



Management's Discussion and Analysis

Year ended December 31, 2023

Extendicare Inc.
Dated: March 7, 2024

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BASIS OF PRESENTATION

This Management's Discussion and Analysis ("MD&A") provides information on Extendicare Inc. and its subsidiaries, and unless the context otherwise requires, references to "Extendicare", the "Company", "we", "us" and "our" or similar terms refer to Extendicare Inc., either alone or together with its subsidiaries. The Company's common shares (the "Common Shares") are listed on the Toronto Stock Exchange ("TSX") under the symbol "EXE". The registered office of Extendicare is located at 3000 Steeles Avenue East, Suite 400, Markham, Ontario, Canada, L3R 4T9.

Extendicare is a recognized leader in the delivery of quality health care services to Canadians across the continuum of seniors' care. In operation since 1968, it is the largest private-sector owner and operator of long-term care ("LTC") homes in Canada and one of the largest private-sector providers of publicly funded home health care services in Canada through its wholly owned subsidiary ParaMed Inc. ("ParaMed"). As well, the Company provides management, consulting and other services to LTC homes owned by third parties and joint ventures to which the Company is a party through its Extendicare Assist division and procurement services through its group purchasing division, SGP Purchasing Partner Network ("SGP").

During Q3 2023, the Company completed the previously announced transactions with Revera Inc. and its affiliates ("Revera") and Axiom LTC Limited Partnership and its affiliates "Axiom" (together the "Revera and Axiom Transactions"), resulting in Extendicare entering into two limited partnership joint ventures with Axiom, in which the Company has a 15% managed interest in each. The limited partnership joint ventures are accounted for in the Company's consolidated financial statements as investments using the equity method. Refer to the discussion under "Significant Developments – Completed Strategic Transactions With Revera and Axiom" and *Notes 2, 4, 9 and 26* of the audited consolidated financial statements.

In May 2022, the Company completed the previously announced sale of its retirement living operations composed of 11 retirement communities (1,050 suites), located in Ontario and Saskatchewan, to Sienna-Sabra LP, a partnership formed between Sienna Senior Living Inc. and SABRA Healthcare REIT (the "Retirement Living Sale"). In October 2022, the Company completed the previously announced transition of operations and ownership of the Company's five LTC homes in Saskatchewan (the "Saskatchewan LTC Homes") to the Saskatchewan Health Authority ("SHA"). The Company classified its retirement living segment and the Saskatchewan LTC Homes as discontinued commencing in Q1 2022 and Q4 2021, respectively (refer to the discussion under "Discontinued Operations" and *Note 20* of the audited consolidated financial statements).

In This MD&A

This MD&A has been prepared to provide information to current and prospective investors of the Company to assist them to understand the Company's financial results for the year ended December 31, 2023. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2023 and the year ended December 31, 2022, and the notes thereto, prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("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. Except as otherwise specified, references to years indicate the fiscal year ended December 31, 2023, or December 31 of the year referenced.

In this MD&A, the Company uses a number of performance measures and indicators to monitor and analyze the financial results that do not have standardized meanings prescribed by generally accepted accounting principles ("GAAP") and, therefore, may not be comparable to similar performance measures and indicators used by other issuers. Refer to the "Key Performance Indicators" and "Non-GAAP Measures" sections of this MD&A for details.

The annual and interim MD&A, financial statements and other materials are available on the Company's website at www.extendicare.com. All currencies are in Canadian dollars unless otherwise indicated.

This MD&A is dated as of March 7, 2024, the date this report was approved by the Company's board of directors (the "Board of Directors" or "Board"), and is based upon information available to management as of that date. This MD&A should not be considered all-inclusive, as it does not include all changes that may occur in general economic, political and environmental conditions. Additionally, other events may or may not occur, which could affect the Company in the future.

ADDITIONAL INFORMATION

Additional information about the Company, including its latest Annual Information Form, may be found on SEDAR+ at www.sedarplus.ca under the Company's issuer profile and on the Company's website at www.extendicare.com.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements within the meaning of applicable Canadian securities laws ("forward-looking statements" or "forward-looking information"). Statements other than statements of historical fact contained in this MD&A may be forward-looking statements, including, without limitation, management's expectations, intentions and beliefs concerning anticipated future events, results, circumstances, economic performance or expectations with respect to the Company, including, without limitation: statements regarding its business operations, business strategy, growth strategy, results of operations and financial condition, including anticipated timelines and costs in respect of development projects; statements relating to the agreements entered into with Revera, Axiom and two limited partnership joint ventures with Axiom in respect of the acquisition, disposition, ownership, operation and redevelopment of LTC homes in Ontario and Manitoba; statements relating to expected future current income taxes and maintenance capex impacting AFFO; and the impact of COVID-19 on the Company's operating costs, staffing, procurement, occupancy levels and volumes in its home health care business. Forward-looking statements can often be identified by the expressions "anticipate", "believe", "estimate", "expect", "intend", "objective", "plan", "project", "will", "may", "should" or other similar expressions or the negative thereof. These forward-looking statements reflect the Company's current expectations regarding future results, performance or achievements and are based upon information currently available to the Company and on assumptions that the Company believes are reasonable. Actual results and developments may differ materially from results and developments discussed in the forward-looking statements, as they are subject to a number of risks and uncertainties.

Although forward-looking statements are based upon estimates and assumptions that the Company believes are reasonable based upon information currently available, these statements are not representations or guarantees of future results, performance or achievements of the Company and are inherently subject to significant business, economic and competitive uncertainties and contingencies. In addition to the assumptions and other factors referred to specifically in connection with these forward-looking statements, the risks, uncertainties and other factors that could cause the actual results, performance or achievements of the Company to differ materially from those expressed or implied by the forward-looking statements, include, without limitation, those described under "Risks and Uncertainties" in this MD&A and those other risks, uncertainties and other factors identified in the Company's other public filings with the Canadian securities regulators available on SEDAR+ at www.sedarplus.ca under the Company's issuer profile. These risks and uncertainties include the following: the occurrence of a pandemic, epidemic or outbreak of a contagious illness, such as COVID-19; changes in the overall health of the economy and changes in government; the availability and ability of the Company to attract and retain qualified personnel; changes in the health care industry in general and the long-term care industry in particular because of political, legal and economic influences; changes in applicable accounting policies; changes in regulations governing the health care and long-term care industries and the compliance by the Company with such regulations; changes in government funding levels for health care services; the ability of the Company to comply with and renew its government licenses and customer and joint venture agreements; changes in labour relations, employee costs and pay equity; changes in tax laws; resident care and class action litigation, including the Company's exposure to punitive damage claims, increased insurance costs and other claims; the ability of the Company to maintain and increase resident occupancy levels and business volumes; changes in competition; changes in demographics and local environment economies; changes in interest rates; changes in the financial markets, which may affect the ability of the Company to refinance debt; and the availability and terms of capital to the Company to fund capital expenditures and acquisitions; changes in the anticipated outcome and benefits of proposed or actualized dispositions, acquisitions and development projects, including risks relating to the actual completion of proposed transactions.

The preceding reference to material factors or assumptions is not exhaustive. All forward-looking statements in this MD&A are qualified in their entirety by this forward-looking disclaimer. Although forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Accordingly, readers should not place undue reliance on such forward-looking statements and assumptions as management cannot provide assurance that actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. The forward-looking statements speak only as of the date of this MD&A. Except as required by applicable securities laws, the Company assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

SIGNIFICANT DEVELOPMENTS

Completed Strategic Transactions With Revera and Axiom

During Q3 2023, the Company completed the previously announced Revera and Axiom Transactions. These transactions, combined with the sale of Extendicare's portfolio of retirement communities in 2022, advanced Extendicare's strategy to focus on LTC and home health care using a less capital-intensive, higher margin business model. Extendicare will focus on operating and building new LTC homes, utilizing the joint venture partnership with Axiom to support capital requirements, growing its home health care business and expanding its managed services segment through the addition of new clients.

Highlights of the Revera and Axiom Transactions:

- Acquisition of Revera's 15% managed interest in AXR Operating (National) LP (now Axiom Extendicare LTC II LP ("Axiom JV II")), a joint venture partnership with Axiom, which owns a portfolio of 25 LTC homes consisting of approximately 3,100 government funded LTC beds, which Extendicare will manage
- Management by Extendicare of 31 LTC homes owned by Revera, consisting of approximately 3,000 government funded LTC beds and 900 private pay assisted living and seniors living beds, including 30 Class C LTC homes in Ontario that are currently being considered for redevelopment
- Transfer of Revera's LTC operations team into Extendicare to advance the delivery of high-quality care and services across Extendicare's homes
- Option to purchase future Revera LTC redevelopment projects either with Axiom or alone pursuant to development arrangement agreements entered into with Revera
- Establishment of a joint venture with Axiom, Axiom Extendicare LTC LP ("Axiom JV", and collectively with Axiom JV II, the "Joint Ventures"), in support of Extendicare's Class C LTC redevelopment program, substantially reducing the amount of capital required from Extendicare to enable redevelopment
- Sale of initial four LTC homes then under construction to Axiom JV, the proceeds from which provide Extendicare with greater flexibility to deploy capital into additional redevelopment projects and growth initiatives

REVERA TRANSACTIONS

On August 1, 2023 and pursuant to agreements entered into on March 1, 2022, the Company completed the previously announced transactions with Revera (the "Revera Transactions") in respect of the ownership, operation and redevelopment of LTC homes in Ontario and Manitoba.

The aggregate consideration for the Revera Transactions was \$69.7 million, comprised of cash proceeds, net of holdbacks, of \$32.6 million, plus the assumption of \$37.1 million in debt (Extendicare's share of the joint venture partnership debt), subject to customary post-closing adjustments. Included in the purchase price, and recorded as intangible assets on the balance sheet, was \$20.8 million for the rights to manage the operations of the 56 homes.

The closing of the Revera Transactions on August 1, 2023 added approximately \$11.0 million in revenue in our managed services segment from management fees earned in 2023 on the approximately 7,000 beds managed across 56 LTC homes, generating approximately \$5.0 million in NOI⁽¹⁾ and \$3.2 million (\$0.037 per basic share) in AFFO⁽¹⁾. The Company's 15% share of Axiom JV II AFFO was nominal.

AXIUM TRANSACTION

On September 13, 2023, Extendicare completed the sale of four of its redevelopment projects to Axiom JV, in which Extendicare has a 15% managed interest (the "Axiom Transaction").

On closing, Extendicare sold its Sudbury, Kingston, Stittsville, and Peterborough redevelopment projects under construction, comprising an aggregate of 960 funded LTC beds (see "Key Performance Measures – LTC Projects Under Construction"), for an aggregate purchase price, net of Extendicare's 15% retained interest, of \$147.3 million, consisting of cash proceeds of \$59.0 million, the assumption of debt of \$72.3 million and certain other liabilities and holdbacks, net of taxes and closing costs. The net book value was \$135.8 million, resulting in a gain, net of taxes, certain closing costs and other costs of \$8.7 million. The gain was net of \$2.7 million related to the Company's 15% interest in Axiom JV.

The Company will continue to undertake all development activities in respect of these redevelopment projects for a customary fee and, once operational, will provide management services to the homes through Extendicare Assist and SGP. This development arrangement could also apply to additional redevelopment projects in the future should the parties so choose.

The Company continues to own and operate the legacy Class C LTC homes related to the redevelopment projects sold to Axiom JV until such time as each new redevelopment home is completed, at which time the employees and residents of the corresponding Class C LTC home will transfer to the new home owned by the joint venture. As the new home commences operations, the Company's managed services segment will earn management fees pursuant to the limited partnership agreement, increasing the revenue and NOI of the managed services segment. In addition, the Company will record its 15% share of the earnings and losses from the joint venture in its consolidated statement of earnings and include its 15% share of the AFFO from the joint venture, calculated on the same basis as the Company, in its consolidated AFFO. As each transition takes place, the revenue and NOI earned from the Class C LTC home will drop out of the consolidated financial

results of Extendicare, as the ownership of the new home resides in the joint venture, which is accounted for using the equity method.

Once a legacy Class C LTC home closes, the Company will continue to own the building and underlying land, and will sell or repurpose the property for alternative uses to generate additional proceeds or additional sources of revenue.

STRATEGIC TRANSFORMATION COSTS

Costs related to the strategic transformation of the Company in connection with the Revera and Axiom Transactions, which are transitional in nature, are reported as a separate line item in “other expense” below Adjusted EBITDA. Strategic transformation costs in 2023 were \$11.8 million and include transaction, legal, regulatory, IT integration and management transition costs. We will continue to incur strategic transformation costs through to the end of 2024 as we complete the integration of operations and IT platforms to support approximately 9,000 team members working across the 56 managed LTC homes. The estimated total strategic transformation costs to be incurred in 2024 are \$7.0 to \$9.0 million, the timing of which will vary quarterly as the integration plan is executed.

Ontario LTC Redevelopment Activities

In November 2022, the Ontario Ministry of Long-Term Care (“MLTC”) introduced new time-limited funding to help offset rising construction costs and interest rates. This supplemental funding provided an additional \$35.00 per bed per day to the base capital funding subsidy (“CFS”) and was available to eligible applicants who received approval from the government to construct before August 31, 2023.

During 2023, the Company commenced construction of three new LTC home redevelopment projects in Ontario that qualified for the \$35.00 per bed per day supplemental CFS. Two of the projects are replacing existing homes owned by Extendicare and the third is owned by Axiom JV II and is replacing an existing Revera home that the Company is currently managing, as further described under “– Construction Projects Commenced During 2023”.

Together with the three projects that were already under construction at the start of 2023, these six projects bring the total of new beds under construction to 1,536, replacing 1,377 Class C LTC beds in Ontario. The homes are being constructed exclusively with private and semi-private rooms, with substantial improvements in common areas available to the residents. As at March 7, 2024, five of the projects are held in the Joint Ventures and the sixth is subject to an agreement of purchase and sale to be sold to Axiom JV. For more information refer to the discussions under “– Construction Projects Commenced During 2023” and “Key Performance Indicators – LTC Projects Under Construction”.

The Company continues to focus its efforts on progressing its remaining 15 redevelopment projects in support of the MLTC’s commitment to address an aging long-term care infrastructure in Ontario. The Company has been awarded 4,248 new or replacement beds across 20 redevelopment projects. These projects would replace all of our 3,285 existing Class C beds. In addition, the Company has the option to purchase all future Revera LTC redevelopment projects undertaken in connection with Revera’s remaining 29 Class C LTC homes currently being managed by the Company.

While the enhanced CFS expired at the end of August 2023 and further funding has not yet been announced, we continue to advance the balance of our redevelopment portfolio and are hopeful we can begin up to four new construction projects in 2024, pending the announcement of any new enhancements to the Capital Funding Program in Ontario, with tendered construction costs and receipt of applicable regulatory approvals largely determining if and when they proceed. We are working collaboratively with industry partners and the government to make as many of these projects as possible economically feasible, including the need to address the particular challenges faced by projects in the Greater Toronto Area and in smaller rural markets.

CONSTRUCTION PROJECTS COMMENCED DURING 2023

In May 2023, the Company commenced construction of a new 256-bed LTC home in Peterborough. This project was sold to Axiom JV as part of the Axiom Transaction and is anticipated to open in Q4 2025, replacing the existing 172-bed Extendicare Class C home currently operating in the same city. The Company posted a \$3.0 million letter of credit in support of its commitment to fund its 15% equity share into Axiom JV in connection with the transaction.

In October 2023, the Company commenced construction of a new 256-bed LTC home in Orleans, in the Ottawa region. This project is anticipated to open in Q2 2026 and will replace a 240-bed Extendicare Class C home nearby. The Company entered into a \$71.7 million fixed-price construction contract in connection with the new home. The estimated development costs for the project, on a 100% basis, are \$102.2 million. As discussed below, this project is subject to an agreement of purchase and sale to be sold to Axiom JV.

In November 2023, Axiom JV II acquired a new 320-bed LTC redevelopment project (Carlingview Manor) in Orleans, in the Ottawa region, from Revera. The joint venture entered into a development and construction management agreement with Revera, whereby Revera will be responsible for the development and construction of the new home. The project commenced construction in Q4 2023 and is anticipated to open in Q2 2026. The project will replace a 303-bed Revera Class C home nearby that the Company is currently managing. The Company posted a \$5.0 million letter of credit in support of its commitment to fund its 15% equity share into Axiom JV II in connection with the acquisition. Once open, the Company will operate the home through Extendicare Assist and SGP.

In March 2024, the Company entered into an agreement of purchase and sale to sell its Orleans, Ontario 256 funded LTC beds currently under construction to Axiom JV, with Extendicare retaining a 15% managed interest. Closing of the transaction is anticipated in Q2 2024, subject to customary closing conditions, including receipt of regulatory approvals from the MLTC. Following the sale, the Company will continue to manage the development and construction of the project and operate the home upon completion through Extendicare Assist and SGP.

COMMITMENT TO SELL TWO CLASS C LTC HOMES

In December 2023, the Company entered into agreements to sell the land and buildings associated with its Sudbury (Falconbridge) and Kingston Class C LTC homes (464 beds) (collectively, the "Dispositions"), which are scheduled to close in 2024 when the corresponding redevelopment projects currently under construction in Axiom JV are completed. The Dispositions are subject to certain conditions. Proceeds from the Dispositions, before transaction costs and taxes, are estimated to be \$5.3 million in respect of Sudbury (Falconbridge) and \$3.8 million in respect of Kingston, yielding aggregate estimated net proceeds after tax and closing costs of \$8.5 million and a net gain of \$7.7 million. The Sudbury (Countryside) and Kingston (Limestone Ridge) redevelopment projects in Axiom JV are expected to open in Q1 2024 and Q3 2024, respectively, with each respective sale expected to close shortly thereafter (refer to Note 22 of the audited consolidated financial statements).

Normal Course Issuer Bid

During 2023, the Company purchased for cancellation 1,749,131 Common Shares at a cost of \$11.1 million, representing a weighted average price per share of \$6.34. Since the launch of a normal course issuer bid ("NCIB") in June 2022 that was renewed in June 2023, the Company has purchased for cancellation 6,760,311 Common Shares at a cost of \$46.1 million (refer to the discussion under "Liquidity and Capital Resources – Normal Course Issuer Bid").

The renewed NCIB commenced on June 30, 2023, and provides the Company with flexibility to purchase for cancellation up to 7,273,707 Common Shares, representing 10% of its public float, through the facilities of the TSX and/or through alternative Canadian trading systems until June 29, 2024, of which 6,152,076 Common Shares remain available to purchase.

Regulatory Developments

ONTARIO

On April 11, 2022, the *Fixing Long-Term Care Act, 2021* (Ontario) (2023) (the "FLTCA") came into force, along with an initial set of regulations. The act replaces the *Long-Term Care Homes Act, 2007* and emphasizes improving staffing and care; protecting residents through better accountability, enforcement and transparency; and building modern, safe comfortable homes for seniors. Among other things, the act establishes a target to increase average hours of direct care per resident per day to four hours by March 31, 2025 (with phased-in funding that started in November 2021) (the "LTC Staffing Plan"), doubles fines as a financial deterrent for non-compliance and allows the Director of Long-Term Care to establish policy that would be used in lieu of individual licensing determinations, thus streamlining the approval process. Additional regulations have come into effect throughout 2023 related to staffing qualifications, medication management, drug administration, resident experience and various other operational requirements, and further regulations, including amendments to staffing qualifications, are currently out for review with proposed implementation dates of May 1, 2024 and July 1, 2024.

On December 4, 2023, the *Convenient Care at Home Act, 2023* (Ontario) (the "CCHA") received Royal Assent and came into effect. The act will consolidate the 14 Home and Community Care Support Services ("HCCSS") organizations into a single organization named "Ontario Health atHome", a subsidiary of Ontario Health. The government has proposed that as Ontario Health Teams ("OHTs"), created pursuant to the *People's Health Care Act, 2019*, mature, the responsibility for providing home care would be transitioned to designated OHTs (and/or health service providers working within designated OHTs) and Ontario Health atHome's role would shift to providing designated OHTs with back-office and care coordination supports. Thus far, no significant home care services are being contracted through OHTs, though the first pilot project requests for proposals have recently been released.

The Company is unable to predict the impact, if any, such regulatory changes will have on the Company's business, results of operations and financial condition. See "Risks and Uncertainties – Risks Related to Government Oversight, Funding and Regulatory Changes".

ALBERTA

In November 2023, the Government of Alberta announced plans to create in 2024 four new fully integrated provincial organizations dedicated to priority health sectors. Under the new structure, Alberta Health Services' ("AHS") primary focus will be acute care, while responsibility for other health sectors will move to new governance entities. The new continuing care provincial organization is expected to be established later in 2024 and will provide provincial oversight, coordination and funding for home care and community care, which includes LTC and designated supportive living. The government confirmed that all current service providers will continue to deliver services under contract with the new continuing care organization.

On May 31, 2022, the *Continuing Care Act, 2022* (Alberta) (the "CCA") received Royal Assent and comes into force on April 1, 2024, along with the accompanying regulations. The CCA replaces the multiple pieces of legislation that currently govern home care, facility-based care (which includes designated supportive living and long-term care) and palliative end-of-life care services, introduces a licensing framework for continuing care home operators and enhances administrative penalties and fines for contravention of the act and its regulations. Regulations related to administrative penalties and fines come into force on April 1, 2025.

