EXTENDICARE®
... helping people live better

NEWS RELEASE

Extendicare Announces 2017 Year End Results

MARKHAM, ONTARIO – February 28, 2018 – Extendicare Inc. (“Extendicare” or the “Company”) (TSX: EXE) today reported results for the fourth quarter and year ended December 31, 2017. Results are presented in Canadian dollars unless otherwise noted.

Financial and Operational Highlights

- Q4 2017 financial results comparison over Q4 2016 *(from continuing operations unless otherwise noted)*:
  - Revenue of $281.4 million up 1.6% or $4.5 million reflecting growth from all divisions moderated by impact of prior period funding of $2.2 million received in Q4 2016.
  - Net operating income of $35.6 million up $1.9 million or 5.5% reflecting increased contributions from all divisions partially offset by favourable prior period accrual adjustments of $1.6 million recorded in Q4 2016.
  - Earnings from continuing operations of $10.3 million ($0.12 per basic share) down $2.9 million, with improvements in operations offset by an unfavourable change in fair value adjustments and foreign exchange and lower interest revenue related to U.S. sale deferred consideration received in 2016.
  - AFFO from continuing operations of $15.7 million ($0.178 per basic share) up $2.2 million.
- 2017 financial results comparison over 2016 *(from continuing operations unless otherwise noted)*:
  - Revenue of $1,097.3 million up 3.4% or $36.6 million.
  - Net operating income of $135.8 million up 4.4% or $5.7 million resulting from home health care volume increases and continued growth of retirement operations.
  - Retirement community occupancy increased to an average of 90.8% in stabilized communities for 2017 (up from 81.5% for 2016) and to 54.6% in the lease-up communities from 37.5% in 2016. As at occupancy at the end of 2017 was 95.9% at the stabilized communities and 68.6% at the lease up communities.
  - Earnings from continuing operations of $31.7 million ($0.36 per basic share) up $0.3 million.
  - AFFO from continuing operations of $58.5 million ($0.659 per basic share) down $8.2 million; impacted by lower interest revenue from U.S. sale deferred consideration of $7.4 million.
- Dividends declared of $42.6 million in 2017, representing approximately 73% of AFFO of $58.5 million for the same period.
- 24-bed expansion at Extendicare Eaux Claires long-term care centre in Edmonton, opened in February 2018; incremental net operating income of $0.6 million annually.

As previously announced on February 26, 2018, the Company has entered into a definitive agreement to acquire the Lynde Creek Retirement Community, located in Whitby, Ontario, for a cash purchase price of $34.5 million, subject to normal closing adjustments. The purchase price, exclusive of excess land, represents an implied capitalization rate of 6.3% on 2018 net operating income, and the operations are expected to be immediately accretive to the Company’s AFFO. The acquired community consists of the Lynde Creek Manor Retirement Residence, offering 93 independent and assisted living suites; the Lynde Creek Life Lease Village, with 113 townhomes; and 3.7 acres of adjacent land for expansion. Closing, which is subject to customary conditions, is expected to occur in the second quarter of 2018.

"We are pleased with the steady progress towards stabilized occupancy in our retirement communities and the continued growth in this segment through new developments, expansions and acquisitions," stated Tim Lukenda, President and CEO of Extendicare. "In addition, increasing home health care volumes and the announcement of plans for new long-term care beds in Ontario reinforce our opportunity to deliver across the continuum of care," he added.

Selected Financial Information

The following is a summary of selected financial information for the three and twelve months ended December 31, 2017 and 2016.

