527,151	515	157	(234,327)	(2,341)	291,155	78	291,233

See accompanying notes.

Thousands of dollars, except share and per share data

	Notes	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Revenue	18, 20	**165,048**	139,867	**472,529**	411,360
Expenses					
Operating		**124,529**	109,109	**360,216**	323,731
Depreciation and amortization		**19,342**	10,027	**51,708**	27,819
Administrative		**5,440**	5,072	**14,819**	15,295
	19	**149,311**	124,208	**426,743**	366,845
Income before net finance charges, transaction costs and provision for (recovery of) income taxes		**15,737**	15,659	**45,786**	44,515
Net finance charges	11	**7,970**	6,528	**23,532**	18,766
Transaction costs		**957**	756	**9,302**	1,969
Total other expenses		**8,927**	7,284	**32,834**	20,735
Income before provision for (recovery of) income taxes		**6,810**	8,375	**12,952**	23,780
Provision for (recovery of) income taxes					
Current		**2,233**	2,449	**6,473**	6,154
Deferred		**(423)**	(288)	**(3,102)**	7
	12	**1,810**	2,161	**3,371**	6,161
Net income		**5,000**	6,214	**9,581**	17,619
Net income attributable to:					
Shareholders of the Company		**5,000**	6,080	**9,581**	17,297
Non-controlling interest	21	**—**	134	**—**	322
		5,000	6,214	**9,581**	17,619
Net income attributable to shareholders of the Company					
Basic and diluted net income per share	13	**$0.08**	$0.13	**$0.15**	$0.37
Weighted average number of common shares outstanding - basic	13	**65,752,737**	46,346,054	**63,062,629**	46,242,420
Weighted average number of common shares outstanding - diluted	13	**65,752,737**	49,007,478	**64,433,345**	48,922,700

See accompanying notes.

Condensed Interim Consolidated Statements of Comprehensive Income (Unaudited)

Thousands of dollars

	Notes	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Net income		**5,000**	6,214	**9,581**	17,619
Other comprehensive income					
Items that may be subsequently reclassified to the consolidated statements of operations:					
Loss on bond forward contracts, net of tax	12	171	164	503	484
Total comprehensive income		**5,171**	6,378	**10,084**	18,103

See accompanying notes.

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

	Notes	Three months ended September 30, 2018	2017	Nine months ended September 30, 2018	2017
OPERATING ACTIVITIES					
Net income		**5,000**	6,214	**9,581**	17,619
Add (deduct) items not affecting cash					
Depreciation of property and equipment		**10,050**	8,151	**28,514**	22,981
Amortization of intangible assets		**9,292**	1,876	**23,194**	4,838
Current income taxes		**2,233**	2,449	**6,473**	6,154
Deferred income (recoveries)/taxes		**(423)**	(288)	**(3,102)**	7
Share-based compensation	15	**584**	384	**733**	1,581
Net finance charges	11	**7,970**	6,528	**23,532**	18,766
		34,706	25,314	**88,925**	71,946
Non-cash changes in working capital					
Accounts receivable and other assets		**(1,065)**	(1,478)	**(1,592)**	796
Prepaid expenses and deposits		**1,268**	927	**(3,465)**	(2,267)
Accounts payable and accrued liabilities		**(8,730)**	(3,668)	**(4,865)**	(7,172)
Income support		**130**	—	**709**	—
Government funding, net		**2,058**	2,956	**5,463**	5,908
		(6,339)	(1,263)	**(3,750)**	(2,735)
Interest paid on long-term debt and convertible debentures		**(11,780)**	(9,428)	**(28,815)**	(23,498)
Net settlement payment on interest rate swap contracts		**(233)**	(147)	**(591)**	(732)
Income taxes paid		**(1,800)**	(2,205)	**(5,290)**	(8,510)
Cash provided by operating activities		**14,554**	12,271	**50,479**	36,471
INVESTING ACTIVITIES					
Purchase of property and equipment, net of disposals	7	**(12,639)**	(2,829)	**(25,568)**	(6,802)
Purchase of intangible assets	8	**(782)**	(666)	**(2,213)**	(1,402)
Amounts received from construction funding		**3,317**	3,269	**9,907**	9,809
Interest received from cash		**109**	230	**877**	382
Acquisition of Glenmore Lodge	4	**—**	—	**(2,796)**	(5,699)
Acquisition of the Acquired Properties	4	**—**	—	**(297,708)**	—
Acquisition of Rosewood Retirement Residence		**—**	—	**—**	(2,038)
Acquisition of Kawartha Lakes		**—**	(20,896)	**—**	(20,896)
Change in restricted cash	6	**396**	(155)	**(50)**	(662)
Cash used in investing activities		**(9,599)**	(21,047)	**(317,551)**	(27,308)
FINANCING ACTIVITIES					
Gross proceeds from issuance of common shares	13	**—**	—	**184,017**	—
Share issuance costs		**46**	—	**(8,938)**	—
Redemption of convertible debentures	10	**—**	—	**(12,956)**	—
Repayment of long-term debt		**(71,630)**	(38,623)	**(260,976)**	(60,656)
Proceeds from long-term debt		**34,082**	56,407	**407,160**	73,507
Deferred financing costs		**(1,691)**	(672)	**(11,037)**	(1,481)
Change in Series B Debenture principal reserve fund	6	**(1,821)**	(1,758)	**(5,462)**	(5,103)
Distributions to non-controlling interest		**—**	(92)	**—**	(275)
Dividends paid	14	**(11,555)**	(9,087)	**(34,419)**	(27,286)
Cash (used in) provided by financing activities		**(52,569)**	6,175	**257,389**	(21,294)
Decrease in cash during the period		**(47,614)**	(2,601)	**(9,683)**	(12,131)
Cash, beginning of period		**56,696**	17,670	**18,765**	27,200
Cash, end of period		**9,082**	15,069	**9,082**	15,069