The Company is unable to predict the impact, if any, such regulatory changes will have on the Company's business, results of operations and financial condition. See "Risks and Uncertainties – Risks Related to Government Oversight, Funding and Regulatory Changes".

FEDERAL

In December 2023, a Private Members' bill passed through the House of Commons that would amend the *Criminal Code* to make it a criminal offence for long-term care facilities, their owners and their officers to fail to ensure the necessities of life are provided to residents of these facilities. The bill was introduced into the Senate in December 2023.

On January 31, 2023, Health Standards Organization ("HSO") released its national standards for long-term care. These standards were complementary to those released by the Canadian Standards Association in December 2022. The HSO standards consist of high-level objectives and guidelines to support governments and LTC homes in developing policies and procedures and avoids taking a more prescriptive approach. With the release, the Government of Canada clarified that the standards were not mandatory. In the 2023 federal budget, targeted funding for bilateral agreements with the provinces was confirmed, including \$3.0 billion over five years to improve safety in long-term care and \$4.8 billion over four years to support improvements to home and community care, and mental health and addictions services. Provinces are currently negotiating the specifics of the funding agreements. At this time, no provincial or territorial government has signalled an intent to adopt the national standards in their jurisdiction.

BUSINESS OVERVIEW

As at December 31, 2023, the Company operates 125 LTC homes, composed of 53 homes (7,299 beds) wholly owned by the Company and 72 homes (9,783 beds) under management contracts with third parties through Extendicare Assist, including 25 LTC homes owned by Axiom JV II, in which the Company has a 15% managed interest. The Company's network of 125 LTC homes has capacity for 17,082 residents across three provinces in Canada, with Ontario, Manitoba and Alberta accounting for 79.1%, 11.4% and 9.5% of residents served, respectively.

In addition to providing procurement services to the LTC homes wholly owned by the Company, SGP supports third-party clients and the LTC homes owned by Axiom JV II, representing approximately 136,200 beds across Canada, as at December 31, 2023.

The Company's home health care operations, ParaMed, delivered approximately 9.9 million hours of home health care services in 2023. The majority of ParaMed's services are delivered in Ontario and Alberta, which accounted for 94% and 4% of the total volume, respectively.

Joint Ventures

Joint ventures are accounted for in the Company's consolidated financial statements as investments using the equity method, whereby the investment is initially recognized at cost, and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income or loss of the joint venture from the date of acquisition, increased by the Company's contributions and reduced by distributions received. The Company's share of joint venture profit or loss is included in the consolidated statements of earnings.

The following table summarizes the classification of properties that are owned through the Company's joint ventures as at December 31, 2023.

Joint Venture	# of	# of	Extendicare	
	Properties	Beds	Ownership	Accounting Treatment
Axiom Extendicare LTC II LP ⁽ⁱ⁾	26	3,502	15 %	Equity method
Axiom Extendicare LTC LP ⁽ⁱⁱ⁾	4	960	15 %	Equity method

(i) Twenty-five properties of Axiom Extendicare LTC II LP are operational and one is under construction as at December 31, 2023.

(ii) All properties of Axiom Extendicare LTC LP are under construction as at December 31, 2023.

INVESTMENT IN AXIUM EXTENDICARE LTC II LP

Axiom Extendicare LTC II LP is a joint venture in which the Company acquired a 15% managed interest on August 1, 2023. Axiom JV II owns 26 LTC homes, one of which is under construction, a new 320-bed home in Ontario to replace a 303-bed Class C home (see "Construction Projects Commenced During 2023" under the heading "Significant Developments – Ontario LTC Redevelopment Activities"). The 25 operational homes are composed of 19 Class A LTC homes located in Ontario and six homes in Manitoba, consisting of 3,156 funded LTC beds and 26 private pay beds. The remaining 85% interest is owned by Axiom. Extendicare operates the homes in consideration for a customary management fee pursuant to the limited partnership agreement. In addition, under an option to purchase future Revera LTC redevelopment projects either with Axiom or alone pursuant to development arrangement agreements entered into with Revera, any future Revera redevelopment projects that are acquired by Extendicare with Axiom would be acquired into this joint venture.

INVESTMENT IN AXIUM EXTENDICARE LTC LP

Axiom Extendicare LTC LP is a joint venture established to redevelop certain of Extendicare's existing Ontario Class C homes. The Company owns a 15% interest in Axiom JV, with Axiom owning the remaining 85% interest. As part of the Axiom Transaction, Extendicare and Axiom have entered into a master development agreement pursuant to which Extendicare has granted Axiom a right to participate in the redevelopment of five of Extendicare's Ontario Class C homes located in Sudbury (two homes), Kingston, Stittsville and Peterborough, Ontario. On September 13, 2023, this joint venture acquired four redevelopment projects located in Sudbury, Kingston, Stittsville and Peterborough. The development arrangements may also apply to additional redevelopment projects should the parties wish to do so. Under these arrangements, the Company acts as development and construction manager and is paid customary development and

construction management fees. Extendicare will operate the homes acquired by the joint venture in consideration for a customary management fee pursuant to the limited partnership agreement after construction of the new home is complete.

Operating Segments

The Company reports on the following segments: i) long-term care; ii) home health care; iii) managed services, composed of the Extendicare Assist and SGP divisions; and iv) the corporate functions, including the Company's joint venture interests, and any intersegment eliminations as "corporate".

The following table summarizes the contribution of the business segments to the Company's consolidated revenue and NOI from continuing operations in 2023 and 2022. The impact of COVID-19 affects the comparability of the contributions of the LTC and home health care business segments to the Company's consolidated revenue and NOI. Refer to "Select Quarterly Financial Information", "2023 Fourth Quarter Financial Review" and "2023 Financial Review" for additional details to understand the impacts on the business segments.

Operating Segments as % of	Year ended December 31,			
	2023		2022	
	Revenue	NOI	Revenue	NOI
Long-term care	60.4 %	54.2 %	62.8 %	63.2 %
Home health care	35.9 %	29.2 %	34.5 %	20.7 %
Managed services	3.7 %	16.6 %	2.7 %	16.1 %
Total	100.0 %	100.0 %	100.0 %	100.0 %

The following describes the operating segments of the Company.

Long-term Care

The homes owned entirely by the Company are reported under the long-term care operating segment and consist of 53 LTC homes with capacity for 7,299 residents, inclusive of a stand-alone funded designated supportive living home (140 beds) and a funded designated supportive living wing (60 beds) in Alberta and two private pay retirement wings (76 beds) in Ontario. In addition, the Company has 185 ward-style beds in Ontario LTC homes that have been taken out of service as a result of regulatory changes and which form part of the Company's 3,285 Class C Beds that are eligible to be reinstated upon redevelopment.

Provincial legislation and regulations closely control all aspects of the operation and funding of LTC homes and government-funded designated supportive living homes, including the fee structure, subsidies, the adequacy of physical homes, standards of care and accommodation, equipment and personnel. A substantial portion of the fees paid to providers of these services are funded by provincial programs, with a significantly smaller portion to be paid by the resident. No individual is refused access to long-term care due to an inability to pay, as a government subsidy, generally based on an income test, is available for LTC residents who are unable to afford the resident co-payment. Long-term care funding in Ontario is provided in four envelopes allocated to personal care, programming, nutritional support and other accommodation, respectively. The first three envelopes must be spent entirely on residents and are independently audited with any surplus funding returned to the government. The additional COVID-19 pandemic related funding being provided in Ontario is subject to this same reconciliation process. In Alberta, designated supportive living homes provide an alternative setting for residents not yet requiring the needs of a more expensive LTC home. Such homes are licensed, regulated and funded by AHS in a similar manner to LTC homes, including a government-determined fee structure.

In Ontario, long-term care operators have the opportunity to receive additional funding through higher accommodation rates charged to residents for private and semi-private accommodation, at maximum preferred accommodation rates that are fixed by the government. Long-term care operators are permitted to designate up to 60% of the resident capacity of a home as preferred accommodation and charge premiums that vary according to the structural classification of the LTC home.

The following summarizes the government funding rate changes announced for LTC during 2023 in Ontario, Alberta and Manitoba, exclusive of one-time funding in respect of COVID-19 (refer to the discussion under "Select Quarterly Financial Information – COVID-19 and Related Expenses and Funding").

ONTARIO LTC FUNDING CHANGES

Effective July 1, 2023, the MLTC implemented a 2.5% increase in preferred accommodation premiums paid for by residents to LTC providers for private and semi-private accommodation. For older LTC beds that are not classified as "New" or "A" beds, the maximum daily preferred accommodation premiums are now \$8.96 and \$20.14 for semi-private and private rooms, respectively. For newer LTC beds that are classified as "New" or "A" beds, the maximum daily preferred accommodation premiums are now \$13.43 and \$28.00 for semi-private and private rooms, respectively.

Effective April 1, 2023, the MLTC implemented a 2.4% blended level of care funding increase, representing a combination of a 9.7% increase in nutritional support, a 2.0% increase in the remaining flow-through envelopes and a 2.0% increase in the other accommodation envelope. In addition, beginning on April 1, 2023, and ending on April 1, 2025, the MLTC is phasing out funding for ward-style beds no longer in service, with 100% of the other accommodation envelope funding preserved throughout the phase-out period. The Company's Ontario LTC homes closed 185 ward-style beds that are eligible to be reinstated upon redevelopment, of which 90 are currently under construction. These April 2023 funding changes represent incremental annual revenue of approximately \$4.0 million, of which \$2.2 million is applicable to the non-flow through other accommodation envelope (2022 – 1.75% effective April 1, 2022, representing incremental annual revenue of \$6.0 million entirely applicable to the flow-through envelopes, with no increase to the other accommodation envelope).

In November 2021, the MLTC implemented the first phase of its LTC Staffing Plan to increase the level of direct care for LTC residents over four years through increased funding of the nursing and program flow-through envelopes, where any funding not spent on resident care is returned to the government. During 2023, the Company recognized approximately \$71.2 million in revenue through the flow-through envelopes to support the increased hours of direct care (2022 – \$42.8 million). The final phase of the LTC Staffing Plan takes effect on April 1, 2024, and the Company estimates that it will provide incremental revenue of approximately \$17.0 to \$22.0 million in 2024 to support the incremental hours of direct care. While there is no impact on NOI from this increase in flow-through funding, it does have the effect of compressing the NOI margin as a percentage of revenue.

Pressure on many of our operating costs remain, including wages and benefits as union settlements across other segments of the broader healthcare system are being concluded with rate increases well above the level of funding rate increases we have received in recent years. Over the long term, LTC NOI margins have been reliably stable; however, funding rate increases in recent years have not kept pace with the increase in costs. Despite recent historic investments by the Government of Ontario in additional direct care hours funding, the rate increases provided do not address the inflation and other pressures experienced in both the flow-through and other accommodation envelopes, which continue to impact LTC NOI margins. We continue to work with other sector participants and the Government of Ontario to ensure funding realigns to reflect the current cost environment in order to return the LTC sector to historical stability. This stability is also an important foundation to support the broader redevelopment agenda.

ALBERTA LTC FUNDING CHANGES

Effective July 1, 2023, AHS implemented a 3.6% annual inflationary increase for the portion of the accommodation rates paid directly by residents of LTC and designated supportive living homes to providers, which is currently being compensated for directly by AHS during a resident deferral period in light of the high inflation levels. This increase represents additional revenue for the Company of approximately \$1.4 million (2022 – 5.5% effective July 1, 2022, \$2.3 million).

Effective July 1, 2023, AHS implemented funding enhancements to support an increase in hours of direct care and a \$2/hour wage enhancement that health care aides had been receiving as part of the government's COVID-19 funding that ended June 30, 2023. The Company estimates that these will provide incremental revenue of approximately \$7.2 million to support increased costs and will have no impact on NOI.

Effective April 1, 2023, AHS implemented adjustments to the portion of government funding for providers of LTC and designated supportive living homes, which are estimated to represent additional annual revenue for the Company of approximately \$2.2 million (2022 – \$0.2 million).

MANITOBA LTC FUNDING CHANGES

As at March 7, 2024, Manitoba Health has not announced funding increases for the year commencing April 1, 2023. The following are the funding changes implemented during 2023 and one-time items that impacted Q1 2023 related to prior periods.

In October 2023, the Government of Manitoba announced new funding to support enhanced staffing as part of its ongoing initiatives to support the recommendations to strengthen and enhance Manitoba's LTC system as outlined in the *Maples Personal Care Home COVID-19 Outbreak: External Review Final Report, January 2021*. The Company estimates these initiatives, if fully implemented, could result in incremental annual revenue and corresponding costs of up to \$3.0 million, which will have no impact on NOI (2022 – similar initiatives effective September 30, 2022, \$4.6 million).

In March 2023, the Company recognized \$6.1 million in one-time funding received from Manitoba Health in support of union wage settlements for prior periods dating back to 2017. The Company had previously incurred or accrued for the anticipated increased costs associated with the union wage settlements.

Home Health Care

The Company provides home health care services through ParaMed, whose professionals and staff members are skilled in providing complex nursing care, occupational, physical and speech therapy and assistance with daily activities to accommodate clients of all ages living at home.

Provincial governments fund a wide range of home health care services and contract these services to providers such as ParaMed. ParaMed receives approximately 99% of its revenue from contracts tendered by locally administered provincial agencies, with the remainder coming from private clients.

HOME HEALTH CARE FUNDING CHANGES

The following summarizes the government funding rate changes announced for home health care during 2023 in Ontario and Alberta, exclusive of one-time funding in respect of COVID-19 (refer to the discussion under “Select Quarterly Financial Information – COVID-19 and Related Expenses and Funding”).

As part of its 2022 budget, the Government of Ontario committed to investing \$1.1 billion over three years to provide care to people in their own homes and communities. Building on this announcement, it announced the acceleration of this investment as part of the 2023-24 budget. In the 2023-24 fiscal year, the government indicated that up to \$569.0 million will be applied to home and community care, including nearly \$300.0 million to support contract rate increases to stabilize the home and community care workforce.

In Q3 2023, the government confirmed a 3% billing rate increase retroactive to April 1, 2023, which we had accrued for throughout the year. In Q4 2023, the government confirmed a further 6.7% billing rate increase to the sector, retroactive to April 1, 2023, to help stabilize and expand the home and community care sector. The government prescribed that the increases are to be directed towards increases in wages and benefits for home health care staff and to fund travel, training, recruitment and retention, as well as provide funding to improve and expand technology and operational support for staff and delivery of services.

Based on ADV and mix of services provided for the trailing twelve months ended December 31, 2023, these rate increases, when fully deployed, will increase our annual revenue by approximately \$42.4 million and help offset wage and benefit increases, increased recruitment, retention and training costs and investments in technology and back-office support, some of which have already been implemented or incurred. In Q4 2023 and as a result of the 6.7% increase, we recognized \$5.4 million in funding retroactive to April 1, 2023, which represents a recovery of increased wages and benefits and investments in recruiting, retention, training and technology that were previously made by the home health care business. Additional changes to our wage and benefits programs, and further investments in recruiting, retention, training and technology are to be made in Q1 2024 and will result in the recognition of additional one-time revenue and/or expenses in Q1 2024, with minimal impact on NOI.

Effective April 1, 2023, AHS implemented home health care billing rate increases of 8% and made permanent the \$2/hour wage enhancement that health care aides had been receiving as part of the government’s COVID-19 funding. Based on ADV and mix of services provided for the trailing twelve months ended December 31, 2023, this is estimated to increase our annual revenue by approximately \$2.0 million and help offset wage and benefit increases, including the additional \$2/hour, and increased recruitment costs in the home health care segment.

Managed Services

The Company leverages its size, scale and operational expertise in the seniors’ care industry to provide managed services to third parties and joint ventures to which the Company is a party through its Extendicare Assist and SGP divisions.

MANAGEMENT CONTRACTS AND CONSULTING AND OTHER SERVICES

In August 2023, the Company redefined the key performance indicators for its managed services segment to better reflect the range of services provided to our clients. Through its Extendicare Assist division, the Company provides management, consulting and other services to third parties and joint ventures to which the Company is a party, including not-for-profit and for-profit organizations, hospitals and municipalities. Extendicare Assist’s business is classified into two categories: (i) management contracts and (ii) consulting and other services. Our management contracts category consists of two offerings: i) a fully managed service, providing management oversight over the day-to-day operations of the homes and ii) a back-office services only offering. Our full suite of back-office support services include human resources, labour relations, payroll and benefits administration, accounting and information technology expertise supported by our cloud-based integrated technology platform that provides all systems needed to operate a senior care home. Our full-service management contract offering provides the full suite of back-office support services with oversight of the day-to-day operations of a home supported by our regional support and clinical quality management teams. Our consulting and other services category covers a wide variety of offerings, including clinical improvement programs, operational reviews, financial performance advice and LTC home redevelopment services. We also offer an LTC operating policy subscription service that can be procured as a standalone service. As at December 31, 2023, Extendicare Assist has management contracts with 72 LTC homes with capacity for 9,783 residents including 1,039 private pay retirement beds, and provides a further 50 homes with consulting and other services. Some of the LTC homes under management contract have both funded and private pay retirement beds as part of the same mix-use property.

GROUP PURCHASING SERVICES

Through its SGP division, the Company offers cost-effective purchasing contracts to other senior care providers for food, capital equipment, furnishings, cleaning and nursing supplies and office products. SGP negotiates long-term, high volume contracts with suppliers that provide members with preferred pricing, thereby providing a cost-effective means to secure quality national brand-name products, along with a range of innovative services. As at December 31, 2023, SGP provided services to third parties and joint ventures to which the Company is a party representing approximately 136,200 beds across Canada.

KEY PERFORMANCE INDICATORS

In addition to those measures identified under "Non-GAAP Measures", management uses certain key performance indicators in order to compare the financial performance of the Company's continuing operations between periods. In addition, we assess the operations on a same-store basis between the reported periods. Such performance indicators may not be comparable to similar indicators presented by other companies. Set forth below is an analysis of the key performance indicators and a discussion of significant trends when comparing the Company's financial results from continuing operations.

The following is a glossary of terms for some of the Company's key performance indicators:

"Average Daily Volume" or "ADV" in the context of the home health care operations, is measured as the number of hours of service provided divided by the number of days in the period; and

"Occupancy" is measured as the percentage of the number of earned resident days relative to the total available resident days. Total available resident days is the number of beds available for occupancy multiplied by the number of days in the period. Beginning in 2023, the determination of earned and available resident days is adjusted for certain bed types that are excluded from the government's occupancy requirements for funding purposes.

Long-term Care

The following table provides the average occupancy levels of the LTC continuing operations for the past eight quarters.

Long-term Care Homes	2023 ⁽ⁱⁱ⁾					2022				
	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1	Year
Average Occupancy⁽ⁱ⁾ (%)										
Total LTC	97.8%	97.8%	97.2%	96.6%	97.4%	94.5%	93.5%	92.5%	90.8%	92.9%
Change over prior year period (bps)	330	430	470	580	450	240	260	460	530	380
Sequential quarterly change (bps)	—	60	60	210		100	100	170	(130)	
Ontario LTC										
Total ON LTC	98.7%	98.9%	98.7%	97.9%	98.6%	94.8%	93.4%	92.1%	90.5%	92.7%
Preferred Accommodation ⁽ⁱⁱⁱ⁾										
"New" homes – private	91.9%	92.2%	92.2%	91.1%	91.9%	87.9%	86.3%	86.4%	85.9%	86.6%
"C" homes – private	92.7%	94.6%	92.7%	91.0%	92.8%	90.7%	87.2%	85.8%	83.5%	86.7%
"C" homes – semi-private	65.3%	63.4%	61.9%	59.2%	62.5%	55.3%	52.6%	54.3%	53.1%	53.8%

(i) Excludes 185 ward-style beds in Ontario LTC homes that have been taken out of service per regulatory changes, and which form part of the Company's 3,285 Class C beds that are eligible to be reinstated upon redevelopment.

(ii) Beginning in 2023, the determination of earned and available resident days is adjusted for certain bed types that are excluded from the government's occupancy requirements for funding purposes.

(iii) Average occupancy reported for the available private and semi-private rooms reflects the percentage of residents occupying those beds that pay the respective premium rates.

The Company's LTC occupancy levels have been negatively impacted by COVID-19 since March 2020. In the last half of 2021, average occupancy levels improved following the success of the vaccination program and easing of restrictions on admissions during that period. However, a combination of seasonal factors and the surge of COVID-19 related outbreaks driven by the initial Omicron variant contributed to a sequential decline in Q1 2022 and subsequent Omicron variants slowed the pace of recovery. Since that time, our average occupancy has recovered, improving to 97.8% in Q4 2023, up 330 bps from Q4 2022 and unchanged from Q3 2023.