	Three months ended December 31		**Twelve months ended December 31**	
(thousands of dollars, unless otherwise noted)	**2017**	**2016**	**2017**	**2016**
CONTINUING OPERATIONS				
Revenue				
Long-term care	**158,694**	157,425	**616,887**	608,618
Retirement living	**6,098**	4,440	**20,673**	15,474
Home health care	**109,141**	108,672	**435,718**	414,406
Management, consulting and other	**7,465**	6,317	**24,053**	22,260
Total revenue	**281,398**	276,854	**1,097,331**	1,060,758
Operating expenses	**245,776**	243,100	**961,509**	930,622
Net operating income (NOI) (1)	**35,622**	33,754	**135,822**	130,136
NOI margin (1)	***12.7%***	*12.2%*	***12.4%***	*12.3%*
Administrative costs	**6,372**	7,843	**31,467**	30,551
Lease costs	**1,695**	1,665	**6,758**	6,650
Adjusted EBITDA (1)	**27,555**	24,246	**97,597**	92,935
Adjusted EBITDA margin (1)	***9.8%***	*8.8%*	***8.9%***	*8.8%*
Earnings from continuing operations	**10,301**	13,250	**31,712**	31,417
per basic share *($)*	**0.12**	0.15	**0.36**	0.36
Earnings (loss) from discontinued operations, net of tax	**3,333**	11,390	**(29,580)**	4,035
AFFO (continuing operations) (1)	**15,713**	13,534	**58,495**	66,722
per basic share *($)*	**0.178**	0.152	**0.659**	0.755
per diluted share *($)*	**0.171**	0.149	**0.640**	0.724
AFFO (1)	**15,713**	13,366	**58,495**	65,056
per basic share *($)*	**0.178**	0.150	**0.659**	0.736
per diluted share *($)*	**0.171**	0.147	**0.640**	0.707
Maintenance capex (continuing operations)	**3,271**	5,419	**8,813**	12,119
Cash dividends declared per share	**0.120**	0.120	**0.480**	0.480
Payout ratio (1) (2)	**67%**	80%	**73%**	65%
Weighted average number of shares *(thousands)*				
Basic	**88,633**	88,663	**88,805**	88,372
Diluted	**99,916**	99,918	**100,088**	99,624

(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.

2017 Fourth Quarter Summary

Consolidated net operating income from continuing operations increased by $1.9 million or 5.5% to $35.6 million in the 2017 fourth quarter, and represented 12.7% of revenue compared to 12.2% in the same 2016 quarter. Net operating income from the Canadian operations improved by $1.1 million, and represented 11.9% of revenue this quarter compared to 11.7% in the same 2016 quarter. The 2016 results were impacted by favourable accrual adjustments of $1.6 million. Prior to these items, net operating income from the Canadian operations improved by $2.7 million or 8.8%, reflecting long-term care funding enhancements, growth of our retirement living, management and group purchasing operations, and an increased contribution from our home health care operations. Net operating income from our U.S. operations reflected higher investment income from our captive insurance subsidiary (the "Captive") of $0.8 million.

Consolidated Adjusted EBITDA from continuing operations improved by $3.3 million or 13.6% to $27.5 million this quarter from $24.2 million in the same 2016 quarter, representing 9.8% and 8.8% of revenue, respectively. Adjusted EBITDA from the Canadian operations contributed $2.4 million to the improvement, reflecting the increase in net operating income noted above, and lower administrative costs. Prior to the favourable accrual adjustments of $1.6 million recorded in the 2016 fourth quarter, Adjusted EBITDA from the Canadian operations improved by $4.0 million or 19.2%, and as a percentage of revenue was 9.0% this quarter compared to 7.7% in the same 2016 quarter. Adjusted EBITDA from the U.S. operations improved by $0.9 million reflecting higher investment income and a reduction in administrative costs.

Earnings from continuing operations declined by $2.9 million in the 2017 fourth quarter to $10.3 million, reflecting the improvement in Adjusted EBITDA, previously discussed, a decline in other expenses in respect of a goodwill impairment charge recorded in 2016, offset by unfavourable changes in the valuation of interest rate swaps and loss (gain) on foreign exchange, a reduction in interest revenue, primarily due to the elimination of interest received in 2016 in connection with the US Sale, and increased interest expense and income taxes.

2017 Year End Summary

Consolidated net operating income from continuing operations improved by $5.7 million or 4.4% to $135.8 million in 2017, and as a percentage of revenue was 12.4% in 2017 compared to 12.3% in 2016. Net operating income from the Canadian operations improved by $4.1 million, and represented 12.0% of revenue in each of 2017 and 2016. Prior to the impact of favourable prior year revenue settlements and operating expense accrual adjustments recorded in 2016, aggregating $2.2 million, net operating income from the Canadian operations improved by $6.3 million or 5.1%, reflecting growth in our home health care business volumes and retirement living operations, partially offset by increased costs of resident care, and one less day this year. Net operating income from our U.S. operations reflected higher investment income from the Captive of $1.6 million.

Consolidated Adjusted EBITDA from continuing operations improved by $4.7 million or 5.0% to $97.6 million in 2017, and represented 8.9% of revenue compared to 8.8% in 2016. Adjusted EBITDA from the Canadian operations improved by $2.3 million to $93.5 million this year, reflecting growth from net operating income offset by higher administrative and lease costs, and as a percentage of revenue was unchanged at 8.6%. Prior to a one-time executive compensation charge of $2.0 million recorded in the 2017 third quarter and the $2.2 million of favourable prior year adjustments recorded in 2016, Adjusted EBITDA from the Canadian operations improved by $6.5 million or 7.4% and as a percentage of revenue would have been 8.7% this year compared to 8.4% in 2016. Adjusted EBITDA from the U.S. operations improved by $2.4 million due to the increase in investment income and reduction in administrative costs.