See accompanying notes.

1 Organization

Sienna Senior Living Inc. (the "**Company**") and its predecessors have been operating since 1972. The Company is one of Canada's leading seniors' living providers serving the continuum of independent living ("**IL**"), independent supportive living ("**ISL**"), assisted living ("**AL**"), memory care ("**MC**") and long-term care/ residential care ("**LTC**"or "**Long-term Care**"/ "**RC**" or "**Residential Care**") through the ownership and operation of seniors' living residences in the Provinces of British Columbia and Ontario. As at September 30, 2018, the Company owns and operates a total of 70 seniors' living residences: 27 retirement residences ("**RRs**" or "**Retirement Residences**"); 35 LTC residences; and eight seniors' living residences providing both private-pay IL and AL and funded RC (including the Company's joint ownership in two residences in British Columbia), previously referred to as the "**Baltic Properties**". Under its management services division, the Company provides management services to 18 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 the Province of Ontario, except for two properties (referred to as the Option Properties and defined in Note 22), 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 September 30, 2018, the Company had outstanding 65,853,107 common shares (TSX symbol: SIA.DB) (formerly LW.DB).

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

2 Basis of preparation

These unaudited condensed interim consolidated financial statements ("**interim consolidated financial statements**") have been prepared in accordance with International Accounting Standard ("**IAS**") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("**IASB**"). The interim consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

The interim consolidated financial statements were approved by the Board of Directors for issuance on November 14, 2018.

3 Summary of significant accounting policies, judgments and estimation uncertainty

In preparing these interim consolidated financial statements, the accounting policies utilized are consistent with those utilized in the preparation of the annual audited consolidated financial statements for the year ended December 31, 2017, except as described in the "Changes in accounting policies" section below.

Changes in accounting policies

IFRS 9, Financial Instruments

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

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

With respect to debt modifications, IFRS 9 requires the difference between the original contractual cash flows and the modified cash flows be recognized during the period. The calculation requires the original and modified cash flows to be discounted at the original effective interest rate. This had no impact on transition.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers, requires an entity to recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The Company has adopted and applied this standard effective January 1, 2018. Due to the adoption of IFRS 15, the Company has disclosed in the notes to the interim consolidated financial statements the revenue earned from its Retirement business segment for services provided to retirement residents separately from revenue earned for monthly accommodations paid by the retirement residents under IAS 17, Leases. Retirement revenues for other services fall under IFRS 15 and are received on a monthly basis and the performance obligation of providing the other services is met over time as the services are rendered. There was no restatement of prior year consolidated financial statements as a result of the changes in the Company's accounting policies.