In Ontario, overall government funding is occupancy-based, but once the average occupancy level of 97% for the calendar year is achieved, operators receive government funding based on 100% occupancy. In the event of closure to admissions related to an outbreak, which is not unusual during the winter months, full funding is preserved in Ontario, otherwise referred to as occupancy protection funding. Prior to the onset of COVID-19 in 2020, the Company's Ontario LTC homes generally operated above the 97% occupancy threshold, with all but one having done so in 2019. In response to financial pressures caused by the impacts of COVID-19 on occupancy levels, the Government of Ontario provided basic occupancy protection funding for all LTC homes for 2020 and through to the end of January 2022, including for third and fourth beds in ward rooms taken out of service and beds designated for isolation purposes. Occupancy targets were reinstated on February 1, 2022, requiring LTC homes to achieve average occupancy of 97%, adjusted to exclude ward-style beds taken out of service and isolation beds, in order to maintain full funding. The continued prevalence of LTC outbreaks throughout 2022 slowed our occupancy recovery, with certain Ontario LTC homes not achieving the required 97% occupancy for the 11 months ended December 31, 2022, lowering our LTC NOI by approximately \$0.7 million in 2022. Beginning in 2023, occupancy targets were no longer adjusted for isolation beds. In 2023, our LTC homes returned to pre-pandemic occupancy levels. In addition, occupancy protection does not compensate for the loss of preferred accommodation premiums from private and semi-private room vacancies. In 2022, our preferred accommodation premium revenue improved slightly over 2021 by approximately \$0.4 million, although it remained below 2019 levels by approximately \$1.4 million. In 2023, our preferred premium revenue increased by \$1.1 million over 2022.

LTC Projects Under Construction

The following table summarizes the LTC development projects that are under construction as at March 7, 2024.

LTC Project	Owner ⁽ⁱ⁾	Extendicare	# of	# of	Construction Commenced	Expected Opening	Estimated Development Costs ⁽ⁱⁱ⁾ (\$ millions)
		Ownership Interest	Class C Beds Replaced	New Beds			
Countryside (Sudbury)	Axium JV	15.0 %	256	256	Q4-20	Q1-24	70.0
Limestone Ridge (Kingston)	Axium JV	15.0 %	150	192	Q2-21	Q3-24	49.7
Crossing Bridge (Stittsville)	Axium JV	15.0 %	256	256	Q4-21	Q3-24	75.1
Peterborough	Axium JV	15.0 %	172	256	Q2-23	Q4-25	100.6
Orleans	Extendicare	100.0 %	240	256	Q4-23	Q2-26	102.2
Carlingview Manor (Ottawa)	Axium JV II	15.0 %	303	320	Q4-23	Q2-26	121.4
			1,377	1,536			

(i) For the projects owned by Axium JV II, Revera is responsible for the development and construction of the new home, pursuant to a development and construction management agreement.

(ii) Development costs are defined on a GAAP basis (which includes the cost of land, hard construction and soft development costs, furniture, fixtures and equipment, financing costs and capitalized interest costs during construction), net of any capital development government grant receivable on substantial completion of construction, if applicable.

Certain of the LTC development projects continue to experience inflationary pressures, labour disruptions and rising interest rates that have impacted our projected completion and opening dates and construction cost increases outside of the initial contingency levels included in estimated development costs. In the current quarter, delays on our Kingston and Stittsville projects have moved the expected openings for these projects into Q3 2024. We continue to work with our general contractors and construction partners to mitigate the impacts of these factors on schedules and costs.

Home Health Care

The table set out below provides the service volumes and ADV of the home health care operations for the past eight quarters.

The impact of COVID-19 sub-variants on our workforce capacity, exacerbated by a tight labour market, impeded the recovery of our home health care ADV during 2022. During this time, referral activity remained strong and in Q4 2022, our home health care operations experienced a return to sequential growth in ADV that continued throughout 2023, overcoming the seasonal softness usually experienced in the summer months. In Q4 2023, our ADV increased to 28,158, up 2.8% from Q3 2023 and 10.2% from Q4 2022.

Home Health Care Service Volumes	2023					2022				
	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1	Year
Hours of service (000's)	2,590.5	2,518.8	2,466.3	2,343.8	9,919.4	2,349.8	2,304.7	2,290.9	2,209.7	9,155.1
ADV	28,158	27,378	27,102	26,043	27,177	25,542	25,051	25,174	24,552	25,082
Change over prior year period	10.2 %	9.3 %	7.7 %	6.1 %	8.4 %	(1.0)%	(1.2)%	(0.4)%	0.8 %	(0.4)%
Sequential quarterly change	2.8 %	1.0 %	4.1 %	2.0 %		2.0 %	(0.5)%	2.5 %	(4.8)%	

Managed Services

The following table provides information in respect of the third-party clients, including the Joint Ventures, receiving services from Extendicare Assist and SGP at the end of each period for the past eight quarters. For Extendicare Assist, the key performance indicators reflect those homes and beds under our management contracts offering, and exclude those homes that receive consulting and other services.

As at December 31, 2023, Extendicare Assist has management contacts with 72 LTC homes with capacity for 9,783 residents, including 1,039 private pay retirement beds, and provides a further 50 homes with consulting and other services. The decline in Q4 2022 of 304 beds from Q3 2022 related to ward-style beds no longer in service.

SGP continues to grow its market share, increasing its third-party, including joint-venture, beds served by 24.1% at the end of Q4 2023 from Q4 2022, and by 5.6% from Q3 2023.

The Revera Transactions completed in August 2023, added 56 homes and 6,990 beds to our Extendicare Assist managed services and SGP group purchasing services divisions. Extendicare Assist provides Revera with fully managed services in respect of 30 Class C LTC homes in Ontario and one personal care home in Manitoba, and 25 LTC homes owned by Axium JV II. Separately, we entered into new full-service management contracts with two additional homes representing 340 beds that were former third-party managed clients of Revera.

During 2023, certain of Extendicare Assist's clients moved to self-management, changed their contracted scope of services or ceased operations, and while they are no longer counted as management contract homes in our key performance indicators, a significant portion of them remain as consulting and other services clients of Extendicare Assist. There is minimal impact on SGP, as substantially all of the homes that moved to self-management are continuing as customers of SGP.

Managed Services	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Extendicare Assist Management Contracts								
Homes at period end								
Third party	47	48	50	50	50	50	50	50
Joint venture	25	25	—	—	—	—	—	—
Total homes at period end	72	73	50	50	50	50	50	50
Resident capacity								
Third party	6,601	6,780	5,959	5,959	5,959	6,263	6,263	6,263
Joint venture	3,182	3,182	—	—	—	—	—	—
Total resident capacity	9,783	9,962	5,959	5,959	5,959	6,263	6,263	6,263
Change over prior year period	64.2 %	59.1 %	(4.9)%	(4.9)%	(4.9)%	(1.5)%	(1.5)%	(1.5)%
Sequential quarterly change	(1.8)%	67.2 %	— %	— %	(4.9)%	— %	— %	— %
SGP Clients								
Third-party and joint-venture beds	136,164	128,901	115,455	111,772	109,725	106,989	102,219	98,845
Change over prior year period	24.1 %	20.5 %	12.9 %	13.1 %	17.7 %	21.0 %	22.4 %	21.9 %
Sequential quarterly change	5.6 %	11.6 %	3.3 %	1.9 %	2.6 %	4.7 %	3.4 %	6.0 %

SELECT ANNUAL INFORMATION

The following is a summary of selected annual financial information for each of the past three years.

(thousands of dollars unless otherwise noted)	2023	2022	2021
Financial Results			
Revenue	1,304,957	1,221,577	1,166,987
Adjusted EBITDA ⁽¹⁾	95,187	57,454	80,539
Earnings (loss) from continuing operations	33,982	(4,511)	7,504
per basic and diluted share (\$)	0.40	(0.05)	0.08
(Loss) earnings from operating activities of discontinued operations	—	(172)	4,000
Gain on sale of discontinued operations, net of income taxes	—	74,237	—
Net earnings	33,982	69,554	11,504
per basic share (\$)	0.40	0.78	0.13
per diluted share (\$)	0.40	0.76	0.13
AFFO ⁽¹⁾	61,216	26,143	53,721
per basic share (\$)	0.72	0.29	0.60
per diluted share (\$)	0.68	0.29	0.58
Cash dividends declared	40,404	42,363	42,994
per share (\$)	0.480	0.480	0.480
Financial Position (at year end)			
Total assets	672,731	781,579	900,323
Total non-current liabilities	358,425	405,893	516,488
Long-term debt	314,637	364,735	463,274
Long-term debt, including current portion	334,516	383,974	536,851

A comparison between the 2023 and 2022 financial results and financial position of the Company is provided in the discussion under the headings "2023 Financial Review" and "Liquidity and Capital Resources". The following discussion relates to the comparison of the 2022 and 2021 financial results and financial position of the Company.

Financial Results – The selected information provided for each of the years under the heading "Financial Results" reflects the classification of the respective dispositions of the retirement living segment and Saskatchewan LTC Homes (refer to the discussion under "Discontinued Operations") and the impact on discontinued operations in 2021 of the wind-up of the Company's captive insurance company following the sale of the Company's U.S. operations.

The financial results for 2022 reflect a \$12.0 million decline in earnings from continuing operations in comparison to 2021, largely driven by the decline in Adjusted EBITDA of \$23.1 million that included the impact of the Canada Emergency Wage Subsidy ("CEWS") received by the home health care segment in 2021 of \$17.4 million (\$12.8 million, net of tax, or \$0.14 per basic share), partially offset by a decrease in net finance costs of \$4.3 million, reflecting higher interest revenue from cash on hand and a decline in interest expense as a result of lower debt levels. Excluding the impact of CEWS and a year-over-year reduction in estimated unfunded COVID-19 costs of \$1.6 million, Adjusted EBITDA declined by \$7.3 million, largely due to a decline in NOI from the home health care segment due to higher costs associated with recruitment, retention and training to address staffing capacity challenges and a decline in ADV of 0.4%, and higher administrative costs of \$1.2 million related to increased technology costs.

Financial Position – Total assets declined by \$118.7 million at the end of 2022 from 2021, largely due to the sale of the retirement living segment and Saskatchewan LTC homes, net of related proceeds received, which contributed to an increase in cash and cash equivalents of \$62.7 million. The decline in non-current liabilities by \$110.6 million at the end of 2022 from 2021 was largely due to a decrease in long-term debt and accrued pension and benefits obligation. Long-term debt, including the current portion, decreased by \$152.9 million, reflecting the repayment and transfer of debt in the aggregate of \$171.1 million in connection with the sale of the retirement living segment, and regular debt repayments of \$30.4 million, partially offset by draws on construction and term loans of \$36.4 million and an increase in lease liabilities.

SELECT QUARTERLY FINANCIAL INFORMATION

The following is a summary of select quarterly financial information for the past eight quarters.

(thousands of dollars unless otherwise noted)	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	350,181	322,529	307,535	324,712	310,393	308,889	296,585	305,710
Net operating income ⁽¹⁾	42,778	35,210	28,470	44,564	21,686	23,526	30,341	32,976
NOI margin ⁽¹⁾	12.2%	10.9%	9.3%	13.7%	7.0%	7.6%	10.2%	10.8%
Adjusted EBITDA ⁽¹⁾	28,663	20,770	14,776	30,978	9,160	10,034	18,057	20,203
Adjusted EBITDA margin ⁽¹⁾	8.2%	6.4%	4.8%	9.5%	3.0%	3.2%	6.1%	6.6%
Share of (loss) profit from investment in joint ventures	(578)	598	—	—	—	—	—	—
Earnings (loss) from continuing operations	8,620	11,831	1,951	11,580	(7,704)	(4,362)	3,510	4,045
per basic and diluted share (\$)	0.10	0.14	0.02	0.14	(0.09)	(0.04)	0.04	0.04
(Loss) earnings from operating activities of discontinued operations	—	—	—	—	(306)	96	(37)	75
Gain on sale of discontinued operations, net of income taxes	—	—	—	—	6,317	—	67,920	—
Net earnings (loss)	8,620	11,831	1,951	11,580	(1,693)	(4,266)	71,393	4,120
per basic share (\$)	0.10	0.14	0.02	0.14	(0.02)	(0.04)	0.79	0.04
per diluted share (\$)	0.10	0.14	0.02	0.14	(0.02)	(0.04)	0.72	0.04
AFFO ⁽¹⁾	19,050	12,290	9,037	20,839	1,889	2,112	9,624	12,518
per basic share (\$)	0.23	0.14	0.11	0.24	0.02	0.02	0.11	0.14
per diluted share (\$)	0.21	0.14	0.11	0.23	0.02	0.02	0.11	0.13
Maintenance capex	4,988	4,895	2,728	2,047	6,630	4,240	2,700	1,412
Cash dividends declared	10,000	10,122	10,104	10,178	10,275	10,584	10,754	10,750
per share (\$)	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.120
Weighted Average Number of Shares (000's)								
Basic	84,297	85,009	85,212	85,437	86,678	89,178	90,139	90,075
Diluted	95,507	95,870	96,009	96,229	97,604	100,079	101,102	101,190

There are a number of factors affecting the trend of the Company's quarterly results from continuing operations. With respect to the core operations, while year-over-year quarterly comparisons will generally remain comparable, sequential quarters can vary materially for seasonal and other reasons.

COVID-19 has impacted the Company's quarterly results from both continuing operations and discontinued operations since Q1 2020 (refer to the discussion that follows under "COVID-19 and Related Expenses and Funding").

The significant factors that impact the results from period to period, in addition to the impacts that resulted from COVID-19, are as follows:

- Ontario long-term care funding tied to flow-through funding envelopes requires revenue be deferred until it is matched with the related costs for resident care in the periods in which the costs are incurred, resulting in a fluctuation in revenue and operating expenses by quarter, with both generally being at their lowest in Q1 and at their highest in Q4;

- Ontario long-term care providers generally receive annual flow-through funding increases and case mix index adjustments effective April 1st and increases in preferred accommodation premiums effective July 1st; Alberta long-term care providers generally receive annual rate increases and acuity-based funding adjustments on April 1st and accommodation funding increases effective July 1st, and changes in home health care billing rates for Ontario and Alberta government contracts generally take effect April 1st;
- salary and wage increases for non-unionized staff are generally implemented on January 1st, with increases for unionized staff occurring throughout the year based on agreements in effect;
- home health care volumes are impacted by seasonal patterns with volumes in the summer months generally lower, impacting Q3 volumes; also, statutory holidays vary between quarters which can have an impact on the comparability of sequential quarterly NOI and NOI margins;
- maintenance capex spending, which impacts AFFO, fluctuates on a quarterly basis with the timing of projects and seasonality and is generally at its lowest in Q1 and its highest in Q4;
- utility costs are generally at their highest in Q1 and their lowest in Q2 and Q3; and
- certain line items that are reported separately due to their transitional nature that would otherwise distort the comparability of the historical trends, being "other income or expense" and "fair value adjustments".

COVID-19 and Related Expenses and Funding

In March 2023, the Government of Ontario ended prevention and containment funding for pandemic costs incurred through to March 31, 2023. They further indicated that the increase in direct hours of care funding, effective April 1, 2023, is expected to be sufficient support for any ongoing costs that may continue as the pandemic transitions to endemic status, which coincided with the April 1st phase out of certain prevention and containment measures in LTC homes. The change in measures includes the elimination of regular testing of asymptomatic staff, caregivers and visitors and relaxing of certain masking, screening and physical distancing requirements. With these changes in funding and prevention and containment measures, we expect that the significant volatility in our financial results caused by the timing of COVID-19 funding and related expenses will normalize as we continue to work on adjusting our staffing levels in line with the new direct care models that have been introduced in the provinces (refer to the discussions under "Business Overview – Long-term Care – Ontario LTC Funding Changes"). Similarly, the Manitoba and Alberta governments ended funding support for prevention and containment measures for costs incurred through to March 31, 2023 and June 30, 2023, respectively.

The following table provides a summary of the estimated revenue recognized and the operating and administrative costs incurred related to COVID-19 since the beginning of 2021. Provincial government reimbursement of such costs ceased at the end of Q2 2023. The temporary pandemic pay premiums funded by the Ontario and Alberta governments are included in operating expenses and the related offsetting funding for these programs is recognized as revenue.

Estimated COVID-19 Revenue, Operating Expenses and Administrative Costs									
	2023			2022			2021		
<i>(millions of dollars)</i>	Q2	Q1	Year	Q4	Q3	Q2	Q1	Year	Year
Revenue									
Long-term care ⁽ⁱ⁾	3.6	24.1	27.7	14.4	18.7	17.0	43.1	93.2	121.2
Home health care	0.3	0.7	1.0	0.9	3.3	4.5	7.6	16.3	33.0
Revenue impact	3.9	24.8	28.7	15.3	22.0	21.5	50.7	109.5	154.2
Operating Expenses									
Long-term care	3.6	12.0	15.6	22.1	18.4	16.1	32.3	88.9	118.2
Home health care	0.3	0.7	1.0	1.7	4.0	5.9	9.8	21.4	35.8
Operating expenses impact	3.9	12.7	16.6	23.8	22.4	22.0	42.1	110.3	154.0
NOI									
Long-term care	—	12.1	12.1	(7.7)	0.3	0.9	10.8	4.3	3.0
Home health care	—	—	—	(0.8)	(0.7)	(1.4)	(2.2)	(5.1)	(2.8)
NOI impact	—	12.1	12.1	(8.5)	(0.4)	(0.5)	8.6	(0.8)	0.2
Administrative costs	—	—	—	—	0.1	0.1	0.1	0.3	2.9
Adjusted EBITDA impact	—	12.1	12.1	(8.5)	(0.5)	(0.6)	8.5	(1.1)	(2.7)
Discontinued operations impact	—	—	—	—	(0.5)	(1.0)	(3.2)	(4.7)	(5.6)
Total impact	—	12.1	12.1	(8.5)	(1.0)	(1.6)	5.3	(5.8)	(8.3)

(i) Q1 2023 includes funding of \$13.1 million towards costs incurred in prior years. 2022 includes funding of \$17.6 million towards costs incurred in prior years: Q4 2022 of \$1.6 million; Q3 2022 of \$1.1 million; Q2 2022 of \$1.6 million; and Q1 2022 of \$13.3 million.

In Q4 2022 our continuing operations recognized \$15.3 million of COVID-19 funding, of which \$1.6 million related to prior year unfunded COVID-19 costs, and our consolidated NOI and Adjusted EBITDA from continuing operations were both reduced by \$8.5 million.

In 2023, we recognized \$28.7 million in COVID-19 funding, of which \$13.1 million related to prior year unfunded COVID-19 costs. Our consolidated NOI and Adjusted EBITDA in 2023, increased by \$12.1 million and excluding prior year funding, were reduced by unfunded COVID costs of \$1.0 million. In comparison, in 2022, our continuing operations recognized \$109.5 million in COVID-19 funding, of which \$17.6 million related to prior year unfunded COVID-19 costs. Our consolidated NOI and Adjusted EBITDA from continuing operations were reduced by \$0.8 million and \$1.1 million, respectively, and excluding prior year funding, were reduced by unfunded COVID costs of \$18.4 million and \$18.7 million respectively.

Reconciliations of Adjusted EBITDA and Net Operating Income

The following table provides a reconciliation of “earnings (loss) from continuing operations before income taxes” to Adjusted EBITDA and “net operating income”, which excludes discontinued operations. Refer to the discussion under “Non-GAAP Measures”.

(thousands of dollars)	2023					2022 ⁽²⁾				
	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1	Year
Earnings (loss) from continuing operations before income taxes	12,264	13,668	3,105	15,766	44,803	(10,364)	(5,042)	4,646	6,264	(4,496)
Add (Deduct):										
Depreciation and amortization	8,678	9,023	7,173	7,351	32,225	7,692	7,558	8,058	8,251	31,559
Net finance costs	4,429	3,725	3,096	4,243	15,493	3,081	3,931	4,378	5,048	16,438
Other (income) expense	2,714	(5,048)	1,402	3,618	2,686	8,751	3,587	975	640	13,953
Share of (profit) loss from investment in joint ventures	578	(598)	—	—	(20)	—	—	—	—	—
Adjusted EBITDA	28,663	20,770	14,776	30,978	95,187	9,160	10,034	18,057	20,203	57,454
Administrative costs	14,115	14,440	13,694	13,586	55,835	12,526	13,492	12,284	12,773	51,075
Net operating income	42,778	35,210	28,470	44,564	151,022	21,686	23,526	30,341	32,976	108,529

STATEMENT OF EARNINGS

The following provides the consolidated statement of earnings for the periods ended December 31, 2023 and 2022.

