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NEWS RELEASE

FOR IMMEDIATE RELEASE

Extendicare Announces Strong Results and Platform for Future Growth in 2016 Year End Results

MARKHAM, ONTARIO – February 28, 2017 – Extendicare Inc. ("Extendicare" or the "Company") (TSX: EXE) today reported results for the fourth quarter and year ended December 31, 2016. Results are presented in Canadian dollars unless otherwise noted.

Financial and Operational Highlights

- 2016 financial results comparison over 2015 *(from continuing operations unless otherwise noted)*:
  - AFFO from continuing operations up $23.1 million to $66.7 million ($0.755 per basic share), from $43.6 million ($0.497 per basic share).
  - Adjusted EBITDA of $92.9 million, up $9.2 million or 11.0%.
  - Net operating income of $130.1 million, up $10.3 million or 8.6%, representing 12.3% of revenue; same-store NOI up $5.7 million or 5.4%.
- Dividends declared of $42.4 million in 2016, representing approximately 65% of AFFO of $65.0 million for the same period.
- Retirement platform now includes seven communities in operation and three communities under development. Two retirement communities acquired in 2015 have achieved occupancy of 95%.
- Favourable developments resulting from the sale of U.S. IT hosting business for US$8.5 million and a release of a further US$8.4 million of reserves for self-insured liabilities this quarter.

"We are pleased with the results generated in 2016 as we continue to position the Company to meet the growing needs of Canadian seniors across the continuum of seniors care," stated Tim Lukenda, President and CEO of Extendicare. "We have made great progress towards growing our private-pay retirement platform, strengthening our home health care base and embarking on an extensive long-term care redevelopment program in Ontario. The future is bright for Extendicare as we enter 2017 with focus and purpose. We are confident that our commitment to quality and customer-centered care and services will enable us to deliver growing value for our shareholders who have invested in our mission and vision."

Conference Call and Webcast

On March 1, 2017, at 10:00 a.m. (ET), we will hold a conference call to discuss our 2016 fourth quarter and year end results. The call will be webcast live and archived on our website at www.extendicare.com under the "Investors/Events & Presentations" section. Alternatively, the call-in number is 1-866-696-5910 or 416-340-2217, followed by the passcode 3917578#. A replay of the call will be available until midnight on March 17, 2017. To access the rebroadcast, dial 1-800-408-3053 or 905-694-9451, followed by the passcode 6268539#. Slides accompanying remarks during the call will be posted to our website as part of the live webcast.

Selected Financial Information

The following is a summary of selected financial information for the three and twelve months ended December 31, 2016 and 2015.

	Three months ended December 31		Twelve months ended December 31	
(thousands of dollars, unless otherwise noted)	**2016**	**2015**	**2016**	**2015**
CONTINUING OPERATIONS				
Revenue				
Long-term care	**157,425**	154,188	**608,618**	594,198
Retirement living	**4,440**	1,238	**15,474**	1,238
Home health care	**108,672**	99,981	**414,406**	326,964
Management, consulting and other	**6,317**	7,183	**22,260**	20,879
Total revenue	**276,854**	262,590	**1,060,758**	943,279
Operating expenses	**243,100**	229,760	**930,622**	823,489
Net operating income (NOI) (1)	**33,754**	32,830	**130,136**	119,790
NOI margin (1)	***12.2%***	*12.5%*	***12.3%***	*12.7%*
Administrative costs	**7,843**	8,136	**30,551**	30,144
Lease costs	**1,665**	1,682	**6,650**	5,955
Adjusted EBITDA (1)	**24,246**	23,012	**92,935**	83,691
Adjusted EBITDA margin (1)	***8.8%***	*8.8%*	***8.8%***	*8.9%*
AFFO (continuing operations) (1)	**13,534**	10,420	**66,722**	43,587
per basic share *($)*	**0.152**	0.119	**0.755**	0.497
per diluted share *($)*	**0.149**	0.118	**0.724**	0.494
AFFO (1)	**13,366**	9,611	**65,056**	50,828
per basic share *($)*	**0.150**	0.109	**0.736**	0.579
per diluted share *($)*	**0.147**	0.111	**0.707**	0.568
Maintenance capex (continuing operations)	**5,419**	6,713	**12,119**	13,246
Cash dividends declared per share	**0.120**	0.120	**0.480**	0.480
Payout ratio (1) (2)	**80%**	110%	**65%**	83%
Weighted average number of shares *(thousands)*				
Basic	**88,663**	87,852	**88,372**	87,768
Diluted	**99,918**	99,097	**99,624**	99,012