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

Accounting standards issued but not yet applied

IFRS 16, Leases
In October 2015, the IASB issued the new standard that sets out the principles for the recognition, measurement and disclosure of leases. This new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, although earlier application is permitted for entities that apply IFRS 15. The Company is in the process of assessing the impact of this new standard; however, based on the in-place operating leases, the impact is not expected to be material to the Company's consolidated statements of financial position and consolidated statements of operations.

IFRIC 23, Uncertainty over Income Tax Treatments
In June 2017, the IASB issued International Financial Reporting Interpretations Committee ("**IFRIC**") Interpretation 23, Uncertainty over Income Tax Treatments, which clarifies the application of recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company is in the process of assessing the impact of this new interpretation; however, the impact is not expected to be material to the Company's consolidated statements of financial position and consolidated statements of operations.

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

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

4 Acquisitions

Portfolio of Ten Seniors' Living Residences

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

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

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

Transaction costs expensed related to the Acquisition for the nine months ended September 30, 2018 were $6,989.

As part of the Acquisition, the Company assumed existing property-level mortgages in the amount of $53,060 with a fair value of $54,560, bearing interest at rates ranging from 3.42% to 5.80% and maturing from September 30, 2022 to June 1, 2040. The Company also assumed a non-revolving credit facility in the amount of $22,000 and negotiated a $7,000 increase (Note 9).

To finance the Acquisition, the Company drew $115,000 under the Bridge Loan (Note 9), increased borrowings by $5,997 on a property-level mortgage and drew $7,000 under the increased non-revolving credit facility (Note 9), and completed the Acquisition Offering (Note 13).

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

Acquisition of an additional 16% interest in Glenmore Lodge

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% ("**Step Up Acquisition of Glenmore**").

The Company has applied business combination accounting for the acquisition of the additional interest in Glenmore Lodge, which is considered to be a joint operation and the activities of Glenmore Lodge constitute a business.

The total net purchase price of $2,796 was allocated to the assets and liabilities on a preliminary basis as follows:

Assets	
Accounts receivable	57
Property and equipment	4,288
Intangible assets	1,766
Goodwill	85
Total assets	6,196
Liabilities	
Long-term debt	3,400
Total liabilities	3,400
Net assets acquired	2,796
Cash consideration	2,796
Total consideration	2,796

Transaction costs expensed related to the Step Up Acquisition of Glenmore for the nine months ended September 30, 2018 were $77.

As part of the Step Up Acquisition of Glenmore, the Company assumed an additional 16% of the existing property-level mortgage in the amount of $3,497 with a fair value of $3,400, bearing interest at a rate of 4.68% and maturing on April 1, 2032.

If the Acquisition and Step Up Acquisition of Glenmore had taken place on January 1, 2018, it is estimated that the consolidated revenue and consolidated net income for the Company for the nine months ended September 30, 2018 would have been approximately $486,795 and $8,422, respectively.

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

5 Financial instruments

Fair value of financial instruments

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

The following financial instruments are at amortized cost and the fair value is disclosed as follows as at September 30, 2018 and December 31, 2017:

	As at September 30, 2018		As at December 31, 2017	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial Assets				
Construction funding receivable	**59,829**	**61,391**	64,614	67,925
Financial Liabilities				
Long-term debt	**1,015,080**	**991,780**	798,608	799,619
Convertible debentures	—	—	44,267	48,515

Liquidity risk

Liquidity risk is the risk the Company may encounter difficulties in meeting its obligations associated with financial liabilities and commitments. The Company has credit agreements in place related to the long-term debt. These credit agreements contain a number of standard financial and other covenants. The Company was in compliance with all covenants on its borrowings as at September 30, 2018. A failure by the Company to comply with the obligations in these credit agreements could result in a default, which, if not rectified or waived, could permit acceleration of the relevant indebtedness.