(thousands of dollars unless otherwise noted)	Three months ended December 31,			Year ended December 31,		
	2023	2022 ⁽²⁾	Change	2023	2022 ⁽²⁾	Change
Revenue	350,181	310,393	39,788	1,304,957	1,221,577	83,380
Operating expenses	307,403	288,707	18,696	1,153,935	1,113,048	40,887
Net operating income⁽¹⁾	42,778	21,686	21,092	151,022	108,529	42,493
Administrative costs	14,115	12,526	1,589	55,835	51,075	4,760
Adjusted EBITDA⁽¹⁾	28,663	9,160	19,503	95,187	57,454	37,733
Depreciation and amortization	8,678	7,692	986	32,225	31,559	666
Other expense	2,714	8,751	(6,037)	2,686	13,953	(11,267)
Share of loss (profit) from investment in joint ventures	578	—	578	(20)	—	(20)
Earnings (loss) before net finance costs and income taxes	16,693	(7,283)	23,976	60,296	11,942	48,354
Interest expense (net of capitalized interest)	5,028	5,215	(187)	20,630	20,612	18
Interest revenue	(1,498)	(2,341)	843	(6,192)	(5,018)	(1,174)
Accretion	(154)	310	(464)	974	1,227	(253)
Fair value adjustments	1,053	(103)	1,156	81	(383)	464
Net finance costs	4,429	3,081	1,348	15,493	16,438	(945)
Earnings (loss) from continuing operations before income taxes	12,264	(10,364)	22,628	44,803	(4,496)	49,299
Income Tax Expense (Recovery)						
Current	1,425	(1,885)	3,310	6,812	3,150	3,662
Deferred	2,219	(775)	2,994	4,009	(3,135)	7,144
Total income tax expense	3,644	(2,660)	6,304	10,821	15	10,806
Earnings (loss) from continuing operations	8,620	(7,704)	16,324	33,982	(4,511)	38,493
Earnings from discontinued operations	—	6,011	(6,011)	—	74,065	(74,065)
Net earnings (loss)	8,620	(1,693)	10,313	33,982	69,554	(35,572)
Earnings (loss) from continuing operations	8,620	(7,704)	16,324	33,982	(4,511)	38,493
Add (Deduct)⁽ⁱ⁾:						
Fair value adjustments	774	(75)	849	60	(291)	351
Other (income) expense	1,994	6,417	(4,423)	(43)	10,248	(10,291)
Earnings (loss) from continuing operations before separately reported items, net of taxes⁽¹⁾	11,388	(1,362)	12,750	33,999	5,446	28,553

(i) The separately reported items being added to or deducted from earnings from continuing operations are net of income taxes.

2023 FOURTH QUARTER FINANCIAL REVIEW

The following is an analysis of the consolidated results from operations for Q4 2023, as compared to Q4 2022. The impact of COVID-19 affects the comparability of the Company's consolidated results (refer to "Select Quarterly Financial Information – COVID-19 and Related Expenses and Funding").

Revenue

Revenue of \$350.2 million in Q4 2023 increased by \$39.8 million or 12.8% from \$310.4 million in Q4 2022. Improvements in revenue were driven primarily by LTC flow-through funding enhancements, timing of spend under the flow-through care envelopes, improved occupancy, growth in home health care ADV of 10.2%, higher billing rates including \$5.4 million in prior period funding adjustments in Q4 2023, and growth in managed services, partially offset by the impact in Q4 2022 of prior period LTC funding adjustments of \$2.2 million and COVID-19 funding of \$15.3 million.

Operating Expenses

Operating expenses of \$307.4 million in Q4 2023 increased by \$18.7 million or 6.5% from Q4 2022. This increase was driven by higher costs related to labour (including increased hours of care supported by increased flow-through funding, labour rate increases and staffing agency costs) and technology across the business segments, partially offset by estimated costs related to COVID-19 of \$23.8 million in Q4 2022.

Net Operating Income

Net operating income of \$42.8 million in Q4 2023 increased by \$21.1 million or 97.3% from \$21.7 million in Q4 2022 and represented 12.2% of revenue as compared to 7.0% in Q4 2022. Excluding the impact of unfunded estimated COVID-19 costs of \$8.5 million recognized in Q4 2022 and \$5.4 million of retroactive funding recognized in home health care in Q4 2023, partially offset by prior period LTC funding adjustments of \$2.2 million and workers compensation rebates of \$0.3 million recognized in Q4 2022, NOI improved by \$9.7 million, reflecting lower staffing agency use, funding enhancements and higher occupancy, growth in home health care ADV of 10.2%, higher billing rates, and growth in managed services, partially offset by higher operating costs across all segments.

Administrative Costs

Administrative costs increased by \$1.6 million to \$14.1 million in Q4 2023, primarily due to higher labour and technology costs.

Adjusted EBITDA

Adjusted EBITDA increased by \$19.5 million to \$28.7 million in Q4 2023 from \$9.2 million in Q4 2022 and represented 8.2% of revenue as compared to 3.0% in the same prior year period, reflecting the increase in NOI, partially offset by higher administrative costs.

Depreciation and Amortization

Depreciation and amortization costs increased by \$1.0 million to \$8.7 million in Q4 2023, primarily due to the implementation of key cloud-based IT platforms and amortization of operational entitlements in connection with the Revera Transactions.

Other Expense

Other expense of \$2.7 million in Q4 2023 related to strategic transformation costs, compared to \$8.8 million in Q4 2022, which included an impairment charge of \$4.9 million in respect of certain LTC homes in Manitoba and Alberta, and strategic transformation costs of \$3.9 million. The strategic transformation costs include transaction, legal, regulatory, IT integration and management transition costs. Refer to the discussion under "Significant Developments – Completed Strategic Transactions With Revera and Axiom".

Share of Loss From Investment in Joint Ventures

Share of loss from joint ventures was \$0.6 million in Q4 2023, reflecting the Company's 15% interest in Axiom JV II. Refer to the discussion under "Significant Developments – Completed Strategic Transactions With Revera and Axiom" and to *Note 9* of the audited consolidated financial statements.

Net Finance Costs

Net finance costs increased by \$1.3 million in Q4 2023, reflecting an unfavourable change in fair value adjustments for interest rate swaps of \$1.2 million and lower interest revenue from cash on hand, partially offset by a favourable adjustment to accretion costs and lower interest expense related to a decline in long-term debt.

Income Taxes

The income tax provision of \$3.6 million in Q4 2023, represented an effective tax rate of 29.7%, as compared to a tax recovery of \$2.7 million and an effective tax rate of 25.7% in Q4 2022, largely due to changes in taxable income of certain of the legal entities.

Earnings (Loss) From Continuing Operations

The Company reported earnings from continuing operations of \$8.6 million (\$0.10 per basic share) in Q4 2023 as compared to a loss of \$7.7 million (\$0.09 loss per basic share) in Q4 2022. The increase in earnings of \$16.3 million largely resulted from the improvement in Adjusted EBITDA of \$19.5 million and decline in other expense of \$6.0 million (\$4.4 million net of tax), partially offset by higher depreciation, amortization and net finance costs. The year-over-year increase in earnings includes the impact of estimated unfunded COVID-19 costs recognized in Q4 2022 of \$8.5 million (\$6.2 million net of tax, or \$0.07 per basic share).

Summary of Results of Operations by Segment

The following summarizes the Company's segmented "revenue", "operating expenses" and "net operating income", followed by an analysis of the operating performance of each of the Company's operating segments. The impact of COVID-19 affects the comparability of the LTC and home health care business segments (refer to "Select Quarterly Financial Information – COVID-19 and Related Expenses and Funding").

Three months ended December 31 <i>(thousands of dollars unless otherwise noted)</i>	Long-term Care	Home Health Care	Managed Services	Total
2023				
Revenue	206,434	127,199	16,548	350,181
Operating expenses	188,854	111,124	7,425	307,403
Net operating income ⁽¹⁾	17,580	16,075	9,123	42,778
NOI margin ⁽¹⁾	8.5%	12.6%	55.1%	12.2%
2022				
Revenue	193,353	108,444	8,596	310,393
Operating expenses	182,870	102,056	3,781	288,707
Net operating income ⁽¹⁾	10,483	6,388	4,815	21,686
NOI margin ⁽¹⁾	5.4%	5.9%	56.0%	7.0%
Change				
Revenue	13,081	18,755	7,952	39,788
Operating expenses	5,984	9,068	3,644	18,696
Net operating income ⁽¹⁾	7,097	9,687	4,308	21,092

LONG-TERM CARE OPERATIONS

Revenue from LTC operations increased by \$13.1 million or 6.8% to \$206.4 million in Q4 2023. Excluding a reduction in funding of \$14.4 million to support costs associated with COVID-19, revenue increased by \$27.5 million largely driven by funding increases and timing of spend, including \$14.1 million in Ontario flow-through funding, and improved occupancy, partially offset by \$2.2 million of prior period funding adjustments recorded in Q4 2022.

Net operating income from LTC operations increased by \$7.1 million or 67.7% to \$17.6 million in Q4 2023 as compared to \$10.5 million in Q4 2022, with NOI margins increasing to 8.5% from 5.4% in the same prior year period. Excluding \$5.2 million related to the net impact of estimated COVID-19 costs of \$7.7 million in Q4 2022, partially offset by prior period funding adjustments of \$2.2 million and workers compensation rebates of \$0.3 million received in Q4 2022, NOI increased by \$1.9 million, reflecting lower staffing agency use, funding enhancements, timing of spend and increased occupancy, partially offset by higher operating costs.

HOME HEALTH CARE OPERATIONS

Revenue from home health care operations increased by \$18.8 million or 17.3% to \$127.2 million in Q4 2023 from \$108.4 million in Q4 2022, driven by 10.2% growth in ADV and billing rate increases, including \$5.4 million of retroactive funding recognized in Q4 2023 related to the recovery of increased wages and benefits, operating and technology costs incurred in prior periods, partially offset by reduced funding of \$0.9 million to support the costs associated with COVID-19.

Net operating income from home health care operations increased by \$9.7 million to \$16.1 million in Q4 2023 from \$6.4 million in Q4 2022, with NOI margins increasing to 12.6% from 5.9%, respectively. Excluding the impact of \$5.4 million of retroactive funding recognized in Q4 2023 and unfunded estimated COVID-19 costs of \$0.8 million in Q4 2022, NOI improved by \$3.5 million to \$10.7 million, with an NOI margin of 8.8%, from an NOI of \$7.1 million and NOI margin of 6.6% in Q4 2022, reflecting higher ADV and rate increases, partially offset by higher wages and benefits.

MANAGED SERVICES

Revenue from managed services increased by \$8.0 million or 92.5% to \$16.5 million in Q4 2023 compared to Q4 2022, largely due to the addition of the Revera and Axiom JV II homes and new SGP clients, partially offset by Extendicare Assist clients that reduced their scope of services. Refer to the discussion under "Key Performance Indicators – Managed Services".

Net operating income from managed services increased by \$4.3 million or 89.5% to \$9.1 million in Q4 2023 compared to Q4 2022, reflecting revenue growth, partially offset by higher operating expenses to support the growth in clients served as a result of the Revera and Axiom Transactions and due to changes to the mix of Extendicare Assist consulting services.

2023 FINANCIAL REVIEW

The following is an analysis of the consolidated results from operations in 2023, as compared to the same period in 2022. The impact of COVID-19 affects the comparability of the Company's consolidated results (refer to "Select Quarterly Financial Information – COVID-19 and Related Expenses and Funding").

Revenue

Revenue of \$1,305.0 million in 2023, increased by \$83.4 million or 6.8% from \$1,221.6 million in 2022. Improvements in revenue were driven primarily by LTC flow-through funding enhancements, timing of spend under the flow-through care envelopes, the net benefit of prior period LTC funding adjustments of \$1.9 million, improved LTC occupancy, growth in home health care ADV of 8.4%, higher billing rates, and growth in managed services, partially offset by lower COVID-19 funding of \$80.8 million.

Operating Expenses

Operating expenses of \$1,153.9 million in 2023, increased by \$40.9 million or 3.7% from \$1,113.0 million in 2022. This increase was driven by higher labour costs (including increased hours of care supported by increased flow-through funding, labour rate increases and agency costs) and technology costs across the business segments and the impact of workers compensation rebates of \$4.2 million received in 2022, partially offset by lower estimated costs related to COVID-19 of \$93.7 million.

Net Operating Income

Net operating income increased by \$42.5 million or 39.2% to \$151.0 million in 2023, representing 11.6% of revenue as compared to 8.9% for the same prior year period. Excluding the impact of higher year-over-year recovery of estimated COVID-19 costs of \$12.9 million and the net benefit of prior period LTC funding adjustments of \$1.9 million, partially offset by workers compensation rebates of \$4.2 million received in 2022, NOI improved by \$31.9 million, reflecting lower staffing agency use, funding enhancements and higher occupancy, growth in home health care ADV of 8.4%, higher billing rates, and growth in managed services, partially offset by higher operating costs across all segments.

Administrative Costs

Administrative costs increased by \$4.8 million or 9.3% to \$55.8 million in 2023, primarily due to higher labour and technology costs.

Adjusted EBITDA

Adjusted EBITDA improved by \$37.7 million to \$95.2 million in 2023, from \$57.5 million in 2022, representing 7.3% of revenue as compared to 4.7% in the prior year, reflecting the increase in NOI, partially offset by higher administrative costs.

Depreciation and Amortization

Depreciation and amortization costs increased by \$0.7 million to \$32.2 million in 2023, primarily due to the implementation of key cloud-based IT platforms and amortization of operational entitlements in connection with the Revera Transactions.

Other Expense

Other expense of \$2.7 million in 2023 related to strategic transformation costs of \$11.8 million, partially offset by the gain on sale of assets to Axiom JV of \$9.1 million. Other expense of \$14.0 million in 2022 related to an impairment charge of \$4.9 million in respect of certain LTC homes in Manitoba and Alberta, and strategic transformation costs of \$9.0 million. The strategic transformation costs include transaction, legal, regulatory, IT integration and management transition costs. Refer to the discussion under "Significant Developments – Completed Strategic Transactions With Revera and Axiom".

Share of Profit From Investment in Joint Ventures

Share of profit from joint ventures was nominal in 2023, reflecting the Company's 15% interest in Axiom JV II. Refer to the discussion under "Significant Developments – Completed Strategic Transactions With Revera and Axiom" and to *Note 9* of the audited consolidated financial statements.

Net Finance Costs

Net finance costs decreased by \$0.9 million in 2023, reflecting increased interest revenue from cash on hand and a favourable adjustment to accretion costs, partially offset by an unfavourable change of \$0.5 million in fair value adjustments related to interest rate swaps.

Income Taxes

The income tax provision of \$10.8 million in 2023 represented an effective tax rate of 24.2%, as compared to a nominal provision on a loss of \$4.5 million in 2022, largely due to changes in taxable income of certain of the legal entities.

Earnings (Loss) From Continuing Operations

The Company reported earnings from continuing operations of \$34.0 million (\$0.40 per basic share) in 2023, as compared to a loss of \$4.5 million (\$0.05 loss per basic share) in 2022. The increase in earnings of \$38.5 million resulted primarily

from the improvement in Adjusted EBITDA of \$37.7 million, lower net finance costs, and decline in other expense of \$11.3 million (\$10.3 million net of tax). The year-over-year increase in earnings includes the impact of a net recovery of estimated COVID-19 costs of \$13.2 million (\$9.7 million net of tax, or \$0.11 per basic share).

Summary of Results of Operations by Segment

The following summarizes the Company's segmented "revenue", "operating expenses" and "net operating income", followed by an analysis of the operating performance of each of the Company's operating segments. The impact of COVID-19 affects the comparability of the LTC and home health care business segments (refer to "Select Quarterly Financial Information – COVID-19 and Related Expenses and Funding").

Year ended December 31 <i>(thousands of dollars unless otherwise noted)</i>	Long-term Care	Home Health Care	Managed Services	Total
2023				
Revenue	788,101	469,085	47,771	1,304,957
Operating expenses	706,301	424,927	22,707	1,153,935
Net operating income ⁽¹⁾	81,800	44,158	25,064	151,022
NOI margin ⁽¹⁾	10.4%	9.4%	52.5%	11.6%
2022				
Revenue	767,095	421,647	32,835	1,221,577
Operating expenses	698,548	399,152	15,348	1,113,048
Net operating income ⁽¹⁾	68,547	22,495	17,487	108,529
NOI margin ⁽¹⁾	8.9%	5.3%	53.3%	8.9%
Change				
Revenue	21,006	47,438	14,936	83,380
Operating expenses	7,753	25,775	7,359	40,887
Net operating income ⁽¹⁾	13,253	21,663	7,577	42,493

LONG-TERM CARE OPERATIONS

Revenue from LTC operations increased by \$21.0 million or 2.7% to \$788.1 million in 2023. Excluding a reduction of \$65.5 million in funding related to COVID-19, revenue increased by \$86.5 million largely driven by funding enhancements and timing of spend, including \$46.3 million in Ontario flow-through funding, improvements in occupancy and the net benefit of prior period funding adjustments of approximately \$1.9 million. Prior period funding adjustments include Manitoba funding recognized in Q1 2023 in support of prior year wage settlements of \$6.1 million and other adjustments of \$0.5 million, partially offset by \$4.7 million of prior period funding recognized in 2022.

Net operating income from LTC operations increased by \$13.3 million to \$81.8 million in 2023, from \$68.5 million in the prior year, with NOI margins of 10.4% and 8.9%, respectively. Excluding \$7.6 million related to the net impact of a higher recovery of estimated COVID-19 costs of \$7.8 million and prior period funding adjustments of \$1.9 million, partially offset by workers compensation rebates of \$2.1 million received in 2022, NOI increased by \$5.7 million, reflecting lower staffing agency use, funding enhancements, timing of spend and increased occupancy, partially offset by higher operating costs.

HOME HEALTH CARE OPERATIONS

Revenue from home health care operations increased by \$47.4 million or 11.3% to \$469.1 million in 2023, from \$421.6 million in the prior year, driven by 8.4% growth in ADV, billing rate increases and approximately \$9.7 million to support government funded wage enhancements, partially offset by reduced funding of \$15.3 million to support costs associated with COVID-19.

Net operating income from home health care operations increased by \$21.7 million to \$44.2 million in 2023, from \$22.5 million in the prior year, reflecting NOI margins of 9.4% and 5.3%, respectively. Excluding a reduction in unfunded estimated COVID-19 costs of \$5.1 million, NOI improved by \$16.6 million reflecting higher ADV and rate increases, partially offset by higher wages and benefits, travel and technology costs, including increased costs associated with recruitment, retention and training to address staffing capacity challenges, and the impact of workers compensation rebates of \$2.1 million received in 2022. NOI margins excluding the impact of unfunded COVID-19 costs and the workers compensation rebates improved to 9.4% in 2023, from 6.3% in the prior year.

MANAGED SERVICES

Revenue from managed services increased by \$14.9 million or 45.5% to \$47.8 million in 2023, largely due to the addition of the Revera and Axiom JV II homes and growth in SGP clients, partially offset by Extendicare Assist clients that reduced their scope of services. Refer to the discussion under "Key Performance Indicators – Managed Services".

Net operating income from managed services increased by \$7.6 million or 43.3% to \$25.1 million in 2023, reflecting revenue growth, partially offset by higher operating expenses to support the growth in clients served as a result of the Revera and Axiom Transactions and due to changes in the mix of Extendicare Assist consulting services, business development and technology.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

Reconciliations of FFO to Net Earnings

The following table provides a reconciliation of “net earnings” to FFO, which the Company believes is the most comparable GAAP measure to FFO. In addition, the table includes a reconciliation from FFO to AFFO as supplemental information, both of which include discontinued operations. Refer to the discussion under “Non-GAAP Measures”.

	Three months ended December 31,			Year ended December 31,		
(thousands of dollars unless otherwise noted)	2023	2022 ⁽²⁾	Change	2023	2022 ⁽²⁾	Change
Earnings (loss) from continuing operations	8,620	(7,704)	16,324	33,982	(4,511)	38,493
Add (Deduct):						
Depreciation and amortization	8,678	7,692	986	32,225	31,559	666
Depreciation for FFEC (maintenance capex)	(3,611)	(2,137)	(1,474)	(11,556)	(8,900)	(2,656)
Depreciation for office leases	(711)	(778)	67	(3,099)	(2,959)	(140)
Other expense	2,714	8,751	(6,037)	2,686	13,953	(11,267)
Fair value adjustments	1,053	(103)	1,156	81	(383)	464
Current income tax expense (recovery) on other expense and fair value adjustments	(720)	(1,020)	300	(2,729)	(2,391)	(338)
Deferred income tax expense (recovery)	2,219	(775)	2,994	4,009	(3,135)	7,144
FFO adjustments for joint ventures ⁽ⁱ⁾	353	—	353	571	—	571
FFO from discontinued operations	—	(306)	306	—	(840)	840
FFO	18,595	3,620	14,975	56,170	22,393	33,777
Amortization of deferred financing costs	272	549	(277)	1,344	1,836	(492)
Accretion (recovery) costs	(154)	310	(464)	974	1,153	(179)
Non-cash share-based compensation	1,057	908	149	3,027	2,640	387
Principal portion of government capital funding	503	995	(492)	2,540	4,129	(1,589)
Additional maintenance capex	(1,059)	(4,493)	3,434	(2,584)	(6,008)	3,424
AFFO adjustments for joint ventures ⁽ⁱ⁾	(164)	—	(164)	(255)	—	(255)
AFFO	19,050	1,889	17,161	61,216	26,143	35,073
Per Basic Share (\$)						
FFO	0.22	0.04	0.18	0.66	0.25	0.41
AFFO	0.23	0.02	0.21	0.72	0.29	0.43
Per Diluted Share (\$)						
FFO	0.21	0.04	0.17	0.65	0.25	0.40
AFFO	0.21	0.02	0.19	0.68	0.29	0.39
Dividends						
Declared	10,000	10,275	(275)	40,404	42,363	(1,959)
Declared per share (\$)	0.12	0.12	—	0.48	0.48	—
Weighted Average Number of Shares						
Basic (000's)	84,297	86,678		84,986	89,009	
Diluted (000's)	95,507	97,604		96,219	100,015	
Current income tax expense included in FFO	2,145	(975)	3,120	9,541	5,012	4,529
FFO effective tax rate	10.3 %	(36.9)%		14.5 %	18.3 %	

(i) Refer to the additional information provided under “FFO and AFFO Adjustments for Joint Ventures”.