(1) NOI, NOI margin, Adjusted EBITDA, Adjusted EBITDA margin, AFFO, AFFO per share and "payout ratio" are measures used by management in evaluating operating performance. Please refer to the cautionary statements under the heading "Non-GAAP Measures" in this press release. Detailed descriptions of these terms can be found in the Company's disclosure documents, including its Management's Discussion and Analysis, filed with the securities regulatory authorities; these documents are available at www.sedar.com and on Extendicare's website at www.extendicare.com.

(2) Payout ratio is calculated using dividends declared per share divided by AFFO per basic share for the respective periods.

2016 Fourth Quarter Summary

Consolidated net operating income from continuing operations improved by $0.9 million or 2.8% to $33.7 million in the 2016 fourth quarter compared to $32.8 million in the same 2015 period, representing 12.2% and 12.5% of revenue, respectively. Growth in net operating income from the Canadian operations was partially offset by a $1.9 million decline in investment income from our captive insurance subsidiary (the "Captive").

Net operating income from the Canadian operations improved by $2.8 million to $32.2 million representing 11.7% of revenue compared to 11.3% in 2015. Non-same store net operating income from the home health care business acquired in 2015 (the “Home Care Acquisition”) and the retirement living operating segment, declined by $1.7 million in the 2016 fourth quarter compared to the same 2015 period, due to operating expense adjustments of approximately $1.1 million, in addition to the impact of lease-up losses of retirement communities that opened during 2016. On a same-store basis, net operating income improved by $4.5 million or 18.8% to $28.6 million this quarter from $24.1 million in the same 2015 period, representing 13.2% and 11.5% of revenue, respectively. Same-store net operating income included favourable prior period revenue and operating expense adjustments of approximately $2.7 million recorded this quarter and would have otherwise been $25.9 million, representing 12.1% of revenue. The balance of the improvement of $1.8 million was due to funding enhancements in our long-term care operations, higher preferred accommodation revenue, and increased business volumes in our home health care, management services and group purchasing operations, partially offset by the timing of recognition of funding to match costs under the Ontario envelope system and unfunded cost increases in our home health care operations. Management initiatives are under way with a specific focus to improve efficiency and reduce costs in our core home health care operations over time.

Consolidated Adjusted EBITDA from continuing operations improved by $1.2 million to $24.2 million this quarter from $23.0 million in the same 2015 period, representing 8.8% of revenue in both periods. Adjusted EBITDA from the U.S. operations declined by $0.2 million due to lower investment income, partially offset by a reduction in administrative costs to manage the run off of the Captive. Adjusted EBITDA from the Canadian operations improved by $1.4 million to $22.7 million, representing 8.2% of revenue, reflecting growth in net operating income of $2.8 million, partially offset by an increase in administrative and lease costs, that included higher professional fees in support of services related to the acquisitions and developments, and growth in operations over the past year, and a process improvement initiative of our home health care operations.

AFFO from continuing operations improved by $3.1 million to $13.5 million this quarter reflecting the improvement in Adjusted EBITDA of $1.2 million, lower net finance costs of $0.7 million, income support of $0.9 million on the acquired retirement communities, and reduced maintenance capex of $1.3 million, partially offset by higher current income taxes of $1.6 million.

2016 Year Summary

Consolidated net operating income from continuing operations improved by $10.3 million or 8.6% to $130.1 million in 2016 compared to $119.8 million in 2015, representing 12.3% and 12.7% of revenue, respectively. Growth in net operating income from the Canadian operations was partially offset by a $1.6 million decline in investment income from the Captive.

Net operating income from the Canadian operations improved by $11.9 million to $126.4 million representing 12.0% of revenue compared to 12.2% in 2015. Non-same store net operating income from the Home Care Acquisition and retirement living operating segment increased by $4.6 million in 2016 from 2015. On a same-store basis, net operating income from the Canadian operations improved by $7.3 million or 7.3% to $108.3 million this year from $101.0 million in 2015, representing 13.0% and 12.5% of revenue, respectively. Same-store net operating income included favourable prior year revenue and operating expense adjustments of approximately $2.2 million recorded this year and would have otherwise been $106.1 million, representing 12.7% of revenue. The balance of the improvement of $5.1 million was due to funding enhancements in our long-term care operations, higher preferred accommodation revenue, and increased business volumes in our management services and group purchasing operations, partially offset by unfunded cost increases in our home health care operations.