As at September 30, 2018, the Company had negative working capital (current liabilities less current assets) of $135,138 (December 31, 2017 - $124,551). To support the Company's working capital deficiency, the Company has available cash generated from its operations and, if necessary, undrawn credit facilities.

6 Restricted cash

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

	September 30, 2018	December 31, 2017
Series B Debentures principal reserve fund	**29,386**	23,924
Capital maintenance reserve	**4,101**	3,462
Benefits reserve	—	589
Restricted cash	**33,487**	27,975

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

7 Property and equipment

	Land	Buildings	Furniture and fixtures	Automobiles	Computer hardware	Circulating equipment	Construction -in-progress	Total
Cost								
At January 1, 2018	109,404	928,703	36,825	779	2,498	1,119	4,488	1,083,816
Acquisition of Acquired Properties	20,546	230,194	22,356	404	—	—	—	273,500
Acquisition of additional 16% interest in Glenmore Lodge	459	3,434	395	—	—	—	—	4,288
Transfers[(1)]	—	2,061	257	—	—	—	(2,318)	—
Additions	8,662	4,590	1,689	5	2,812	(6)	4,639	22,391
As at September 30, 2018	139,071	1,168,982	61,522	1,188	5,310	1,113	6,809	1,383,995
Accumulated depreciation								
As at September 30, 2018	—	184,923	18,945	546	1,306	—	—	205,720
Net book value at September 30, 2018	**139,071**	**984,059**	**42,577**	**642**	**4,004**	**1,113**	**6,809**	**1,178,275**

[(1)]Transfers from construction-in-progress to buildings and furniture and fixtures are net of construction funding from the health authority of $994 and $3,177 for the three and nine months ended September 30, 2018, respectively.

8 Intangible assets

	Licences	Resident relationships	Service contracts	Computer software	Total
Cost					
At January 1, 2018	189,282	103,399	10,968	8,404	312,053
Acquisition of Acquired Properties	—	64,070	—	—	64,070
Acquisition of additional 16% interest in Glenmore Lodge	1,663	103	—	—	1,766
Additions	—	—	—	2,213	2,213
As at September 30, 2018	190,945	167,572	10,968	10,617	380,102
Accumulated amortization					
As at September 30, 2018	—	92,598	9,710	3,129	105,437
Net book value at September 30, 2018	**190,945**	**74,974**	**1,258**	**7,488**	**274,665**

9 Long-term debt

	Interest rate	Maturity date	September 30, 2018	December 31, 2017
Series B Debentures	3.474%	February 3, 2021	**322,000**	322,000
Credit facilities and loans	Floating	2019-2020	**76,500**	68,500
Mortgages at fixed rates	2.77% - 7.11%	2018-2041	**442,918**	305,896
Mortgages at variable rates	Floating	2019-2029	**182,822**	103,103
			1,024,240	799,499
Mark-to-market adjustments on acquisitions			**4,368**	3,638
Financing costs			**(13,528)**	(4,529)
Total debt			**1,015,080**	798,608
Less: current portion			**90,196**	47,185
			924,884	751,423

Credit facilities

On March 28, 2018, the Company entered into a credit agreement with a Canadian lender for an acquisition term loan facility of $115,000 due one year from the closing of the Acquisition (the "**Bridge Loan**"). Borrowings under the Bridge Loan were available by way of banker's acceptance ("**BA**") at the BA rate plus 200 basis points ("**bps**") and loans at an interest rate of prime plus 100 bps per annum. The Bridge Loan was secured by a pool of properties, and was subject to certain customary financial and non-financial covenants. As at September 30, 2018, the Bridge Loan was fully repaid.

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

Mortgages assumed from acquisition

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

10 Convertible debentures

As at May 23, 2018 (the "**Redemption Date**"), the Company has redeemed all of its outstanding convertible unsecured subordinated debentures ("**Convertible Debentures**") due on June 30, 2018. The Convertible Debentures have been redeemed at a redemption price equal to $1,000 per $1,000 principal amount of Convertible Debentures plus $18.22, representing accrued and unpaid interest up to but excluding the Redemption Date, for a total redemption amount of $1,018.22 per $1,000 principal amount of Convertible Debentures.