Reconciliations of AFFO to Net Cash From Operating Activities

The following table provides a reconciliation of AFFO, which includes discontinued operations, to “net cash from operating activities”, which the Company believes is the most comparable GAAP measure to AFFO. Refer to the discussion under “Non-GAAP Measures”.

(thousands of dollars)	Three months ended December 31,			Year ended December 31,		
	2023	2022	Change	2023	2022	Change
Net cash from operating activities	19,040	32,271	(13,231)	23,284	98,869	(75,585)
Add (Deduct):						
Net change in operating assets and liabilities, including interest and taxes	3,283	(26,758)	30,041	43,218	(65,534)	108,752
Other expense	2,714	3,809	(1,095)	11,806	9,011	2,795
Current income tax on items excluded from AFFO	(720)	(1,020)	300	(2,729)	(2,391)	(338)
Depreciation for office leases	(711)	(778)	67	(3,099)	(2,959)	(140)
Depreciation for FFEC (maintenance capex) ⁽ⁱ⁾	(3,611)	(2,137)	(1,474)	(11,556)	(8,974)	(2,582)
Additional maintenance capex ⁽ⁱ⁾	(1,059)	(4,493)	3,434	(2,584)	(6,008)	3,424
Principal portion of government capital funding	503	995	(492)	2,540	4,129	(1,589)
Adjustments for joint ventures ⁽ⁱⁱ⁾	(389)	—	(389)	336	—	336
AFFO	19,050	1,889	17,161	61,216	26,143	35,073
Total maintenance capex⁽ⁱ⁾	4,988	6,630	(1,642)	14,658	14,982	(324)

(i) Total maintenance capex represents the aggregate of the items classified as “depreciation for FFEC” and “additional maintenance capex”, and includes \$0.3 million and \$0.5 million in respect of the Company’s 15% interest in joint ventures, for the three and twelve months ended December 31, 2023, respectively. An amount equivalent to depreciation for FFEC, or furniture, fixtures, equipment and computers, is deducted in determining FFO, and the difference from the actual total maintenance capex incurred is adjusted for in determining AFFO.

(ii) Refer to the additional information provided under “FFO and AFFO Adjustments for Joint Ventures”.

AFFO Fourth Quarter and 2023 Financial Review

In Q4 2023, AFFO increased by \$17.2 million to \$19.1 million (\$0.23 per basic share) from \$1.9 million (\$0.02 per basic share) in Q4 2022, largely reflecting the improvement in Adjusted EBITDA and lower maintenance capex, partially offset by higher current income taxes, increased net finance costs, and a decline in the principal portion of government capital funding. The year-over-year increase in AFFO includes the impact of estimated unfunded COVID-19 costs recognized in Q4 2022 of \$8.5 million (\$6.2 million net of tax, or \$0.07 per basic share).

In 2023, AFFO increased by \$35.1 million to \$61.2 million (\$0.72 per basic share) from \$26.1 million (\$0.29 per basic share) in 2022, largely reflecting the improvement in Adjusted EBITDA, lower net finance costs, and impact of AFFO loss from discontinued operations in 2022, partially offset by a decline in the principal portion of government capital funding and higher current income taxes. The year-over-year increase in AFFO includes the impact of a net recovery of estimated COVID-19 costs from continuing operations of \$13.2 million (\$9.7 million net of tax, or \$0.11 per basic share).

Dividends declared as a percentage of AFFO in 2023, represented a payout ratio of 66%. In addition to cash on hand of \$75.2 million as at December 31, 2023, and ongoing cash generated from operations, the Company has available undrawn credit facilities totalling \$70.9 million (refer to the discussion under “Liquidity and Capital Resources”).

A discussion of the factors impacting net earnings and Adjusted EBITDA can be found under “2023 Fourth Quarter Financial Review”, “2023 Financial Review”, and “Discontinued Operations”.

The current income tax expense included in AFFO was \$9.5 million in 2023, compared to \$5.0 million in the same prior year period, representing an effective tax rate on FFO of 14.5% and 18.3%, respectively. The determination of FFO includes a deduction for current income tax expense and does not include deferred income tax expense. As a result, the effective tax rates on FFO can be impacted by: adjustments to estimates of annual deferred timing differences, particularly when dealing with cash-based tax items versus accounting accruals; changes in the proportion of earnings between taxable and non-taxable entities; book-to-file adjustments for prior year filings; and the ability to utilize loss carryforwards. For 2024, the Company expects the effective tax rate on FFO will be in the range of 17% to 20%.

Including the Company’s 15% interest in joint ventures and activity of discontinued operations in 2022, maintenance capex was \$5.0 million for Q4 2023 compared to \$6.6 million for Q4 2022 and to \$4.9 million for Q3 2023, representing 1.4%, 2.1% and 1.5% of revenue, respectively. In 2023, maintenance capex was \$14.7 million compared to \$15.0 million in the prior year, representing 1.1% and 1.2% of revenue, respectively. These costs fluctuate on a quarterly and annual basis with the timing of projects and seasonality. In 2024, the Company expects to spend in the range of \$16.0 million to \$18.0 million in maintenance capex, including approximately \$1.1 million in connection with the Company’s 15% interest in joint ventures.

The following provides a reconciliation of “Adjusted EBITDA” to AFFO, which includes discontinued operations, as supplemental information. Refer to the discussion under “Non-GAAP Measures”.

(thousands of dollars)	Three months ended December 31,			Year ended December 31,		
	2023	2022	Change	2023	2022	Change
Adjusted EBITDA	28,663	9,160	19,503	95,187	57,454	37,733
Add (Deduct):						
Depreciation for FFEC (maintenance capex)	(3,611)	(2,137)	(1,474)	(11,556)	(8,900)	(2,656)
Depreciation for office leases	(711)	(778)	67	(3,099)	(2,959)	(140)
Accretion (recovery) costs	154	(310)	464	(974)	(1,227)	253
Interest expense	(5,028)	(5,215)	187	(20,630)	(20,612)	(18)
Interest revenue	1,498	2,341	(843)	6,192	5,018	1,174
Discontinued operations, pre-tax	—	(416)	416	—	(1,369)	1,369
FFO adjustments for joint ventures	(225)	—	(225)	591	—	591
	20,740	2,645	18,095	65,711	27,405	38,306
Current income tax expense (recovery)	2,145	(975)	3,120	9,541	5,012	4,529
FFO	18,595	3,620	14,975	56,170	22,393	33,777
Amortization of deferred financing costs	272	549	(277)	1,344	1,836	(492)
Accretion (recovery) costs	(154)	310	(464)	974	1,153	(179)
Non-cash share-based compensation	1,057	908	149	3,027	2,640	387
Principal portion of government capital funding	503	995	(492)	2,540	4,129	(1,589)
Additional maintenance capex	(1,059)	(4,493)	3,434	(2,584)	(6,008)	3,424
AFFO adjustments for joint ventures	(164)	—	(164)	(255)	—	(255)
AFFO	19,050	1,889	17,161	61,216	26,143	35,073

FFO and AFFO Adjustments for Joint Ventures

The following tables provide additional information in respect of the adjustments to FFO and AFFO for joint ventures. Refer to the discussion under “Non-GAAP Measures”.

(thousands of dollars unless otherwise noted)	Three months ended December 31,			Year ended December 31,		
	2023	2022	Change	2023	2022	Change
Depreciation and amortization	433	—	433	707	—	707
Depreciation for FFEC (maintenance capex)	(80)	—	(80)	(136)	—	(136)
FFO adjustments for joint ventures	353	—	353	571	—	571
Principal portion of government capital funding	74	—	74	127	—	127
Additional maintenance capex	(238)	—	(238)	(382)	—	(382)
AFFO adjustments for joint ventures	(164)	—	(164)	(255)	—	(255)

(thousands of dollars unless otherwise noted)	Three months ended December 31,			Year ended December 31,		
	2023	2022	Change	2023	2022	Change
Net cash from operating activities	244	—	244	1,337	—	1,337
Net change in operating assets and liabilities, including interest and taxes	(367)	—	(367)	(588)	—	(588)
Other expense	(22)	—	(22)	(22)	—	(22)
Depreciation for FFEC (maintenance capex)	(80)	—	(80)	(136)	—	(136)
Additional maintenance capex	(238)	—	(238)	(382)	—	(382)
Principal portion of government capital funding	74	—	74	127	—	127
Adjustments for joint ventures	(389)	—	(389)	336	—	336
Total maintenance capex for joint ventures	318	—	318	518	—	518

(thousands of dollars unless otherwise noted)	Three months ended December 31,			Year ended December 31,		
	2023	2022	Change	2023	2022	Change
Adjusted EBITDA	244	—	244	1,337	—	1,337
Depreciation for FFEC (maintenance capex)	(80)	—	(80)	(136)	—	(136)
Other expense	(22)	—	(22)	(22)	—	(22)
Interest expense	(474)	—	(474)	(797)	—	(797)
Interest revenue	107	—	107	209	—	209
FFO adjustments for joint ventures	(225)	—	(225)	591	—	591
Principal portion of government capital funding	74	—	74	127	—	127
Additional maintenance capex	(238)	—	(238)	(382)	—	(382)
AFFO adjustments for joint ventures	(164)	—	(164)	(255)	—	(255)

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

The following summarizes the sources and uses of cash between continuing and discontinued operations in 2023 and 2022.

(thousands of dollars)	Year ended December 31,			
	2023	2022		
	Total	Continuing	Discontinued	Total
Net cash from (used in) operating activities	23,284	104,234	(5,365)	98,869
Net cash (used in) from investing activities	(84,453)	(96,651)	252,295	155,644
Net cash used in financing activities	(30,928)	(70,063)	(121,796)	(191,859)
(Decrease) increase in cash and cash equivalents	(92,097)	(62,480)	125,134	62,654

As at December 31, 2023, the Company had cash and cash equivalents on hand of \$75.2 million, reflecting a decline in cash of \$92.1 million from the beginning of the year. Cash flow from operating activities of the continuing operations was \$23.3 million in 2023, reflecting earnings offset by timing of working capital changes, including in respect of COVID-19 funding recognition and receipt and payroll cycles. Cash dividends paid of \$40.4 million in 2023, were largely funded from cash on hand.

Net cash from operating activities was a source of cash of \$23.3 million in 2023, down \$75.6 million from \$98.9 million in the prior year, reflecting unfavourable changes in operating assets and liabilities and cash income taxes between periods. Fluctuations in operating assets and liabilities between periods are primarily attributable to the volatility and timing of cash receipts related to flow-through funding and COVID-19, and the timing of payroll cycles. Net income taxes reflected taxes paid of \$9.0 million in 2023 compared to net income taxes received of \$10.0 million in 2022, which included the receipt of a prior year tax recoverable related to the former U.S. operations.

Net cash (used in) from investing activities was a use of cash of \$84.5 million in 2023 as compared to a source of cash of \$155.6 million in the prior year. The 2023 activity included proceeds of \$66.9 million from the sale of assets to Axium JV, including assumed debt, the collection of other assets of \$2.5 million and distributions from investments in joint ventures of \$0.9 million, which partially offset purchases of property, equipment and other intangible assets of \$129.4 million and investments in joint ventures of \$25.4 million. The 2022 activity included net proceeds of \$253.1 million, including the assumption of debt, from the sale of the retirement living segment and Saskatchewan LTC Homes, and the collection of other assets of \$4.1 million, partially offset by purchases of property, equipment and other intangible assets of \$101.6 million.

The table that follows summarizes the additions to property, equipment and other intangibles, allocated between growth and maintenance capex for each of the continuing and discontinued operations. Growth capex relates to the LTC redevelopment projects, building improvements, investments in transitioning key IT platforms to cloud-based solutions, projects, or other capital projects, all of which are aimed at earnings growth. Maintenance capex relates to the capital additions incurred to sustain and upgrade existing property and equipment.

(thousands of dollars)	Year ended December 31,			
	2023	2022		
	Total	Continuing	Discontinued	Total
Growth capex	81,280	95,566	—	95,566
Maintenance capex	14,140	14,164	818	14,982
	95,420	109,730	818	110,548

Management monitors and prioritizes the capital expenditure requirements of its properties throughout the year, taking into account the urgency and necessity of the expenditure. Growth capex in 2024 will be focused primarily on the LTC projects under construction, redevelopment activities and continued investments in technology to support growth initiatives (refer to "Other Contractual Obligations and Contingencies – Commitments"). The level of future growth capex will primarily be impacted by the timing of redevelopment projects advancing to construction, which is dependent on future enhancements to the Capital Funding Program in Ontario, any potential redevelopment programs that are introduced in Alberta and Manitoba, and whether such projects are sold to Axium JV.

Net cash used in financing activities was a use of cash of \$30.9 million in 2023, a decrease of \$160.9 million from \$191.9 million in the prior year. The 2023 activity included draws on LTC construction financings of \$39.0 million, offset by cash dividends paid of \$40.4 million, debt and lease liability repayments of \$20.3 million and purchases of shares for cancellation of \$11.1 million. The 2022 activity included debt and lease liability repayments of \$150.6 million, including \$121.8 million related to the divested operations, cash dividends paid of \$42.6 million and purchases of shares for cancellation of \$35.0 million, partially offset by draws on LTC construction financings of \$36.4 million.

Discontinued operations reflect the operations of the retirement living segment and the Saskatchewan LTC Homes. Further details are provided under "Discontinued Operations" and in *Note 20* of the audited consolidated financial statements.

Capital Structure

SHAREHOLDERS' EQUITY

Total shareholders' equity as at December 31, 2023, was \$87.9 million as compared to \$100.7 million at December 31, 2022, reflecting the contributions from net earnings and comprehensive income, offset by dividends declared of \$40.4 million and the purchase of Common Shares through the NCIB at a cost of \$11.1 million.

As at December 31, 2023, the Company had 83,158,315 Common Shares issued and outstanding (carrying value – \$467.3 million), as compared to 84,728,744 Common Shares (carrying value – \$475.4 million) as at December 31, 2022, reflecting 1,749,131 Common Shares purchased and cancelled through the NCIB, partially offset by 178,702 Common Shares issued under the Company's equity-based compensation plan.

Share Information (000's)	March 6, 2024	December 31, 2023	December 31, 2022
Common Shares (TSX symbol: EXE) ⁽ⁱ⁾	83,158.3	83,158.3	84,728.7

(i) Closing market value per TSX on March 6, 2024, was \$6.65.

As at March 7, 2024, the Company had an aggregate of 3,884,611 Common Shares reserved and available for issuance pursuant to the Company's long-term incentive plan, of which there were in aggregate 2,344,654 performance share units and deferred share units outstanding as at December 31, 2023 (refer to *Note 13* of the audited consolidated financial statements).

As at March 7, 2024, the Company had \$126.5 million in aggregate principal amount of convertible subordinate debentures outstanding that mature in April 2025 (the "2025 Debentures"), which in the aggregate are convertible into 10,326,531 Common Shares.

Dividends

The Company declared cash dividends of \$0.48 per share in the year ended December 31, 2023, consistent with that declared in 2022, representing \$40.4 million and \$42.4 million in each period, respectively.

Normal Course Issuer Bid

During 2023, the Company purchased for cancellation 1,749,131 Common Shares at a cost of \$11.1 million, representing a weighted average price per share of \$6.34.

In June 2023, the Company received approval from the TSX to renew its NCIB to purchase for cancellation up to 7,273,707 Common Shares, representing 10% of its public float, through the facilities of the TSX and/or through alternative Canadian trading systems, in accordance with TSX rules. The NCIB commenced on June 30, 2023, and provides the Company with flexibility to purchase Common Shares for cancellation until June 29, 2024, or on such earlier date as the NCIB is complete. The actual number of Common Shares purchased under the NCIB and the timing of any such purchases will be at the Company's discretion. Subject to the TSX's block purchase exception, daily purchases will be limited to 36,281 Common Shares. The Company has entered into an automatic purchase plan with its designated broker in connection with its NCIB to facilitate the purchase of Common Shares during times when the Company would ordinarily not be active in the market. The Board authorized the NCIB because it believes that, from time to time, the market price of the Common Shares may be such that their purchase may be an attractive and appropriate use of corporate funds. Decisions regarding the quantity and timing of purchases of Common Shares are based on market conditions, share price, the outlook for capital needs, including LTC redevelopment needs and other factors. As at March 6, 2024, the Company had purchased 1,121,631 Common Shares at a cost of \$7.0 million under the current NCIB, all of which were acquired in 2023.

Under its prior NCIB that expired on June 29, 2023, the Company purchased 5,638,680 Common Shares at a cost of \$39.1 million, representing a weighted average price per share of \$6.94, of which 627,500 were acquired in 2023 at a cost of \$4.1 million (refer to "Significant Developments – Normal Course Issuer Bid").

Long-term Debt

Long-term debt totalled \$334.5 million as at December 31, 2023, as compared to \$384.0 million as at December 31, 2022, representing a decrease of \$49.5 million, reflecting the transfer of \$72.3 million in construction loans to Axiom JV in connection with the Axiom Transaction and regular debt and lease liability repayments of \$20.3 million, partially offset by draws on construction loans of \$39.0 million prior to their transfer to the joint venture, new lease liabilities and changes in accretion and deferred financing costs. The current portion of long-term debt as at December 31, 2023, was \$19.9 million. The Company is subject to debt service coverage covenants on certain of its loans and was in compliance with all of these covenants as at December 31, 2023. Details of the components, maturities dates, terms and conditions of long-term debt are provided in *Note 11* of the audited consolidated financial statements.

LTC CONSTRUCTION FINANCING

In December 2023, the Company secured a \$92.5 million construction facility in connection with its 256-bed LTC redevelopment project in Orleans. The facility bears interest at a fixed rate of 5.72% and includes a construction period that commences after the initial drawdown and converts to a 25-year non-revolving term loan no later than 30 months after the initial drawdown. Interest is capitalized during construction. As at December 31, 2023, no amount had been drawn on the construction facility. Subsequent to December 31, 2023, the Company entered into an agreement of purchase and sale to sell this redevelopment project to, and have the related construction facility assumed by, Axiom JV, subject to customary closing conditions (refer to *Note 22* of the audited consolidated financial statements).

CREDIT FACILITIES

The Company has two demand credit facilities totalling \$112.3 million. One is secured by 14 Class C LTC homes in Ontario and the other is secured by the assets of the home health care business. Neither of these facilities has financial covenants but do contain normal and customary terms. As at December 31, 2023, \$27.3 million of the facilities secure the Company's legacy defined benefit pension plan obligations, \$8.0 million secures the Company's obligation to fund capital contributions to the Joint Ventures in connection with construction of LTC redevelopment projects within the Joint Ventures, and \$6.1 million was used in connection with obligations relating to LTC homes, leaving \$70.9 million of undrawn capacity on the demand facilities.

LONG-TERM DEBT KEY METRICS

The following table presents the principal, or notional, amounts and related weighted average interest rates by year of maturity, of the Company's long-term debt obligations as at December 31, 2023.

<i>(millions of dollars unless otherwise noted)</i>	2024	2025	2026	2027	2028	After 2028	Total
Convertible Debentures (at face value)							
Fixed rate	—	126.5	—	—	—	—	126.5
Average interest rate	— %	5.00 %	— %	— %	— %	— %	5.00 %
Long-term Debt							
Fixed rate (including fixed through swap)	7.3	23.6	6.8	31.1	5.7	64.8	139.4
Average interest rate	4.35 %	4.63 %	4.81 %	4.71 %	4.71 %	5.24 %	4.92 %
Variable rate	0.9	19.6	—	—	—	—	20.5
Average interest rate	7.69 %	7.69 %	— %	— %	— %	— %	7.43 %
Lease Liabilities							
Fixed rate	12.6	12.9	12.8	6.7	1.7	5.7	52.4
Average interest rate	6.79 %	6.79 %	6.79 %	5.57 %	5.09 %	4.58 %	6.34 %

Management has limited the amount of debt that may be subject to changes in interest rates, with \$20.5 million of mortgage debt at variable rates. The Company's term loan of \$28.7 million as at December 31, 2023, has effectively been converted to fixed-rate financings with interest rate swaps over the full term. As at December 31, 2023, the interest rate swaps were valued as an asset of \$0.1 million.

The following summarizes key metrics of consolidated long-term debt as at December 31, 2023, and December 31, 2022.