Consolidated Adjusted EBITDA from continuing operations improved by $9.2 million to $92.9 million in 2016 from $83.7 million in 2015, representing 8.8% and 8.9% of revenue, respectively. The U.S. operations contributed $3.4 million to the improvement in Adjusted EBITDA due to a reduction in administrative costs, partially offset by lower investment income, as those operations wind down. Adjusted EBITDA from the Canadian operations improved by $5.8 million to $91.1 million, representing 8.6% of revenue, reflecting growth in net operating income of $11.9 million, partially offset by an increase in administrative and lease costs. The administrative costs of our Canadian operations increased by $5.4 million to $28.7 million, representing 2.7% of revenue in 2016 compared to 2.5% of revenue in 2015. Approximately $1.7 million was due to an increase in labour costs primarily in connection with new acquisitions and developments, and the balance was largely due to higher professional fees in support of services related to the sold operations, acquisitions and developments, a process improvement initiative of our home health care operations, an executive compensation review and the implementation of a new long-term incentive plan. The increase in our lease costs was primarily from the Home Health Acquisition.

AFFO from continuing operations improved by $23.1 million to $66.7 million, reflecting improvements in Adjusted EBITDA of $9.2 million, income support on the acquired retirement communities of $5.8 million, lower net finance costs of $5.5 million, an increase in government capital funding of $1.4 million that included $1.0 million of retroactive funding on two redeveloped long-term care centres, and a reduction in maintenance capex of $1.1 million.

Net finance costs included interest revenue of $7.5 million (US$5.7 million) in 2016, compared to $3.6 million (US$2.8 million) in 2015, in connection with deferred consideration from the disposed U.S. operations. Subsequent to December 31, 2016, the Company entered into an agreement to defer receipt of substantially all of the deferred consideration for 2017, and approximately half of the amounts for 2018. Payments are to be restored in 2019, with recovery of the deferred amounts over the remaining term.

CEO Employment Agreement Renewed

The Company today announced that it has entered into an amended employment agreement with Tim Lukenda, its Chief Executive Officer, to solidify his continuing role with Extendicare. In lieu of the cash settlement he was entitled to receive upon separation from the Company, Mr. Lukenda will be granted an amount of cash to purchase 100,000 common shares of the Company to further align his interests with shareholders. In addition, the Company has agreed to Mr. Lukenda taking a leave of absence from May 29, 2017 to September 17, 2017 (including vacation time) to prepare for the relocation of his principal residence to Canada at the Company's request, and to attend to certain personal matters after a nine-year assignment in the U.S. The cash payment to purchase shares will coincide with Mr. Lukenda's return from leave.

During Mr. Lukenda's leave of absence, the Board has appointed fellow board member Donna Kingelin to oversee the continuity of the operations of the Company and work closely with the senior management team, such that the objectives of the Company may continue to be pursued without interruption. Ms. Kingelin has over 30 years of leadership and operating experience in the senior living industry involving long-term care, retirement, and home care operations at several companies, including Holiday Corporation, Revera Inc. and CPL Long Term Care REIT.

Ben Hutzel, Chairman of Extendicare, stated "These are exciting times for Extendicare. In the Board's view, Tim is the right person to lead the Company and we look forward to him continuing to make extraordinary contributions as its CEO. During Tim's leave of absence, the Board has full confidence that senior management of Extendicare, under the guidance of Donna, will continue the progress the Company is making towards its goals of growing its operations and positioning its services to meet the needs of Canadians across the senior care continuum."

2016 Sale of IT Hosting Business Completed

On December 22, 2016, the Company completed the sale of substantially all of the assets used in the operation of its non-strategic U.S. information technology hosting and professional services (U.S. IT Hosting) business for cash proceeds of $11.5 million (US$8.5 million), prior to working capital adjustments and transaction costs. Net proceeds from the sale, after working capital adjustments and transaction costs, were $9.5 million (US$7.1 million), resulting in an after-tax loss on sale of $8.4 million that included the reclassification of an impairment loss recorded earlier in the year.