On issuance, the debt and equity components of the Convertible Debentures were bifurcated with $45,593 classified as a liability and $515 classified as equity attributable to the conversion option. The equity component included a deferred tax asset of $108. The liability portion of the Convertible Debentures was initially recorded at fair value and subsequently carried at amortized cost. The Company incurred financing costs of $2,111 related to the Convertible Debentures, which were amortized over their term using the effective interest method and are recognized as part of net finance charges. During the nine months ended September 30, 2018, $31,553 (December 31, 2017 - $574) of Convertible Debentures were converted into 1,883,755 (December 31, 2017 - 34,270) common shares (at $16.75 per common share), and on the Redemption Date, $12,956 of Convertible Debentures were redeemed in cash by the Company.

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

11 Net finance charges

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Finance costs				
Interest expense on long-term debt	**9,355**	6,657	**25,496**	19,412
Interest expense on Convertible Debentures	**—**	543	**844**	1,623
Fees on revolving credit facilities	**116**	91	**240**	205
Amortization of financing charges and fair value adjustments on acquired debt	**897**	107	**1,564**	467
Amortization of loss on bond forward contract	**233**	224	**684**	659
Fair value gain on interest rate swap contracts	**(1,889)**	(193)	**(2,474)**	(914)
	8,712	7,429	**26,354**	21,452
Finance income				
Interest income on construction funding receivable	**633**	671	**1,945**	2,222
Other interest income	**109**	230	**877**	464
	742	901	**2,822**	2,686
Net finance charges	**7,970**	6,528	**23,532**	18,766

12 Income taxes

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Income before provision for income taxes	**6,810**	8,375	**12,952**	23,780
Canadian combined income tax rate	**26.57%**	26.46%	**26.57%**	26.46%
Income tax expense	**1,809**	2,216	**3,441**	6,292
Adjustments to income tax provision:				
Non-deductible items	**82**	39	**74**	132
Book to filing adjustment	**1**	1	**187**	7
Other items	**(82)**	(95)	**(331)**	(270)
Provision for income taxes	**1,810**	2,161	**3,371**	6,161

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

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

	Depreciable tangible and intangible assets	Share issuance	Construction funding interest	Other	Total
As at January 1, 2017	(67,738)	1,507	3,839	1,536	(60,856)
Due to acquisitions during the year	28	—	—	91	119
Credit (charge) to net income	623	(185)	(772)	(591)	(925)
Book to filing adjustment	592	(51)	—	907	1,448
Charge to other comprehensive income	—	—	—	(234)	(234)
Credit to equity	—	786	—	—	786
As at December 31, 2017	(66,495)	2,057	3,067	1,709	(59,662)
Due to acquisitions in the period	—	—	—	399	399
Credit (charge) to net income	4,487	53	(494)	(1,157)	2,889
Book to filing adjustment	(85)	108	—	(209)	(186)
Charge to other comprehensive income	—	—	—	(182)	(182)
Charge to equity	—	1,427	—	(112)	1,315
As at September 30, 2018	**(62,093)**	**3,645**	**2,573**	**448**	**(55,427)**

The loss on bond forward contracts on the interim consolidated statements of comprehensive income is net of tax for the three and nine months ended September 30, 2018 of $63 and $182, respectively (2017 - $60 and $175, respectively).

13 Share capital

Authorized

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

Issued and outstanding

Common shares

	Common shares	Amount
Balance, January 1, 2017	46,101,757	522,766
Long-term incentive plan, net of loans receivable	12,026	44
Share-based compensation	—	23
Dividend reinvestment plan	307,903	5,276
Issued common shares, net of issuance costs	6,632,956	111,252
Balance, December 31, 2017	53,054,642	639,361
Long-term incentive plan, net of loans receivable (Note 15)	13,712	41
Share-based compensation (Note 15)	—	18
Dividend reinvestment plan	458,089	7,660
Issued common shares, net of share issuance costs (Notes 10 and 15)	12,326,664	208,866
Balance, September 30, 2018	**65,853,107**	**855,946**