	December 31, 2023			
(thousands of dollars unless otherwise noted)	Before Adjustments for Joint Ventures	Adjustments for Joint Ventures ⁽ⁱⁱ⁾	Adjusted for Joint Ventures	December 31, 2022
Weighted average interest rate of long-term debt outstanding	5.4 %		5.7 %	5.5 %
Weighted average term to maturity of long-term debt outstanding	5.2 yrs		6.2 yrs	5.8 yrs
Trailing twelve months consolidated interest coverage ratio ^{(i) (1)}	4.2 X		4.0 X	2.6 X
Debt to Gross Book Value (GBV)				
Total assets (carrying value)	672,731	72,825	745,556	781,579
Accumulated depreciation on property and equipment	312,906	5,950	318,856	287,890
Accumulated amortization on other intangible assets	41,814	798	42,612	35,228
GBV	1,027,451	79,573	1,107,024	1,104,697
Debt ⁽ⁱⁱⁱ⁾	338,831	55,578	394,409	391,157
Debt to GBV	33.0 %		35.6 %	35.4 %

(i) Capitalized interest included in the calculation of the interest coverage ratio before adjustments for joint ventures was \$3.3 million in 2023, and \$1.5 million in 2022. The calculation adjusted for joint ventures includes the Company's 15% share of the joint ventures' Adjusted EBITDA of \$1.3 million and interest expense of \$1.2 million (inclusive of \$2.7 million of capitalized interest).

(ii) The adjustments to GBV represent the Company's 15% share of the joint ventures' GBV of \$104.1 million less the Company's carrying value in the joint ventures of \$24.5 million. The adjustment for debt represents the Company's 15% share of the joint ventures' mortgages at carrying amount, excluding deferred financing costs.

(iii) Debt includes the Company's convertible debentures at face value of \$126.5 million and excludes deferred financing costs.

Future Liquidity and Capital Resources

The Company's consolidated cash and cash equivalents on hand was \$75.2 million as at December 31, 2023, as compared with \$167.3 million as at December 31, 2022, representing a decrease of \$92.1 million. In addition, the Company has access to a further \$70.9 million in undrawn demand credit facilities. Cash and cash equivalents exclude restricted cash of \$0.7 million.

The Company had a working capital deficiency (current liabilities less current assets) of \$39.2 million as at December 31, 2023, including the current portion of long-term debt of \$19.9 million.

The sale of the Company's 256-bed LTC redevelopment project in Orleans, Ontario to Axiom JV, with Extendicare retaining a 15% managed interest, is expected to close in Q2 2024. In addition, the Company has entered into agreements to sell the land and buildings associated with its Sudbury (Falconbridge) and Kingston Class C LTC homes, which are scheduled to close in 2024, for estimated aggregate net proceeds after tax and closing costs of \$8.5 million. For further details on these transactions, refer to the discussions under "Ontario LTC Redevelopment Activities" and "Commitment to Sell Two Class C LTC Homes", under the heading "Significant Developments", and to Note 22 of the audited consolidated financial statements).

Management believes that the current cash and cash equivalents on hand, cash from operating activities, available funds from credit facilities and future debt financings will be sufficiently available to support the Company's ongoing business operations, including required working capital, maintenance capex and debt repayment obligations and fund the Company's capital requirements, in partnership with Axiom, to support our long-term care redevelopment program. Growth through redevelopment of the LTC homes over the next few years, strategic acquisitions and developments may necessitate the raising of funds through debt, equity financings and/or other means. Decisions will be made on a specific transaction basis and will depend on market and economic conditions at the time.

Inflationary impacts on operating costs, rising interest rates such that capital and credit markets and industry sentiment are adversely affected, ongoing pressures of funding and rate increases not keeping pace with cost increases, health care staffing constraints and the potential for another pandemic, epidemic or outbreak may make it more difficult for the Company to access the necessary capital or credit markets or if able to do so, at a higher cost or less advantageous terms than existing borrowings. In addition, reduced revenue and higher operating costs due to inflationary impacts and rising interest rates may result in reductions or early prepayments of existing financings if covenants are unable to be met (refer to "Risks and Uncertainties").

OTHER CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

Commitments

As at December 31, 2023, the Company had remaining commitments of \$69.6 million in connection with a fixed-price construction agreement for a new 256-bed LTC home in Orleans, Ontario, that commenced construction Q4 2023 and is anticipated to open in Q2 2026. The Company also had outstanding commitments of \$18.6 million in connection with various IT service and license agreements to support the transition of key IT platforms to cloud-based solutions in support of the Company's growth initiatives (refer to *Note 22* of the audited consolidated financial statements).

In December 2023, the Company entered into agreements to sell the land and buildings associated with its Sudbury (Falconbridge) and Kingston Class C LTC homes, which are scheduled to close in 2024, for aggregate proceeds of \$9.1 million, yielding estimated net proceeds after tax and closing costs of \$8.5 million and a net gain of \$7.7 million.

Subsequent to December 31, 2023, the Company entered into an agreement of purchase and sale to sell its Orleans, Ontario 256 funded LTC beds currently under construction to Axiom JV, with Extendicare retaining a 15% managed interest. Closing of the transaction is anticipated in Q2 2024, subject to customary closing conditions, including receipt of regulatory approvals from the MLTC.

For further details on the above sales transactions, refer to the discussions under "Ontario LTC Redevelopment Activities" and "Commitment to Sell Two Class C LTC Homes" under the heading "Significant Developments" and to *Note 22* of the audited consolidated financial statements).

Guarantees

The Company provides unsecured guarantees related to certain credit facilities held by the Joint Ventures; namely, construction loans and letter of credit facilities in support of ongoing construction of joint venture LTC redevelopment projects and term loans and lease-up credit facilities for operating joint venture LTC homes. As at December 31, 2023, 24 LTC homes within the Joint Ventures have existing credit facilities available of up to \$610.7 million. The guarantees provided by the Company vary depending upon the joint venture and the project, but are typically either on a joint and several basis for 50% of the loan amount or on a several basis for 15% of the loan amount or some lesser portion thereof. The amount of the guarantees vary as borrowings increase on projects under construction and reduce as homes move into operations when guarantee requirements are generally lower. As at December 31, 2023, the Company has provided unsecured guarantees of \$98.5 million in support of the credit facilities held by the Joint Ventures (refer to *Note 22* of the audited consolidated financial statements).

The Joint Ventures are subject to debt service coverage covenants on certain of their respective credit facilities. The Joint Ventures were in compliance with the covenants as at December 31, 2023.

Defined Benefit Pension Plan Obligations

The Company has benefit arrangements for certain of its executives, which include a registered defined benefit pension plan, as well as supplementary plans that provide pension benefits in excess of statutory limits and post-retirement health and dental benefits. These plans have been closed to new entrants for several years. The accrued benefit liability on the statement of financial position as at December 31, 2023, was \$22.5 million (2022 – \$26.1 million). The registered defined benefit plan was in an actuarial deficit of \$1.3 million, with plan assets of \$4.0 million and accrued benefit obligations of \$5.3 million as at December 31, 2023 (2022 – an actuarial deficit of \$1.4 million with plan assets of \$4.2 million and accrued benefit obligations of \$5.6 million). The accrued benefit obligations of the supplementary plans were \$23.8 million as at December 31, 2023 (2022 – \$26.7 million). The benefit obligations under the supplementary plans are secured by a \$27.3 million letter of credit as at December 31, 2023 (2022 – \$30.5 million) and plan assets of \$2.5 million (2022 – \$2.0 million). The letter of credit renews annually in May based on an actuarial valuation of the pension obligations. The annual benefit payments under the supplementary pension plan are funded from cash from operations and are expected to be in the range of \$1.6 million to \$1.8 million over the next five years. The annual contributions to the registered pension plan are less than \$0.1 million. Since the majority of the accrued benefit obligations represent obligations under the non-registered supplementary plan, which is not required to be funded, changes in future market conditions are not expected to have a material adverse effect on the Company's cash flow requirements with respect to its pension obligations, or on its pension expense. Further details are provided in *Note 23* of the audited consolidated financial statements.

Legal Proceedings and Regulatory Actions

In the ordinary course of business, the Company is involved in and potentially subject to legal proceedings brought against it from time to time in connection with its operations. The COVID-19 pandemic has increased the risk that litigation or other legal proceedings, regardless of merit, will be commenced against the Company.

In April 2021, the Company was served with a statement of claim filed in the Court of Queen's Bench for Saskatchewan alleging negligence, breach of fiduciary duty, breach of contract and breach of the required standard of care by the Company and certain unnamed defendants in respect of all residents of Company LTC homes and retirement communities located in Saskatchewan as well as their family members. The claim seeks an order certifying the action as a class action and unspecified damages.

In January 2022, four active class actions against the Company in Ontario were consolidated into one action pursuant to the *Class Proceedings Act* (Ontario). The consolidated claim is in respect of all Ontario LTC homes owned, operated, licensed and/or managed by the Company and its affiliates and names as defendants the Company, certain of its affiliates and the owners of any such managed LTC homes and alleges negligence, gross negligence, breach of fiduciary duty, breach of contract, unjust enrichment, wrongful death in respect of all persons who contracted COVID-19 at the residence or subsequently contracted COVID-19 from such persons and breach of section 7 of the *Canadian Charter of Rights and Freedoms*. The consolidated claim seeks damages in the aggregate of \$110 million. On March 7, 2024, the consolidated claim was certified against the Company, but only in respect of the Ontario LTC homes it owns and with a gross negligence cause of action. The Company and/or the plaintiffs may appeal the decision in whole or in part.

The Company intends to vigorously defend itself against these claims and these claims are subject to insurance coverage maintained by the Company. However, given the status of the proceedings, the Company is unable to assess their potential outcome and they could have a materially adverse impact on the Company's business, results of operations and financial condition (see "Risks and Uncertainties").

In December 2020, the Government of Ontario passed Bill 218, *Supporting Ontario's Recovery Act* (Ontario), which provides targeted liability protection against COVID-19 exposure-related claims against any individual, corporation, or other entity that made a "good faith" or "honest" effort to act in accordance with public health guidance and laws relating to COVID-19 and did not otherwise act with "gross negligence". The protection under Bill 218 is retroactive to March 17, 2020, when Ontario first implemented emergency measures as part of its response to the COVID-19 pandemic. Similar legislation has been passed in other provincial jurisdictions, including Saskatchewan.

In October 2021, the Supreme Court of Canada dismissed an application for leave to appeal by the Attorney General of Ontario which sought to challenge the decision issued by the previous presiding court that ruled in favour of certain unions in respect of a legal challenge to a 2016 Pay Equity Tribunal decision. The unions argued that new pay equity adjustments were required in order to maintain pay equity with municipal LTC homes where PSWs and other direct care workers in other industries are included in determining pay equity. The matter has now been referred back to the Pay Equity Tribunal to settle the matter between the participating LTC homes, unions and the Government and establish a framework for pay equity suitable for the sector. The Company, along with other participants in the long-term care sector, including the Government of Ontario, are working to resolve the matter. Given the uncertainty of the matter and the various stakeholders involved, and as a result the wide range of possible settlement outcomes and related funding changes the Company is unable to determine a reliable estimate of the potential outcome and it could have a materially adverse impact on the Company's business, results of operations and financial condition.

DISCONTINUED OPERATIONS

The following describes those operations affecting the results for discontinued operations impacting 2022, which include the impact of COVID-19 funding and related costs (refer to "Select Quarterly Financial Information – COVID-19 and Related Expenses and Funding"). Further details are provided in *Note 20* of the audited consolidated financial statements.

Sale of Retirement Living Portfolio

On May 16, 2022, the Company completed the sale of its retirement living operations composed of 11 retirement communities (1,050 suites), located in Ontario and Saskatchewan, to Sienna-Sabra LP, for an aggregate purchase price of \$307.5 million, representing an implied realized capitalization rate on the stabilized NOI of approximately 6.0%. The Company recorded a gain on sale of \$67.9 million net of taxes, other adjustments and transaction costs, through discontinued operations. In 2022, these operations generated revenue of \$18.9 million, NOI⁽¹⁾ of \$3.9 million, and AFFO⁽¹⁾ of \$0.9 million (\$0.01 per basic share).

Sale of Saskatchewan LTC Homes

On October 9, 2022, the SHA and the Company completed the transition of operations and ownership of the Company's five LTC homes located in Saskatchewan to the SHA, including certain other assets and the assumption of certain liabilities by the SHA, for an aggregate purchase price of \$13.1 million and recorded a gain on sale of \$6.3 million net of taxes, other adjustments and transaction costs, through discontinued operations. In 2022, these operations generated revenue of \$40.9 million, a net operating loss of \$3.1 million, and an AFFO loss of \$2.3 million (\$0.02 loss per basic share).

Earnings (Loss) from Discontinued Operations

The following tables provide the results of discontinued operations and a calculation of AFFO for the period ended December 31, 2022.

Discontinued Operations	Three months ended December 31, 2022			Year ended December 31, 2022		
	Retirement Living	SK LTC Homes	Total	Retirement Living	SK LTC Homes	Total
<i>(thousands of dollars unless otherwise noted)</i>						
Revenue	—	1,134	1,134	18,937	40,925	59,862
Operating expense	—	1,550	1,550	15,058	44,041	59,099
Net operating income (loss)	—	(416)	(416)	3,879	(3,116)	763
Reconciliation to AFFO						
Earnings (loss) from operating activities of discontinued operations	—	(306)	(306)	2,118	(2,290)	(172)
Add (Deduct):						
Depreciation and amortization	—	—	—	565	—	565
Depreciation for FFEC (maintenance)	—	—	—	(74)	—	(74)
Fair value adjustments	—	—	—	(1,627)	—	(1,627)
Deferred income tax expense (recovery)	—	—	—	468	—	468
FFO from discontinued operations	—	(306)	(306)	1,450	(2,290)	(840)
Amortization of deferred financing costs	—	—	—	263	—	263
Accretion costs	—	—	—	(74)	—	(74)
Additional maintenance capex	—	—	—	(727)	(17)	(744)
AFFO from discontinued operations	—	(306)	(306)	912	(2,307)	(1,395)
AFFO per basic share (\$)	—	—	—	0.01	(0.03)	(0.02)
Total maintenance capex	—	—	—	801	17	818

ACCOUNTING POLICIES AND ESTIMATES

Critical Accounting Policies and Estimates

A full discussion of the Company's critical accounting policies and estimates is provided in *Note 3* of the audited consolidated financial statements for the year ended December 31, 2023, and under the headings "New Accounting Policies Adopted" and "Future Changes in Accounting Policies" that follow this section.

Management considers an understanding of the Company's accounting policies to be essential to an understanding of its financial statements because their application requires significant judgment and reliance on estimations of matters that are inherently uncertain, which affect the application of the accounting policies and reported amounts. Estimates and underlying assumptions are reviewed on an ongoing basis giving consideration to past experience and other factors that management believes are reasonable under the circumstances. Accordingly, actual results could differ from those estimated. The estimates and assumptions, which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, are discussed below.

VALUATION OF CASH-GENERATING UNITS ("CGUs") AND IMPAIRMENT

Non-financial assets consist of property and equipment, intangible assets with finite lives, intangible assets with indefinite lives and goodwill. Property and equipment represents approximately 44% of the Company's total assets as at December 31, 2023, and goodwill and other intangibles represent approximately 18%. A CGU is defined to be the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets. The Company has identified the home health care segment and each individual LTC home as a CGU.

Goodwill and indefinite-life intangibles are tested annually, except in the year of acquisition, and other assets are assessed for impairment when indicators of impairment exist. If any such indication exists, then the asset's recoverable amount is reassessed. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated annually at the same time or more frequently if warranted. An impairment loss is recognized in net earnings if the carrying amount of an asset or its related CGU, or group of assets on the same basis as evaluated by management, exceeds its estimated recoverable amount.

The determination of recoverable amounts can be significantly impacted by estimates related to current market valuations, current and future economic conditions in the geographical markets of each CGU, and management's strategic plans within each of its markets. Estimates and assumptions used in the determination of any impairment loss are based upon information that is known at the time, along with future outlook. When impairment tests are performed, the estimated useful lives of the assets are reassessed, with any change accounted for prospectively. Actual results can differ from these estimates and can have either a positive or negative impact on the estimate, and impact whether an impairment situation exists.

During 2023, the Company performed an impairment assessment of its operations and determined there were no impairments for any non-financial assets.

During 2022, the Company performed an impairment assessment of its operations and recognized a pre-tax impairment charge of property and equipment of \$4.9 million in respect of certain of the Company's LTC homes in Manitoba and Alberta.

For additional details on impairment refer to *Note 17* of the audited consolidated financial statements for the year ended December 31, 2023.

New Accounting Policies Adopted

During the year ended December 31, 2023, the Company applied the accounting policy related to joint ventures in connection with the Revera and Axiom Transactions (refer to "Significant Developments – Completed Strategic Transactions With Revera and Axiom"). A full disclosure and effect of the accounting policy is described in *Notes 3 and 4* of the audited consolidated financial statements.

Future Changes in Accounting Policies

The following accounting standards, amendments and interpretations will take effect for the Company after December 31, 2023, the nature and effect of which are provided in *Note 3* of the audited consolidated financial statements, and described below:

CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

Beginning on January 1, 2024, the Company will adopt IAS amendments to IAS 1 *Presentation of Financial Statements*, which clarified the criteria of classification of liabilities as current or non-current. The adoption of these amendments is not expected to have a material impact on the consolidated financial statements.

Disclosure Controls and Procedures

Management is responsible for establishing and maintaining a system of disclosure controls and procedures ("DC&P") to provide reasonable assurance that all material information relating to the Company is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), on a timely basis so that appropriate decisions can be made regarding public disclosure.

An evaluation of the effectiveness of the DC&P was conducted as at December 31, 2023, by management under the supervision of the Company's CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures, as defined by National Instrument 52-109, Certification of Disclosures in Issuers' Annual and Interim Filings, were effective as at December 31, 2023.

Internal Control over Financial Reporting

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

Management, under the supervision of the Company's CEO and CFO, has evaluated the effectiveness of our ICFR using the 2013 Integrated Control framework as published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management has concluded that our ICFR were effective and that there were no material weaknesses in the Company's ICFR as at December 31, 2023.

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 required to use judgment in evaluating controls and procedures.

NON-GAAP MEASURES

Certain measures used in this MD&A listed below, including any related per share amounts, used by management to measure, compare and explain the operating results and financial performance of the Company, are not measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. These measures may differ from similar computations as reported by other issuers and, accordingly, may not be comparable to similarly titled measures as reported by such issuers. These measures are not intended to replace earnings (loss) from continuing operations, net earnings (loss), cash flow, or other measures of financial performance and liquidity reported in accordance with GAAP. Such measures are presented in this document because management believes that they are relevant measures of Extendicare's operating performance and ability to pay cash dividends.

Management uses these measures to exclude the impact of certain items, because it believes doing so provides investors a more effective analysis of underlying operating and financial performance and improves comparability of underlying financial performance between periods. The exclusion of certain items does not imply that they are non-recurring or not useful to investors.

These measures are defined below and reconciliations to the most comparable GAAP measure are referenced, as applicable.

"**Net operating income**", or "**NOI**", is defined as revenue less operating expenses, and this value represents the underlying performance of the operating business segments.

"NOI margin" is defined as NOI as a percentage of revenue.

"EBITDA" is defined as earnings (loss) from continuing operations before net finance costs, income taxes, depreciation and amortization.

"Adjusted EBITDA" is defined as EBITDA adjusted to exclude the line items "share of profit from investment in joint ventures" and "other (income) expense", and as a result, is equivalent to the line item "earnings before depreciation, amortization, and other" reported on the consolidated statements of earnings. Management believes that certain lenders, investors and analysts use EBITDA, Adjusted EBITDA and Adjusted EBITDA margin to measure a company's ability to service debt and meet other payment obligations, and as a common valuation measurement.

"Adjusted EBITDA Margin" is defined as Adjusted EBITDA as a percentage of revenue.

Reconciliations of "net operating income" and "Adjusted EBITDA" to "earnings (loss) from continuing operations before income taxes" are provided under "Select Quarterly Financial Information – Reconciliations of Adjusted EBITDA and Net Operating Income".

"Earnings (loss) from continuing operations before separately reported items, net of tax" is defined as earnings (loss) from continuing operations, excluding the following separately reported line items: "fair value adjustments" and "other (income) expense". These line items are reported separately and excluded from certain performance measures, because they are transitional in nature and would otherwise distort historical trends. "Fair value adjustments" relate to the change in the fair value of or gains and losses on interest rate agreements. "Other (income) expense" relates to gains or losses on the disposal or impairment of assets and early retirement of debt, transaction and integration costs in connection with acquisitions, restructuring and transformation charges, and proxy related costs. The above separately reported line items are reported on a pre-tax and on an after-tax basis as a means of deriving earnings (loss) from operations and related earnings per share excluding such items.

Reconciliations of "earnings (loss) from continuing operations before separately reported items" to "earnings (loss) from continuing operations" are provided under "Statement of Earnings".

"Funds From Operations", or "FFO", is defined as net earnings before income taxes, depreciation and amortization and fair value adjustments, and the line item "other (income) expense", less depreciation for furniture, fixtures, equipment and computers, or "depreciation for FFEC", depreciation for office leases, accretion costs, net interest expense and current income taxes (excluding current income taxes in respect of "fair value adjustments" and "other (income) expense" that are not otherwise included in FFO). The Company determines and includes its 15% share of FFO from its joint ventures on this same basis. Depreciation for FFEC is considered representative of the amount of maintenance (non-growth) capital expenditures, or "maintenance capex", to be used in determining FFO, as the depreciation term is generally in line with the life of these assets. 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. Management believes that certain investors and analysts use FFO, and as such has included FFO to assist with their understanding of the Company's operating results.

Reconciliations of FFO to "earnings from continuing operations" are provided under "Funds From Operations and Adjusted Funds From Operations – Reconciliations of FFO to Net Earnings".