Discontinued Operations

Excluding the above noted loss on sale, the earnings from discontinued operations, net of tax, were $19.8 million this quarter, and included a reduction in our reserves for U.S. self-insured liabilities of $12.8 million, and the reclassification of the $9.2 million impairment loss, partially offset by a net increase in indemnification provisions and other items in respect of the U.S. Sale Transaction.

With respect to the discontinued operation for the year, excluding the above noted loss on sale, the earnings from discontinued operations, net of tax, were $12.5 million in 2016, and included a reduction in our reserves for U.S. self-insured liabilities of $16.8 million, partially offset by a net-after tax increase in indemnification provisions and other items in respect of the U.S. Sale Transaction, and a loss from the operations of the U.S. IT Hosting business of $2.1 million, prior to its sale.

Financial Position

As at December 31, 2016, Extendicare's consolidated cash on hand was $101.6 million, which excludes investments held by our Captive of $136.1 million to support the accrual for U.S. self-insured liabilities of $94.8 million.

During 2016, the Company secured financing in the aggregate of $56.3 million on three of the six retirement communities that were acquired for cash of approximately $139 million since October 2015. The Company intends to seek financing on the other three retirement communities once stabilized.

In addition, construction financings of up to $51.4 million in the aggregate have been secured on three of the four retirement development projects, of which $12.6 million was drawn as at December 31, 2016. These financings represent 63% of the estimated costs, and similar financing arrangements are anticipated for the fourth project. The Company has spent approximately $32.4 million of the anticipated $122.6 million cost to develop these four retirement communities, which cost includes all amounts through the lease-up period until stabilized NOI is achieved, as well as an implied cost of capital.

Our long-term debt totalled $503.6 million as at December 31, 2016 (December 31, 2015 – $454.1 million), representing approximately 43% of our gross book value, including convertible debentures.

Our consolidated interest coverage ratio for the trailing twelve months ended December 31, 2016, was 5.4 times. Interest coverage is defined as Adjusted EBITDA divided by net interest, which represents interest expense, with capitalized interest added back, net of interest revenue.

Extendicare's financial reports, including its Management's Discussion and Analysis are available on our website at www.extendicare.com under the "Investors/Financial Reports" section. Also, a supplemental information package containing historical quarterly financial results and operating statistics and a list of our senior care centres can be found on the website under the same section.

ABOUT EXTENDICARE

Extendicare is a leading provider of care and services for seniors throughout Canada. Through our network of 111 operated senior care and living centres (65 owned/46 managed), as well as our home health care operations, we are committed to delivering care throughout the health care continuum to meet the needs of a growing seniors' population in Canada. Our qualified and highly trained workforce of 23,800 individuals is dedicated to helping people live better through a commitment to quality service and a passion for what we do.

Non-GAAP Measures

Extendicare assesses and measures operating results and financial position based on performance measures referred to as "net operating income", "NOI", "NOI margin", "Adjusted EBITDA", "Adjusted EBITDA margin", "AFFO", "AFFO per share", and "payout ratio". These are not measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. These non-GAAP measures are presented in this document because either: (i) management believes that they are a relevant measure of the ability of Extendicare to make cash distributions; or (ii) certain ongoing rights and obligations of Extendicare may be calculated using these measures. Such non-GAAP 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. They 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. Detailed descriptions of these terms can be found in Extendicare's disclosure documents, including its Management's Discussion and Analysis, filed with the securities regulatory authorities; these documents are available at www.sedar.com and on Extendicare's website at www.extendicare.com.

Forward-looking Statements

Information provided by Extendicare from time to time, including this release, contains or may contain forward-looking statements concerning anticipated financial events, results, circumstances, economic performance or expectations with respect to Extendicare and its subsidiaries, including, without limitation, statements regarding its business operations, business strategy, and financial condition. Forward-looking statements can be identified because they generally contain the words "expect", "intend", "anticipate", "believe", "estimate", "project", "plan" or "objective" or other similar expressions or the negative thereof. Forward-looking statements reflect management's beliefs and assumptions and are based on information currently available, and Extendicare assumes no obligation to update or revise any forward-looking statement, except as required by applicable securities laws. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of Extendicare to differ materially from those expressed or implied in the statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on Extendicare's forward-looking statements. Further information can be found in the disclosure documents filed by Extendicare with the securities regulatory authorities, available at www.sedar.com and on Extendicare's website at www.extendicare.com.

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