Earnings from continuing operations increased by $0.3 million in 2017 to $31.7 million, reflecting the improvement in Adjusted EBITDA previously discussed, a decline in other expenses in respect of proxy contest, integration and acquisition costs, and goodwill impairment incurred during 2016, favourable changes in the valuation of interest rate swaps and loss (gain) on foreign exchange, partially offset by lower interest revenue, primarily due to the elimination of interest income received in connection with the sale of the U.S. operations, and increased interest expense and income taxes.

2017 AFFO Fourth Quarter and Year End Summary

AFFO from continuing operations improved by $2.2 million in the 2017 fourth quarter, reflecting the improvement in Adjusted EBITDA, net of a reduction in income support on acquired retirement communities, lower current income taxes, and a reduction in maintenance capex, partially offset by higher net interest expense of $2.3 million.

The decline in AFFO from continuing operations by $8.2 million to $58.5 million in 2017, was primarily attributable to higher net interest expense of $7.8 million, of which $7.4 million was interest income related to the sale of the U.S. operations, a reduction in the contribution of Adjusted EBITDA net of income support on acquired retirement communities, and lower government capital funding, partially offset by lower maintenance capex.

Discontinued Operations

The earnings from discontinued operations, net of tax, of $3.3 million recorded in the 2017 fourth quarter related to a $3.1 million release of the Captive's reserves and a net reduction in indemnification provisions and other items in respect of our previously disposed U.S. operations.

The loss from discontinued operations, net of tax, of $29.6 million recorded in 2017 related to the previously disposed U.S. operations, and included the previously disclosed write-off of deferred consideration of $37.5 million ($32.2 million after tax), and a net increase in indemnification provisions and other items of $4.8 million ($3.1 million after tax), partially offset by a $5.7 million release of the Captive's reserves.

Financial Position

Extendicare's consolidated cash and short-term investments on hand was $128.2 million as at December 31, 2017, and excluded the investments held by our Captive of $86.3 million to support the accrual for U.S. self-insured liabilities of $61.1 million. In addition, the Company has $65.0 million of available liquidity under a demand credit facility that it arranged for in November 2017, which is secured by the assets of our home health care business, and is available for the Company's general corporate purposes.

Our long-term debt totalled $536.1 million as at December 31, 2017 (December 31, 2016 – $503.6 million), representing approximately 47% of our gross book value, including convertible debentures.

Our consolidated net interest coverage ratio for the trailing twelve months ended December 31, 2017, was 3.8 times. Net interest coverage is defined as Adjusted EBITDA divided by net interest, which represents interest expense, with capitalized interest added back, net of interest revenue. Excluding interest revenue, our interest coverage ratio was 3.3 times.

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.

Normal Course Issuer Bid

During 2017, under a normal course issuer bid that commenced on January 13, 2017 and ended on January 12, 2018, the Company purchased and cancelled 696,220 Common Shares at a weighted average price of $9.27 per share, for a total cost of $6.5 million.

To date in 2018, under a normal course issuer bid that commenced on January 15, 2018 (the "Bid"), the Company has acquired and cancelled 352,233 Common Shares at an average price of $8.94 per share, for a total cost of $3.1 million. The Bid provides the Company with flexibility to purchase for cancellation up to 8,770,000 Common Shares through the facilities of the Toronto Stock Exchange, and on alternative Canadian trading systems, until January 14, 2019.

Conference Call and Webcast

On March 1, 2018, at 11:00 a.m. (ET), we will hold a conference call to discuss our 2017 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 1-800-806-5484 or 416-340-2217, followed by the passcode 3666664#. A replay of the call will be available until midnight on March 16, 2018. To access the rebroadcast, dial 1-800-408-3053 or 905-694-9451, followed by the passcode 1046543#. Slides accompanying remarks during the call will be posted to our website as part of the live webcast.

ABOUT EXTENDICARE

Extendicare is a leading provider of care and services for seniors throughout Canada. Through our network of 116 operated senior care and living centres (66 owned/50 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 23,700 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". In addition, the Company assesses its return on investment in development activities using the non-GAAP financial measure "NOI Yield". 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.*

For further information, contact:
Elaine E. Everson
Vice President and Chief Financial Officer
Phone: (905) 470-4000; Fax: (905) 470-4003
Email: eeverson@extendicare.com
Visit Extendicare's Website at www.extendicare.com