"Adjusted Funds From Operations", or "AFFO", is defined as FFO plus: i) the reversal of non-cash deferred financing and accretion costs; ii) the reversal of non-cash share-based compensation; iii) the principal portion of government capital funding; iv) amounts received from income support arrangements; and v) the reversal of income or loss of the captive insurance company that was included in the determination of FFO, as those operations were funded through investments held for the former U.S. self-insured liabilities, which are not included in the Company's reported cash and cash equivalents. In addition, AFFO is further adjusted to account for the difference in total maintenance capex incurred from the amount deducted in the determination of FFO. Since the Company's actual maintenance capex spending fluctuates on a quarterly basis with the timing of projects and seasonality, the adjustment to AFFO for these expenditures from the amount of depreciation for FFEC already deducted in determining FFO, may result in an increase to AFFO in the interim periods reported. The Company determines and includes its 15% share of AFFO from its joint ventures on this same basis. Management considers AFFO a relevant measure of the ability of the Company to earn cash and pay cash dividends to shareholders.

"Payout ratio" is defined as the ratio of dividends declared to AFFO. Management considers this a useful metric to evaluate the Company's dividend capacity.

Both FFO and AFFO are subject to other adjustments, as determined by management in its discretion, that are not representative of the Company's operating performance.

Reconciliations of "net cash from operating activities" to "AFFO" are provided under "Funds From Operations and Adjusted Funds From Operations – Reconciliations of AFFO to Net Cash From Operating Activities".

"Interest coverage ratio" and "net interest coverage ratio" are defined as the ratio of Adjusted EBITDA to interest expense, including interest capitalized and excluding financing prepayment costs and the amortization of deferred financing costs, and in the case of "net interest", including interest revenue. Management considers these relevant measures as they indicate the Company's ability to meet its interest cost obligations on a trailing twelve-month basis.

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in securities and activities of the Company, including the ones described below. The Company is exposed to a number of risks and uncertainties in the normal course of business that have the potential to affect operating performance. The Company has operating and risk management strategies and insurance programs to help minimize these operating risks and uncertainties, in addition to entity level controls and governance procedures, including a corporate code of business conduct, whistleblower policies and procedures, and detailed policies and procedures regarding the delegation of authority within the Company.

The risks and uncertainties described below could adversely affect the business, results of operations and financial condition of the Company, cause the trading price of the Company's securities to decline and cause the actual outcome of matters to differ materially from the expectations of the Company regarding future results, performance or achievements reflected in the information in this MD&A and other information provided by the Company from time to time. The risks and uncertainties described below, which is not an exhaustive description of the risks and uncertainties faced by the Company, should be carefully considered by investors.

General Business Risks

The Company is subject to general business risks inherent in the seniors' care industry, including: changes in government regulation and oversight; changing consumer preferences; fluctuations in occupancy levels and business volumes; the availability and ability of the Company to attract and retain qualified personnel; the ability of the Company to retain or renew its government licenses and customer contracts; changes in government funding and reimbursement programs, including the ability to achieve adequate government funding increases; changes in labour relations, employee costs and pay equity (see pay equity related litigation under "Other Contractual Obligations and Contingencies – Legal Proceedings and Regulatory Action"); increases in other operating costs; competition from other seniors' care providers; changes in neighbourhood or location conditions and general economic conditions; health related risks, including disease outbreaks (for example, COVID-19) and control risks; changes in accounting principles and policies; the imposition of increased taxes or new taxes; capital expenditure requirements; and changes in the availability and cost of both short- and long-term financing, which may render refinancing of long-term debt difficult or unattractive. Any one of, or a combination of, these factors may adversely affect the business, results of operations and financial condition of the Company.

In addition, there are inherent legal, reputational and other risks involved in providing accommodation and health care services to seniors. The vulnerability and limited mobility of some seniors enhances such risks. Such risks include disease outbreaks (including COVID-19), fires or other catastrophic events at a Company location which may result in injury or death, negligent or inappropriate acts by employees or others who come into contact with the residents and clients, and unforeseen events at locations at which the Company operates that result in damage to the Company's brand or reputation or to the industry as a whole, particularly in respect of Extendicare Assist clients where the Company has limited direct operational control and where onsite staff are not Extendicare employees.

Risks Related to a Pandemic, Epidemic or Outbreak of a Contagious Illness, such as COVID-19

The occurrence of a pandemic, epidemic, or other outbreak of an infectious illness or other public health crisis in areas in which we operate could have a material adverse effect on the business, results of operations and financial condition of the Company. Federal, provincial or local health agencies may, or we may choose to, ban or limit admissions to LTC homes and retirement communities and/or suspend or limit the home health care services we provide as a precautionary measure in a crisis to avoid the spread of a contagious illness or other public health crisis, resulting in reduced occupancy and service volumes, on both a short and long term basis. Even in the absence of any such ban, limit or suspension, our clients may postpone or refuse services or delay residency in an attempt to avoid possible exposure. Also, enhanced procedures, protocols and care put in place to assist in reducing the likelihood of exposure or address actual illness in LTC homes and retirement communities or in respect of home health care clients (for example, enhanced screening and protective equipment) has resulted in, and may continue to result in, increased costs. In addition, a pandemic, epidemic or other outbreak might adversely impact our operations by causing staffing and supply shortages. Although continued or enhanced government funding or assistance may mitigate some of these impacts, there is no certainty regarding the extent to which that will be the case or that any such funding or assistance will remain in place. In addition, outbreaks cause our facilities and our management to spend considerable time planning for and addressing such events, which diverts their attention from other business concerns. Also, to the extent a pandemic, epidemic or other outbreak results in adverse outcomes for the Company's residents, clients or employees, the likelihood of claims being brought against the Company in respect of such adverse outcomes as well as adverse regulatory changes being instituted increases, and the ability and cost of insuring against such claims may become more challenging (see "Other Contractual Obligations and Contingencies – Legal Proceedings and Regulatory Actions"). Further, such outbreaks may impact the overall economy so that credit markets are adversely affected, which may make it more difficult for the Company to access the credit markets or, if able to do so, at a higher cost or less advantageous terms, potentially impacting, among other things, re-financings and our development plans and timelines.

The COVID-19 pandemic has resulted in a number of the foregoing events to transpire (see "Other Contractual Obligations and Contingencies – Legal Proceedings and Regulatory Actions" and "Select Quarterly Financial Information – COVID-19 and Related Expenses and Funding" for further details), and while we believe that the financial impacts of COVID-19 on the Company have largely abated, there can be no assurance that this will continue to be the case or that any other pandemic, epidemic or outbreak will not have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Inflationary Pressures and Supply Chain Interruptions

Labour and supply expenses make up a substantial portion of our cost of services. Those expenses can be subject to increases in periods of rising inflation and when labour shortages occur in the marketplace. Although historically the Company has generally been able to implement cost control measures and proactive human resource and procurement practices and/or obtain increases in government funding sufficient to substantially offset increases in these expenses, there can be no assurance that it will be able to anticipate fully or otherwise respond to any inflationary pressures or receive such increased funding, which may have a material adverse effect on the business, results of operations and financial condition of the Company. Similarly, such inflationary pressures, as well as strengthening economic conditions and competition for materials and services, may result in significant increases in redevelopment costs such that, in the absence of increased funding, redevelopment projects may no longer be economically viable or, if viable, provide a return on investment lower than initially anticipated.

The Company relies on certain key suppliers to provide it with certain medical and personal protective equipment and other supplies. A shortage of such equipment, due to pandemic-related or other supply chain disruptions, could have a material adverse impact on the Company's business, especially if it is unable to find reasonable alternatives or secure such equipment at reasonable prices. The Company's ability to secure sufficient equipment is affected by many factors beyond its control. A shortage or disruption of equipment and parts that are critical to the Company's operations could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Growth, Acquisitions and Redevelopment

The Company expects that it will continue to have opportunities to acquire businesses and properties, develop properties, redevelop or expand existing LTC homes, and grow its home health care and managed services businesses, but there can be no assurance that this will be the case.

The number of licensed LTC beds are restricted by the provinces and any new licenses are awarded through a request for proposal process. The provinces also regulate the manner in which LTC homes are developed and redeveloped. If regulatory approvals are required in order to expand operations (via development or otherwise) or redevelop operations of the Company, the inability of the Company to obtain the necessary approvals, changes in standards applicable to such approvals and possible delays and expenses associated with obtaining such approvals could adversely affect the ability of the Company to expand or redevelop, which could have a material adverse effect on the business, results of operations, and financial condition of the Company.

Approximately 44%, or 3,285, of the Company's wholly owned LTC beds are in older Ontario homes that are subject to redevelopment requirements. In Ontario, licenses for LTC homes are issued for a fixed term of not more than 30 years, after which the license may or may not be renewed. Long-term care operators are to be notified of license renewals at least three years prior to the maturity date. License terms for Class B and C LTC homes in Ontario are set to expire in June 2025, unless the license terms are extended until the homes are redeveloped to the government's new design standards whereafter a new license will be issued upon successful application. Given the significant backlog in demand for long-term care, the lack of alternative care environments, the government's current targets for upgrades by 2028, and license extension precedents to date, management is of the view that it is likely that licenses will be extended until redevelopment can be completed; however, there can be no assurance that this will be the case. The Company has been awarded 4,248 new or replacement beds across 20 redevelopment projects, which would replace all of its 3,285 existing Class C beds. Five of the redevelopment projects are under construction under the government's development program, consisting of 1,216 new beds, which would replace 1,074 existing Class C beds, with all but one having been sold to Axiom JV and the sale of the fifth anticipated to occur in Q2 2024. In addition, in December 2023, Axiom JV II acquired from Revera a new 320-bed LTC redevelopment project that will replace 303 existing Class C beds that the Company currently manages. The Company has the option to purchase all future Revera LTC redevelopment projects undertaken in connection with Revera's remaining 29 Class C LTC homes currently being managed by the Company. For more information on the redevelopment projects, refer to the discussions under "Significant Developments – Ontario LTC Redevelopment Activities" and "– Risks Related to Joint Venture Interests". The extent to which such redevelopment plans are not implemented or proceed on significantly different timing, terms or government funding than currently anticipated, could have a material adverse effect on the business, results of operations and financial condition of the Company.

The success of the business acquisition and development activities of the Company will be determined by numerous factors, including the ability of the Company to identify suitable acquisition targets, competition for acquisition and development opportunities, purchase price, ability to obtain external sources of funding or adequate financing on reasonable terms, the ability to obtain regulatory approvals for acquisitions in a timely manner and on terms acceptable to the Company, the financial performance of the businesses or homes after acquisition or development, and the ability of the Company to effectively integrate and operate the acquired businesses or homes. Acquired businesses or homes, and development projects, may not meet financial or operational expectations due to the possibility that the Company has insufficient management expertise to engage in such activities profitably or without incurring inappropriate amounts of risk, unexpected costs or delays associated with their acquisition or development, such as in respect of construction, as well as the general investment risks inherent in any real estate investment and development, or business acquisition. Moreover, new acquisitions may require significant management attention, place additional demands on the Company's resources, systems, procedures and controls, and capital expenditures that would otherwise be allocated by the Company in a different manner to existing businesses. Any failure by the Company to identify suitable candidates for acquisition, successfully complete development projects, secure financing, or operate the new businesses effectively may have a material adverse effect on the business, results of operations and financial condition of the Company.

Furthermore, agreements to acquire, sell and develop properties entered into with third parties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse effect on the business, results of operations and financial condition of the Company. Representations and warranties given by such third parties to the Company may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties (see “– Risks Related to Joint Venture Interests”).

The success of the Company’s ability to grow its home health care and managed services businesses will be determined by numerous factors, including the ability of the Company to retain, renew and secure new contracts, identify suitable markets, develop competitive services and marketing and pricing strategies, attract and retain residents and clients, and hire, retain and motivate key personnel. Changes in government funding policies and regulatory changes, the risks related to which are described below under “– Risks Related to Government Oversight, Funding and Regulatory Changes”, in addition to the financial performance of these businesses, also impact the Company’s growth potential. Any failure by the Company to grow or operate its businesses effectively may have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Joint Venture Interests

The Company is a party to two limited partnership joint ventures with Axium, in which the Company has a 15% managed interest in each. As at March 7, 2024, the Joint Ventures own 30 LTC homes, 24 located in Ontario and six homes located in Manitoba, five of which are under construction and the remainder are operational. These joint venture arrangements have the benefit of sharing the risks associated with the development, ownership and management of such homes, including those risks described herein. The Company may, however, be exposed to adverse developments, including a possible change in control, in the business and affairs of its joint venture partners which could have a significant impact on the Company’s interests in its joint ventures and could affect the value of the joint ventures. In addition, there are risks which arise from the joint venture arrangements themselves, including but not limited to: the risk that a co-venturer may, as a result of financial difficulties or otherwise, default on its obligations (see in particular “– Risks related to Financing – Debt Financing”); the risk that the other joint venturer may exercise buy-sell, put or other sale or purchase rights which could obligate the Company to sell its interest or buy the other joint venturer’s interest at a price which may not be favourable to the Company or at a time which may not be advantageous to the Company; the risk that the other joint venturer may be in a position to take action contrary to the Company’s interests; the risk that the other joint venturer may, through its activities on behalf of or in the name of the joint venture or partnership, expose or subject the Company to liability or reputational risks; or the need to obtain a co-venturer’s consent with respect to major decisions or the inability to have any decision making authority, any of which may have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Occupancy and Business Volumes

Seniors’ care providers compete primarily on a local and regional basis with many other health care, long-term care and retirement living providers, including large publicly held companies, privately held companies, not-for-profit organizations, hospital-based LTC units, rehabilitation hospitals, home health care agencies, and rehabilitative therapy providers. The Company’s ability to compete successfully varies from location to location and depends on a number of factors, including the number of competitors in the local market, the types of services available, the Company’s local reputation for quality care, the commitment and expertise of its staff, the Company’s local service offerings, the cost of care in each locality, and the physical appearance, location, age and condition of its residences. Increased competition could limit the Company’s ability to attract and retain residents and clients and thus maintain or increase occupancy levels and business volumes. An inability to continue to attract residents and clients could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Government Oversight, Funding and Regulatory Changes

The Company’s earnings are highly reliant on government funding and reimbursement programs, and the effective management of staffing and other costs of operations, which are strictly monitored by government regulatory authorities. Given that the Company operates in a labour-intensive industry, where labour costs account for a significant portion of the Company’s operating costs (approximately 86% in 2023, excluding estimated costs related to COVID-19), government funding constraints, or funding enhancements that are not commensurate with increased costs, could have a significant adverse effect on the Company’s results from operations and cash flows (see pay equity related litigation under “Other Contractual Obligations and Contingencies – Legal Proceedings and Regulatory Action”). The Company is unable to predict the extent to which governments will adopt changes in their funding and regulatory programs, including as a result of the COVID-19 pandemic, and the impact of such changes on the Company’s business, results of operations and financial condition. Similarly, the Company cannot predict the impact, if any, of recent new legislation, including the Government of Ontario’s FLTCA and CCHA, the Government of Alberta’s CCA, and the issuance by the Canadian Standards Association and HSO of national long-term care standards (see “Significant Developments – Regulatory Developments”), will have on the Company’s business, results of operations and financial condition.

Health care providers are subject to surveys, inspections, audits and investigations by government authorities to ensure compliance with applicable laws and licensure requirements of the various government funding programs. Long-term care operators and publicly funded home health care providers must comply with applicable regulations that, depending on the jurisdiction in which they operate, may relate to such matters as staffing levels, client care related operating standards, occupational health and safety, client confidentiality, billing and reimbursement, along with environmental and other standards. The government review process is intended to determine compliance with survey and certification requirements, and other applicable laws. Remedies for survey deficiencies can be levied based upon the scope and severity of the cited deficiencies and range from notices of deficiencies to revocation of licenses or termination of contracts. The revocation of a license by authorities or the cancellation of a service contract due to inadequate performance by the operator has been

historically infrequent and is usually preceded by a series of warnings, notices and other sanctions. Also refer to the discussion regarding license expiry under “– Risks Related to Growth, Acquisitions and Redevelopment”. To a lesser degree, private pay retirement beds, whether part of a mix-use LTC home or a separate retirement community, are also subject to government regulation and oversight, licensure requirements and the potential for regulatory change.

Non-compliance with applicable laws and licensure requirements could result in adverse consequences, including severe penalties, which may include criminal sanctions and fines, civil monetary penalties and fines, administrative and other sanctions, including reimbursement of government funding or exclusion from participation in government-funded programs, or one or more third-party payor networks, and reputational damage to the Company. These penalties could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company accrues for costs that may result from investigations, or any possible related litigation, to the extent that an outflow of funds is probable and a reliable estimate of the amount of associated costs can be made; however, there can be no assurance that such accruals are accurate or sufficient.

In addition, reconciliations of funding versus actual expenses are performed annually, based on previous calendar years. From time to time, the reconciliations will result in current year adjustments made in respect of prior years. These “prior period adjustments” can have either a favourable or unfavourable impact on NOI generally related to differences identified in the reconciliation attributable to occupancy days, regulatory accountabilities, allocations between funding envelopes, where applicable, special circumstances and differences between projected and actual property tax.

With respect to home health care services, approximately 99% of ParaMed’s revenue is from contracts tendered by locally administered provincial agencies, at specified billing rates and, among other things, quality operating and performance standards. Home health care service providers must ensure their key performance indicators are meeting or exceeding provincial targets in order to continue to receive their allocated funding volumes and/or retain their contracts. Contracts with qualified service providers are generally awarded through a competitive bidding model. Any failure by ParaMed to retain its government contracts, including in connection with any regulatory or other funding changes, may have a material adverse effect on the business, results of operations and financial condition of the Company.

The majority of ParaMed’s volumes are generated in Ontario and Alberta, representing 94% and 4%, respectively, based on volumes delivered in 2023. In Alberta, government contracts have specified termination dates and or/renewal periods, following which they are put out to tender. Since 2012, ParaMed’s government-funded business in Ontario has been obtained through evergreen contracts. A service provider’s ability to retain its existing business is evaluated based on, among other things, an established set of quality indicators. Under this regime, all of ParaMed’s government contracts in Ontario have remained in effect. On April 1, 2021, HCCSS assumed the home health care contracts, including those in respect of ParaMed, from the Local Health Integration Networks (“LHINs”) without change, pending a planned restructuring to reflect the dissolution of the LHINs. On December 4, 2023, the Government of Ontario’s CCHA received Royal Assent, and amends the *Connecting Care Act, 2019* to amalgamate the 14 HCCSS organizations into a new service organization named “Ontario Health atHome”. Although the ultimate treatment of the home health care contracts to reflect this amalgamation is not yet known, ParaMed may be adversely impacted by such HCCSS restructuring. While any change in home care contracting and associated government operating models would represent a significant change, the underlying market demand and government guiding principles, such as continuity of care between patients and caregivers, make it unlikely that there would be any material disruption to ParaMed’s business; however, the Company is unable to predict the nature and extent such changes will have on the Company’s business, results of operations and financial condition.

Risks Related to Dependence on Key Personnel

The success of the Company depends, to a significant extent, on the efforts and abilities of its executive officers and other members of management, as well as its ability to attract and retain qualified personnel to manage existing operations and future growth. Although the Company has entered into employment agreements with its key employees, it cannot be certain that any of these individuals will not voluntarily terminate their employment with the Company. The loss of an executive officer or other key employee could negatively affect the Company’s ability to develop and pursue its business strategy, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

CONFLICTS OF INTEREST

The Company’s Board of Directors may, from time to time, in their individual capacities deal with parties with whom the Company may be dealing, or may be seeking investments similar to those desired by the Company. The relevant constating documents of the Company contain conflict of interest provisions requiring the Company’s directors to disclose material interests in material contracts and transactions and to refrain from voting thereon.

Risks Related to Labour Intensive Business

AVAILABILITY AND COST OF PERSONNEL

The seniors’ care industry is labour intensive, with approximately 86% of the Company’s operating costs represented by labour costs, excluding estimated costs related to COVID-19. The Company competes with other health care providers in attracting and retaining qualified and skilled personnel to manage and operate its businesses. The health care industry has historically been afflicted with shortages of qualified personnel, such as nurses, certified nurse’s assistants, nurse’s aides, therapists and PSWs, particularly in non-urban settings, which have been amplified throughout the COVID-19 pandemic. This shortage along with general inflationary pressures may require the Company to enhance its pay and benefits package to compete effectively for qualified personnel. The Company may not be able to recover such added costs through increased government funding and reimbursement programs, or through increased rates charged to residents and clients. In addition, the Company has contracted out select dietary and housekeeping services provided in some of its homes. Should the Company become dissatisfied with the quality or cost of such contracted services, it may need to terminate the related contracts and recruit replacement staff at an incremental cost and potential business disruption. The inability to retain and/

or attract qualified personnel and meet minimum staffing levels may result in: a reduction in occupancy levels and volume of services provided; the use of staffing agencies at added costs; an increased risk in the inability to provide continuity of care between the Company's staff and its residents and clients; and an increased risk of the Company being subject to fines and penalties. Furthermore, this ongoing shortage of qualified personnel has necessitated that the Company use staffing agencies to meet its staffing needs, which, in turn, has increased the Company's operating costs. An increase in personnel costs, including pursuant to the pay equity related litigation under "Other Contractual Obligations – Legal Proceedings and Regulatory Actions", or a failure to attract, train and retain qualified and skilled personnel could adversely affect the business, results of operations and financial condition of the Company.