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

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

Dividend reinvestment plan

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

Earnings per share

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Reconciliation of net income used as the numerator				
Net income	**5,000**	6,214	**9,581**	17,619
Less: Net income attributable to non-controlling interest	—	134	—	322
Net income used in calculating basic income per share	**5,000**	6,080	**9,581**	17,297
Net finance charges on Convertible Debentures	—	647	**1,043**	1,928
Current income tax adjustment	—	(171)	**(276)**	(510)
Net income used in calculating diluted income per share	**5,000**	6,556	**10,348**	18,715
Weighted average number of common shares used as the denominator				
Weighted average number of common shares - basic	**65,752,737**	46,346,054	**63,062,629**	46,242,420
Shares issued if all Convertible Debentures were converted	—	2,661,424	**1,370,716**	2,680,280
Weighted average number of common shares - diluted[(1)]	**65,752,737**	49,007,478	**64,433,345**	48,922,700

[(1)]The weighted average number of diluted common shares calculation accounts for the Convertible Debentures that converted into common shares as of the Redemption Date.

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

14 Dividends

The Company paid dividends at $0.075 per month per common share from January 1, 2018 to September 13, 2018 and $0.0765 per month per common share effective September 14, 2018 totaling $11,555 for the three months ended and $34,419 for the nine months ended September 30, 2018 (2017 - $9,087 and $27,286, respectively). Dividends payable of $5,038 are included in accounts payable and accrued liabilities as at September 30, 2018 (December 31, 2017 - $3,979). Subsequent to September 30, 2018, the Board of Directors declared dividends of $0.0765 per common share for October 2018 totaling $5,043.

15 Share-based compensation

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

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

On February 15, 2018, incentive award amounts entitling eligible senior executives ("**Participants**") to acquire 13,712 common shares were granted in connection with the year ended December 31, 2017, pursuant to the LTIP. On the grant date, the Company provided a loan to the Participants for the LTIP shares granted and the Participants paid $12 towards the acquisition of common shares. This payment was recorded as an increase to share capital. Related to the LTIP in the nine months ended September 30, 2018, the Company recorded an increase of $41 to share capital (2017 - $36) and $46 to contributed surplus (2017 - $36). As at September 30, 2018, the outstanding loan balance was $969 (December 31, 2017 - $772). Total expense related to the LTIP for the three and nine months ended September 30, 2018 was $nil and $46, respectively (2017 - $nil and $36, respectively).

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

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

Valuation date	**February 15, 2018**	February 15, 2017
Fair value at grant date	**$17.36**	$17.75
Volatility	**17.96%**	16.55%
Monthly discrete dividend	**$0.075**	$0.075
Risk-free rate	**2.72%**	2.00%
Annual interest rate on Participants' loan	**3.00%**	2.70%
Forfeiture rate	**0.00%**	0.00%

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

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

During the nine months ended September 30, 2018, 23,508 RSUs (2017 - 2,382) were granted pursuant to the RSUP. Total expenses related to the RSUP for the three and nine months ended September 30, 2018 were $81 and $179, respectively (2017 - $64 and $223, respectively), including mark-to-market adjustments and net of forfeitures, which were recognized in administrative expenses. During the nine months ended September 30, 2018, 17,009 RSUs vested and 8,787 were settled in shares, resulting in a decrease of $297 to the share-based compensation liability. The total liability recorded as part of the share-based compensation liability as at September 30, 2018 was $394 (December 31, 2017 - $512).

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

	Number of RSUs
Outstanding, January 1, 2017	41,445
Granted	2,382
Dividends reinvested	1,984
Settled in shares	(8,075)
Outstanding, December 31, 2017	37,736
Granted	23,508
Dividends reinvested	1,701
Settled in cash	(8,222)
Settled in shares	(8,787)
Outstanding, September 30, 2018	45,936

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

Total expenses related to the DSUP for the three and nine months ended September 30, 2018 were $314 and $269, respectively (2017 - $208 and $936, respectively), including mark-to-market adjustments, which were recognized in administrative expenses. During the three and six months ended June 30, 2018, $800 of DSUs were redeemed in cash. The total liability recorded related to the DSUP as a part of the share-based compensation liability as at September 30, 2018 was $4,394 (December 31, 2017 - $4,925). The value of each deferred share unit is measured at each reporting date and is equivalent to the fair value of a common share of the Company at the reporting date.