WORKPLACE HEALTH AND SAFETY

Failure to comply with appropriate and established workplace health and safety policies and procedures or applicable legislative requirements could result in increased workplace injury-related liability and penalties and reputational harm to the Company and thus have a material adverse effect on the business, results of operations and financial condition of the Company.

LABOUR RELATIONS

Approximately 77% of the Company's employees are represented by labour unions. Labour relations with the unions are governed by numerous collective bargaining agreements with different unions. Upon expiration of the collective bargaining agreements, the Company may not be able to negotiate collective agreements on satisfactory terms. There can be no assurance that the Company will not at any time, whether in connection with the renegotiation of a collective bargaining agreement or otherwise, experience strikes, other labour disruptions or any other type of conflict with unions or employees which could have a material adverse effect on the Company's business, operating results and financial condition. The LTC homes that the Company operates are generally subject to legislation that prohibits both strikes and lock-outs, and requires compulsory arbitration to settle labour disputes. In jurisdictions where strikes and lockouts are permitted, certain essential services regulations apply which provide for the continuation of resident care and most services.

There can be no assurance that employees who are not currently unionized will not, in the future, become unionized, the result of which could increase the Company's labour costs, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Liability and Insurance

Operating in the seniors' care industry exposes the Company to an inherent risk of claims of wrongful death, personal injury, professional malpractice and other potential claims being brought by the Company's residents, clients, and employees. From time to time, the Company is subject to lawsuits alleging, among other claims, that the Company did not properly treat or care for a client or resident, that the Company failed to follow internal or external procedures that resulted in harm to a client or resident, or that the Company's employees mistreated the Company's residents or clients resulting in harm. In addition, attempts to advance class action lawsuits have become prevalent in the Canadian marketplace, including in respect of seniors' care and as a result of the COVID-19 pandemic. There can be no assurance that the Company will not continue to face risks of this nature (see "Other Contractual Obligations and Contingencies – Legal Proceedings and Regulatory Actions").

The Company maintains business and property insurance policies in amounts and with such coverage and deductibles as it deems appropriate, based on the nature and risks of the business, historical experience, industry standards and availability of insurance. There can be no assurance, however, that claims in excess of the insurance coverage, or in excess of the Company's reserves, or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms, including as a result of the COVID-19 pandemic. Furthermore, there are certain types of risks, generally of a catastrophic nature, such as war, non-certified acts of terrorism, environmental contamination, and more recently infectious diseases, such as COVID-19, which are either uninsurable or are not insurable on an economically viable basis. A successful claim against the Company not covered by, or in excess of, such insurance, or in excess of the Company's reserves for self-insured retention levels, could have a material adverse effect on the business, results of operations and financial condition of the Company. Claims against the Company, regardless of their merit or eventual outcome, may also have a material adverse effect on the ability of the Company to attract residents and clients, or maintain favourable standings with regulatory authorities.

Risks Related to Privacy of Client Information, Cyber Security and Information Technology

As a custodian of a large amount of personal information, including health information, relating to its residents, clients and employees, the Company is exposed to the potential loss, misuse or theft of any such information. If the Company were found to be in violation of federal and provincial laws protecting the confidentiality of patient health information, it could be subject to sanctions and civil or criminal penalties, which could increase its liabilities, harm its reputation and have a material adverse effect on the business, results of operations and financial condition of the Company. In addition, cyber attacks against large organizations, including but not limited to, malware, phishing and ransomware attacks, are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. The Company mitigates this risk by deploying appropriate information technology systems, including controls around logical access, physical access and data management, and training its employees relating to safeguarding of sensitive information. In addition, the Company maintains cybersecurity insurance in amounts and with such coverage as deemed appropriate based on the nature and risks of the business.

The Company has deployed operational technology solutions enabling process automation, electronic health record data collection and automated business intelligence. Technology deployments also present security and privacy risks that must

be managed proactively and effectively to prevent breaches that can have a material adverse impact on the Company's reputation and results of operations. To counter internet-based and internal security threats, the Company invests in cyber defence technologies to identify risks to its network, software and hardware systems. The Company partners with leading technology security firms to mitigate identified risks and develop contingency plans. As security threats to the Company's financial, client and employee data increase and evolve, the Company adjusts and adopts new countermeasures in an effort to ensure it maintains high privacy and security standards. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Although to date the Company has not experienced any material losses relating to cyber attacks or other information security breaches, there can be no assurance that the Company will not incur such losses in the future and any such losses may have a material adverse effect on the business, results of operations and financial condition of the Company.

Furthermore, the Company is reliant on information technology systems in the operation of its business and any prolonged disruption to the availability of such systems or difficulties in integrating systems following changes, upgrades or other enhancements may have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's operations also depend on the timely maintenance, upgrade and replacement of systems and software, as well as pre-emptive expenses to mitigate the risk of failures. Any of these and other events could result in information technology system failures and/or increase in capital expenditure. The failure of such systems could, depending on the nature of any such failure, adversely impact the Company's reputation and may have a material adverse impact on the business, results of operations and financial condition of the Company.

Risks Related to Tax Rules and Regulations

The Company is subject to audits from federal, state and provincial tax jurisdictions and is therefore subject to risk in the interpretation of tax legislation and regulations. Tax rules and regulations are complex and require careful review by the Company's tax management and its external tax consultants. Differences in interpretation of tax rules and regulations, including in respect of CEWS, could result in tax assessments and penalties for the untimely payment of the determined tax liability, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Financing

DEBT FINANCING

Due to the level of real property ownership by the Company, a significant portion of the consolidated cash flow of the Company is devoted to servicing debt, including mortgages, convertible debentures, credit facilities and lease liabilities, and there can be no assurance that the Company will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the Company were unable to meet its required interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing.

The Company has two demand credit facilities totalling \$112.3 million, one of which is secured by 14 Class C LTC homes in Ontario (\$47.3 million) and the other is secured by the assets of the home health care business (\$65.0 million), of which \$70.9 million was available and unutilized as at December 31, 2023. Neither of these facilities has financial covenants but do contain normal and customary terms, including annual re-appraisals of the homes that could limit the maximum level of the line of credit and other restrictions on the Company's subsidiaries making certain payments, investments, loans and guarantees. A demand for repayment of amounts drawn on the lines of credit could inhibit the flow of cash dividends by the Company on a temporary basis until alternative financing is obtained.

In addition, the Company provides unsecured guarantees related to certain credit facilities held by the Joint Ventures; namely, construction loans and letter of credit facilities in support of ongoing construction of joint venture LTC redevelopment projects and term loans and lease-up credit facilities for operating joint venture LTC homes. As at December 31, 2023, 24 LTC homes within the Joint Ventures have existing credit facilities available of up to \$610.7 million. The guarantees provided by the Company vary depending upon the joint venture and the project, but are typically either on a joint and several basis for 50% of the loan amount or on a several basis for 15% of the loan amount or some lesser portion thereof. The amount of the guarantees vary as borrowings increase on projects under construction and reduce as homes move into operations when guarantee requirements are generally lower. As at December 31, 2023, the Company has provided unsecured guarantees of \$98.5 million in support of the credit facilities held by the Joint Ventures (refer to *Note 22* of the audited consolidated financial statements). A demand for payment pursuant to such guarantees and/or a failure by a joint venture partner to meet its obligations to the Company in respect of such guarantees, could have a material adverse effect on the business, results of operations and financial condition of the Company (see "– Risks Related to Joint Venture Interests").

The Company cannot predict whether future financing will be available, what the terms of such future financing will be (including, whether it will result in a higher cost of borrowing – see "Interest Rates" below) or whether its existing debt agreements will allow for the timely arrangement and implementation of such future financing. If the Company was unable to obtain additional financing or refinancing when needed or on satisfactory terms, it could have a material adverse effect on the business, results of operations and financial condition of the Company.

DEBT COVENANTS

The Company and its subsidiaries are in compliance with all of their respective financial covenants as at December 31, 2023. However, there can be no assurance that future covenant requirements will be met. The Company's bank lines and other debt may be affected by its ability to remain in compliance. If the Company does not remain in compliance with its financial

covenants and it is unable to amend the covenants, obtain waivers or refinance its debt when needed or on satisfactory terms, it could have a material adverse effect on the business, results of operations and financial condition of the Company.

INTEREST RATES

The Company has limited the amount of debt that may be subject to changes in interest rates, with \$20.5 million of mortgage debt at variable rates as at December 31, 2023. The Company primarily finances its properties through fixed-rate mortgages and considers securing interest rate swap agreements for any variable-rate debt to mitigate exposure to interest rate changes. The Company's variable-rate term loan of \$28.7 million as at December 31, 2023, has effectively been converted to fixed-rate financings with interest rate swaps over the full term. The Company maintains risk management control systems to monitor interest rate risk attributable to its outstanding or forecasted debt obligations as well as any offsetting hedge positions. The Company does not enter into financial instruments for trading or speculative purposes.

Increases in interest rates and principal repayments required under the Company's mortgages and credit facilities, on renewal or otherwise, could result in significant changes in the amount required to be applied to debt service and, as a result it could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Real Property Ownership

REAL PROPERTY OWNERSHIP

All real property investments are subject to a degree of risk. They are affected by various factors, including geographic concentration, changes in general economic conditions (such as the availability of mortgage financing) and in local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to residents, competition from other available space and various other factors.

As at March 7, 2024, the Company wholly owns or operates under 25-year lease arrangements, whereby ownership transfers to the Company at the end of the lease term, 53 LTC homes, and has one under construction, and also owns a 15% managed interest in 30 LTC homes through the Joint Ventures, five of which are under construction. LTC homes are often limited in terms of alternative uses; therefore, their values are directly driven by the cash flow from operations. The value of the real property depends, in part, on government funding, license terms, and reimbursement programs. In addition, overbuilding in any of the market areas in which the Company operates could cause its homes to experience decreased occupancy or depressed margins, which could have a material adverse effect on the business, results of operations and financial condition of the Company. Moreover, certain significant expenditures relating to real property ownership, such as real estate taxes, maintenance costs and mortgage payments, represent liabilities that must be met regardless of whether the property is producing sufficient income.

Real property investments are relatively illiquid, thereby limiting the ability of the Company to vary its portfolio in a timely manner in response to changed economic or investment conditions. By focusing principally in LTC homes, the Company is exposed to adverse effects on that segment of the real estate market. There is a risk that the Company would not be able to sell its real property investments or that it may realize sale proceeds below their current carrying value.

CAPITAL INTENSIVE INDUSTRY

The Company must commit a substantial portion of its funds to maintain and enhance its property and equipment to meet regulatory standards, operate efficiently and remain competitive in its markets. In addition to recurring maintenance capex, the Company invests in enhancements of existing properties aimed at earnings growth and improved profitability, including redevelopment of LTC homes under provincial programs. See "– Risks Related to Growth, Acquisitions and Redevelopment". These, as well as other future capital requirements, could adversely impact the amount of cash available to the Company and have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Environmental, Health and Safety Laws

The Company is subject to various environmental, health and safety laws and regulations, both as an owner of real property and as a provider of health care services, governing the storage, handling, use, and disposal of equipment, materials and waste products. The Company may become liable for the costs of removal or remediation of certain hazardous, toxic, or regulated substances present at, released on or disposed of from its properties or other service locations, regardless of whether or not the Company knew of, or was responsible for, their presence, release or disposal. The failure to remove, remediate, or otherwise address such substances, if any, may adversely affect operations or the ability to sell such properties or to borrow using such properties as collateral, and could potentially result in claims by public or private parties, including by way of civil action, and could have a material adverse effect on the business, results of operations and financial condition of the Company.

With respect to the Company's pre-1980 properties, management has determined that future costs could be incurred for possible asbestos remediation at these sites. Appropriate remediation procedures may be required to remove potential asbestos-containing materials, consisting primarily of floor and ceiling tiles, in connection with any major renovation or demolition. Based upon current assumptions, the estimated fair value of the decommissioning provision related to the asbestos remediation was approximately \$12.3 million undiscounted, or \$10.3 million discounted, as at December 31, 2023, refer to *Note 10* of the audited consolidated financial statements.

Environmental, health and safety laws may change and the Company may become subject to more stringent laws in the future. Compliance with more stringent environmental, health and safety laws, which may be more rigorously enforced, could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Climate Change

As the owner of real property, the Company is exposed to climate change risk from natural disasters and severe weather, such as floods, ice storms, windstorms, earthquakes, wildfires or other severe weather that may result in damage or loss to its properties, as well as to those properties to which it provides managed services. These adverse weather and natural events could cause substantial damage, resulting in increased costs and/or revenue losses. There can be no assurance that damages or losses caused by these adverse weather and natural events will not exceed the Company's insurance coverage. Climate change may also have indirect effects on our business by increasing the cost of, or making unavailable, certain insurance coverage.

Over time, climate change may also affect the Company's operational expenses, including utilities and preventative maintenance expenses, as temperatures fluctuate. In addition, changes in federal, provincial or local legislation and regulation on climate change could result in increased capital expenditures to improve the energy efficiency of our existing properties and could also require the Company to spend more on its new development properties without a corresponding increase in funding or revenue.

Risks Related to the Common Shares and Debentures

UNPREDICTABILITY AND VOLATILITY OF THE COMMON SHARE PRICE

A publicly traded company does not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the Common Shares will trade cannot be predicted. The market price of the Common Shares could be subject to significant fluctuations in response to variations in quarterly operating results, dividends and other factors beyond the control of the Company. The annual yield on the Common Shares, represented as the ratio of annual dividend to the market price per Common Share, as compared to the annual yield on other financial instruments, may also influence the price of the Common Shares in the public trading markets. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Common Shares.

CASH DIVIDENDS ARE NOT GUARANTEED

The declaration and payment of dividends by the Company is at the discretion of the Board as to the amount and timing of dividends to be declared and paid, after consideration of a number of factors, including results of operations, requirements for capital expenditures and working capital, future financial prospects of the Company, debt covenants and obligations and any other factors deemed relevant by the Board. All of these factors are susceptible to a number of risks and other factors beyond the control of the Company. The amount of funds available for distribution will fluctuate with the performance of the Company. If the Board determines that it would be in the Company's best interests, it may reduce the amount and frequency of dividends to be distributed to holders of Common Shares ("Shareholders") and such reductions may significantly effect the market value of the Common Shares.

A high dividend yield results in a higher cost of capital incurred by the Company in raising capital through the issue of Common Shares to fund future growth and equally can inhibit the ability of the Company to grow through acquisition or new developments. Therefore, the Board also has to balance the dividend yield relative to its growth plans and need to raise capital.

Funds available for dividends are driven by cash generated from operations and may be dependent upon the Company's plan for growth-based capital expenditures or other investments in its business, including development and acquisition activities. The timing and amount of capital expenditures and other investments will directly affect the amount of cash available for dividends to Shareholders. Dividend payments to Shareholders may be reduced, or even eliminated, at times when the Company cannot access the capital markets for raising cash and/or when Directors deem it necessary to make significant capital or other expenditures. The Company may be required to reduce dividends or access the capital markets in order to accommodate these items. There can be no assurance that sufficient capital will be available on acceptable terms to the Company for necessary or desirable capital expenditures or other investments.

COMPANY STRUCTURE

The Company does not carry on business directly, but does so indirectly through its subsidiaries. The Company has no major assets of its own, other than the LTC homes that it leases to its subsidiary, Extendicare (Canada) Inc. ("ECI"), and the direct and indirect interests it has in its subsidiaries (including ECI and ParaMed), all of which are separate legal entities. The Company is therefore financially dependent on lease payments that it receives from ECI and dividends and other distributions it receives from all of its subsidiaries.

FUTURE ISSUES OF COMMON SHARES AND PREFERRED SHARES AND DILUTION

The Company's articles permit the issuance of an unlimited number of Common Shares and preferred shares of the Company (the "Preferred Shares"), issuable in series, equal to 50% of the number of Common Shares that are issued and outstanding, for the consideration and on the terms and conditions that the Board may determine without Shareholder approval. Shareholders have no pre-emptive rights in connection with such future issues. Future issues of Common Shares and/or Preferred Shares could be dilutive to the interests of Shareholders and could adversely affect the prevailing market price of the Common Shares.

LEVERAGE AND RESTRICTIVE COVENANTS IN CURRENT AND FUTURE INDEBTEDNESS

The ability of the Company to pay dividends is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of the Company (including its subsidiaries). The degree to which the Company is

leveraged could have important consequences to Shareholders, including: (i) that the Company's ability to obtain additional financing in the future for working capital, capital expenditures or acquisitions may be limited; (ii) that a significant portion of the Company's cash flow from operations may be dedicated to the payment of the principal of, and interest on, its indebtedness; (iii) that certain of the Company's borrowings could be financed at variable rates of interest, which exposes the Company to the risk of increased interest rates; and (iv) that the Company may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. These factors may reduce funds available for the Company to pay dividends.

CHANGES IN THE COMPANY'S CREDITWORTHINESS MAY AFFECT THE VALUE OF THE COMPANY'S SECURITIES

The perceived creditworthiness of the Company may affect the market price or value and the liquidity of the Common Shares and 2025 Debentures.

MATTERS AFFECTING TRADING PRICES FOR THE DEBENTURES

The 2025 Debentures are listed on the TSX. No assurance can be given that an active or liquid trading market for the 2025 Debentures will develop or be sustained. If an active or a liquid market for the 2025 Debentures fails to develop or be sustained, the prices at which the 2025 Debentures trade may be adversely affected. Whether or not the 2025 Debentures will trade at lower prices depends on many factors, including liquidity of the 2025 Debentures, prevailing interest rates and the markets for similar securities, the market price of the Common Shares, general economic conditions, and the Company's financial condition, historic financial performance and future prospects.

The Company may determine to redeem outstanding 2025 Debentures for Common Shares or to repay outstanding principal amounts thereunder at maturity of the 2025 Debentures by issuing additional Common Shares. Accordingly, Shareholders may suffer dilution.

DEBENTURES – CREDIT RISK AND PRIOR RANKING INDEBTEDNESS; ABSENCE OF COVENANT PROTECTION

The likelihood that purchasers of the 2025 Debentures will receive payments owing to them under the terms of the 2025 Debentures will depend on the Company's financial condition and creditworthiness. In addition, the 2025 Debentures are unsecured obligations of the Company and are subordinate in right of payment to all of the Company's existing and future senior indebtedness. Therefore, if the Company becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, the Company's assets will be available to pay its obligations with respect to the 2025 Debentures only after it has paid all of its senior indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the 2025 Debentures then outstanding. The 2025 Debentures are also effectively subordinate to claims of creditors of the Company's subsidiaries except to the extent the Company is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors. The trust indenture, pursuant to which the Company issued the 2025 Debentures (the "Indenture"), does not prohibit or limit the ability of the Company or its subsidiaries to incur additional debt or liabilities (including senior indebtedness) or to make distributions except in respect of distributions where an event of default caused by the failure to pay interest when due has occurred and such default has not been cured or waived. The Indenture does not contain any provision specifically intended to protect holders of 2025 Debentures in the event of a future leveraged transaction involving the Company or any of its subsidiaries.

CONVERSION OF THE DEBENTURES FOLLOWING CERTAIN TRANSACTIONS

In the case of certain transactions, the 2025 Debentures will become convertible into the securities, cash or property receivable by a Shareholder under the transaction. The change could substantially lessen or eliminate the value of the conversion privilege associated with the 2025 Debentures in the future. For example, if the Company were acquired in a cash merger, the 2025 Debenture would become convertible solely into cash and would no longer be convertible into securities whose value would vary depending on the Company's future prospects and other factors.

REDEMPTION OF THE DEBENTURES PRIOR TO MATURITY

The 2025 Debentures may be redeemed, at the option of the Company, at any time and from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest.

INABILITY OF THE COMPANY TO PURCHASE THE DEBENTURES IN CASH ON A CHANGE OF CONTROL

If a change of control of the Company occurs, debentureholders will have the right to require the Company to redeem the 2025 Debentures in an amount equal to 101% of the principal amount of the 2025 Debentures plus accrued and unpaid interest until the date of redemption. If holders of 2025 Debentures holding 90% or more of all the 2025 Debentures exercise their right to require the Company to redeem such 2025 Debentures, the Company may acquire the remaining 2025 Debentures on the same terms. In such event, the conversion privilege associated with the 2025 Debentures would be eliminated. Although the Company may be required to purchase all outstanding 2025 Debentures upon the occurrence of a change of control, it is possible that following a change of control, the Company will not have sufficient funds at that time to make any required purchase of outstanding 2025 Debentures or that restrictions contained in other indebtedness will restrict those purchases.

Endnotes

- (1) This is a non-GAAP financial measure. Refer to the discussion under "Non-GAAP Measures".
- (2) Certain prior period figures in Q1 2022 and Q2 2022 have been re-presented to conform with the Q3 2022 presentation in connection with the classification of strategic transformation costs as "other expense". Refer to the discussion under *Note 17* of the audited consolidated financial statements.