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

During the nine months ended September 30, 2018, 33,481 (2017 - 44,924) executive deferred share units were granted. Total expenses related to the EDSUP for the three and nine months ended September 30, 2018 were $189 and $239, respectively (2017 - $112 and $386, 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 September 30, 2018 was $2,235 (December 31, 2017 - $1,749).

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

16 Key management compensation

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Salaries and short-term employee benefits	**920**	865	**2,933**	2,489
Share-based compensation	**584**	384	**733**	1,581
	1,504	1,249	**3,666**	4,070

17 Related party transactions

As at September 30, 2018, the Company had amounts outstanding from certain key management of $1,351 (December 31, 2017 - $1,171) in relation to grants under the LTIP and related share purchase loans, which have been recorded as a reduction to shareholders' equity. The LTIP's terms provide for the loans to bear interest at the Canadian prime rate prevailing at the Company's bank at the time of grant. The underlying common shares have been pledged as security against the respective loans.

18 Economic dependence

The Company holds licences related to each of its LTC/RC residences and receives funding from the applicable health authorities related to those licences. During the three and nine months ended September 30, 2018, the Company received approximately $91,039 and $264,172, respectively (2017 - $87,687 and $256,365, respectively) in respect of these licences.

19 Expenses by category

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Salaries, benefits and other people costs	**96,187**	85,887	**279,494**	253,953
Depreciation and amortization	**19,342**	10,027	**51,708**	27,819
Food	**7,703**	6,139	**21,522**	17,814
Purchased services and non-medical supplies	**5,448**	4,608	**14,513**	13,546
Property taxes	**3,710**	2,803	**10,884**	9,309
Utilities	**3,933**	3,229	**12,061**	10,978
Other	**12,988**	11,515	**36,561**	33,426
Total expenses	**149,311**	124,208	**426,743**	366,845

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

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

	Three months ended September 30, 2018			
	Retirement[1]	**LTC/RC**	**Corporate, Eliminations and Other**	**Total**
Gross revenue	**38,803**	**130,185**	**16,375**	**185,363**
Less: Internal revenue	**—**	**3,940**	**16,375**	**20,315**
Net revenue	**38,803**	**126,245**	**—**	**165,048**
Income (loss) before net finance charges, transaction costs and provision for income taxes	**4,479**	**17,352**	**(6,094)**	**15,737**
Finance costs	**2,697**	**5,414**	**601**	**8,712**
Finance income	**—**	**(717)**	**(25)**	**(742)**
Transaction costs	**—**	**—**	**957**	**957**
Provision for income taxes	**—**	**—**	**1,810**	**1,810**
Net income (loss)	**1,782**	**12,655**	**(9,437)**	**5,000**
Purchase of property and equipment, net of disposals	**5,263**	**4,963**	**1,419**	**11,645**
Purchase of intangible assets	**—**	**—**	**782**	**782**

[1] For the three months ended September 30, 2018, the Retirement segment recognized accommodation revenues of $16,948 and service revenues of $21,855.

	Three months ended September 30, 2017			
	Retirement[1]	LTC/RC	Corporate, Eliminations and Other	Total
Gross revenue	18,359	125,204	11,360	154,923
Less: Internal revenue	—	3,696	11,360	15,056
Net revenue	18,359	121,508	—	139,867
Income (loss) before net finance charges, transaction costs and provision for income taxes	5,100	16,229	(5,670)	15,659
Finance costs	980	5,803	646	7,429
Finance income	—	(802)	(99)	(901)
Transaction costs	—	—	756	756
Provision for income taxes	—	—	2,161	2,161
Net income (loss)	4,120	11,228	(9,134)	6,214
Purchase of property and equipment, net of disposals	17,891	2,109	451	20,451
Purchase of intangible assets	2,979	4	658	3,641

[1] For the three months ended September 30, 2017, the Retirement segment recognized accommodation revenues of $8,071 and service revenues of $10,288.

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

	Nine months ended September 30, 2018			
	Retirement[1]	**LTC/RC**	**Corporate, Eliminations and Other**	**Total**
Gross revenue	**100,969**	**383,228**	**45,670**	**529,867**
Less: Internal revenue	**—**	**11,668**	**45,670**	**57,338**
Net revenue	**100,969**	**371,560**	**—**	**472,529**
Income (loss) before net finance charges, transaction costs and provision for income taxes	**12,599**	**49,864**	**(16,677)**	**45,786**
Finance costs	**7,534**	**16,041**	**2,779**	**26,354**
Finance income	**—**	**(2,426)**	**(396)**	**(2,822)**
Transaction costs	**—**	**—**	**9,302**	**9,302**
Provision for income taxes	**—**	**—**	**3,371**	**3,371**
Net income (loss)	**5,065**	**36,249**	**(31,733)**	**9,581**
Purchase of property and equipment, net of disposals	**282,916**	**14,331**	**2,932**	**300,179**
Purchase of intangible assets	**64,070**	**1,766**	**2,213**	**68,049**

[1] For the nine months ended September 30, 2018, the Retirement segment recognized accommodation revenues of $44,335 and service revenues of $56,634.

	Nine months ended September 30, 2017			
	Retirement[1]	LTC/RC	Corporate, Eliminations and Other	Total
Gross revenue	51,022	371,308	32,613	454,943
Less: Internal revenue	—	10,970	32,613	43,583
Net revenue	51,022	360,338	—	411,360
Income (loss) before net finance charges, transaction costs and provision for income taxes	14,564	47,088	(17,137)	44,515
Finance costs	3,506	16,018	1,928	21,452
Finance income	—	(2,674)	(12)	(2,686)
Transaction costs	—	—	1,969	1,969
Provision for income taxes	—	—	6,161	6,161
Net income (loss)	11,058	33,744	(27,183)	17,619
Purchase of property and equipment, net of disposals	27,325	21,494	644	49,463
Purchase of intangible assets, net of disposals	4,312	3,287	1,391	8,990

[1] For the nine months ended September 30, 2017, the Retirement segment recognized accommodation revenues of $22,727 and service revenues of $28,295.

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

	As at September 30, 2018			
	Retirement	**LTC/RC**	**Corporate, Eliminations and Other**	**Total**
Total assets	**834,353**	**900,309**	**11,950**	**1,746,612**
Goodwill	**62,305**	**105,361**	**—**	**167,666**
Intangible assets	**74,374**	**192,817**	**7,474**	**274,665**

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

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

21 Non-controlling interest

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Net income and total comprehensive income from PSM	—	268	—	644
Non-controlling interest share of ownership	—%	50%	—%	50%
Net income and total comprehensive income attributable to non-controlling interest	—	134	—	322

22 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 Nicola Lodge and Glenmore Lodge that has been recognized in the consolidated financial statements.

	September 30, 2018	December 31, 2017
Current assets	**2,573**	3,129
Long-term assets	**105,544**	105,972
Total assets	**108,117**	109,101
Current liabilities	**4,061**	3,608
Long-term liabilities	**66,407**	67,513
Total liabilities	**70,468**	71,121
Net assets	**37,649**	37,980
Share of net assets	**19,251**	17,324

As at September 30, 2018, the Company's share of net assets in Nicola Lodge and Glenmore Lodge were $10,559 and $8,692 (December 31, 2017 - $11,136 and $6,709), respectively.

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Revenue	**7,320**	7,047	**21,500**	19,078
Expenses				
Operating	**4,998**	4,577	**14,604**	12,683
Depreciation and amortization	**715**	1,037	**2,344**	2,332
	5,713	5,614	**16,948**	15,015
Income before net finance charges	**1,607**	1,433	**4,552**	4,063
Net finance charges	**735**	801	**2,226**	2,267
Net income	**872**	632	**2,326**	1,796
Share of net income	**460**	303	**1,179**	844

For the three months ended September 30, 2018, the Company's share of net income in Nicola Lodge and Glenmore Lodge was $230 and $230 (2017 - $158 and $145), respectively.

For the nine months ended September 30, 2018, the Company's share of net income in Nicola Lodge and Glenmore Lodge was $618 and $561 (2017 - $479 and $365), respectively.