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NEWS RELEASE

Extendicare Announces 2018 Second Quarter Results

MARKHAM, ONTARIO – August 9, 2018 – Extendicare Inc. (“Extendicare” or the “Company”) (TSX: EXE) today reported results for the three and six months ended June 30, 2018. Results are presented in Canadian dollars unless otherwise noted.

Financial and Operational Highlights

- Q2 2018 financial results comparison over Q2 2017 *(from continuing operations unless otherwise noted)*:
  - Revenue of $279.5 million up 2.1% or $5.6 million moderated by lower investment income of the Captive of $1.3 million.
  - Net operating income from Canadian operations up 11.3% or $3.7 million, with margin of 13.0% compared to 11.9% in Q2 2017, included contribution from non same-store retirement living NOI of $0.9 million. Consolidated NOI up 7.2% or $2.4 million, impacted by lower investment income of the Captive.
  - Retirement community occupancy averaged 92.2% in stabilized communities (up from 88.1% in Q2 2017) and averaged 78.5% in lease-up communities (up from 50.6% in Q2 2017).
  - AFFO of $17.1 million ($0.194 per basic share) up $2.7 million.
- 2018 six month financial results comparison over same 2017 period *(from continuing operations unless otherwise noted)*:
  - Revenue of $550.9 million up 1.5% or $8.2 million moderated by impact of prior period funding of $0.8 million received in the first half of 2017, and lower investment income of the Captive of $2.7 million. Prior to those items revenue growth was 2.2%.
  - Net operating income from Canadian operations up 4.6% or $2.9 million, with margin of 11.9% compared to 11.6% in the first half of 2017, included contribution from non same-store retirement living NOI of $1.1 million. Consolidated NOI up $0.2 million, impacted by lower investment income of the Captive.
  - Retirement community occupancy averaged 92.6% in stabilized communities (up from 87.8% in first half of 2017) and averaged 75.8% in lease-up communities (up from 47.9% in first half of 2017). As at occupancy on June 30, 2018 was 92.6% at stabilized communities and 80.7% at lease-up communities.
  - AFFO of $31.8 million ($0.360 per basic share) up $4.7 million.
- Dividends declared of $21.1 million in first half of 2018, representing approximately 67% of AFFO.

“We are pleased with the continued growth in our retirement communities through both development and acquisition. The improvements in our average occupancy and resulting contribution to AFFO for the first half of 2018 have been significant,” stated Tim Lukenda, President and CEO of Extendicare. “Initiatives in our home health care division to attract PSWs in a tight labour market are under way to address growth in demand,” he added.

Selected Financial Information

The following is a summary of selected financial information for the three and six months ended June 30, 2018 and 2017.

(unaudited)	Three months ended June 30		Six months ended June 30	
(thousands of dollars, unless otherwise noted)	**2018**	**2017**	**2018**	**2017**
Revenue				
Long-term care	**155,833**	152,976	**308,638**	303,586
Retirement living	**8,242**	4,802	**15,213**	9,432
Home health care	**109,852**	110,133	**216,316**	217,927
Management, consulting and other	**5,561**	5,934	**10,745**	11,758
Total revenue	**279,488**	273,845	**550,912**	542,703
Operating expenses	**243,181**	239,978	**485,283**	477,232
Net operating income (NOI) (1)	**36,307**	33,867	**65,629**	65,471
NOI margin (1)	***13.0%***	*12.4%*	***11.9%***	*12.1%*
Administrative costs	**7,309**	7,524	**15,027**	16,037
Lease costs	**1,668**	1,755	**3,295**	3,417
Adjusted EBITDA (1)	**27,330**	24,588	**47,307**	46,017
Adjusted EBITDA margin (1)	***9.8%***	*9.0%*	***8.6%***	*8.5%*
Earnings from continuing operations	**5,975**	9,919	**9,541**	14,866
per basic and diluted share *($)*	**0.07**	0.11	**0.11**	0.17
Earnings (loss) from discontinued operations, net of tax	**5,852**	(32,913)	**7,117**	(32,913)
Net earnings (loss)	**11,827**	(22,994)	**16,658**	(18,047)
per basic and diluted share *($)*	**0.14**	(0.26)	**0.19**	(0.20)
AFFO (1)	**17,133**	14,448	**31,802**	27,136
per basic share *($)*	**0.194**	0.162	**0.360**	0.305
per diluted share *($)*	**0.188**	0.158	**0.349**	0.299
Maintenance capex (continuing operations)	**3,783**	1,858	**4,834**	2,765
Cash dividends declared per share	**0.120**	0.120	**0.240**	0.240
Payout ratio (1) (2)	**62%**	74%	**67%**	79%
Weighted average number of shares *(thousands)*				
Basic	**88,208**	88,938	**88,293**	88,873
Diluted	**98,595**	100,244	**98,680**	100,179

(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, together with reconciliations to the nearest GAAP measures, 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.

2018 Second Quarter Summary

Consolidated net operating income from continuing operations improved by $2.4 million or 7.2% to $36.3 million in the 2018 second quarter, and represented 13.0% of revenue compared to 12.4% in the same 2017 quarter. Net operating income from the Canadian operations improved by $3.7 million or 11.3%, and was favourably impacted by one less statutory holiday this quarter, home health care funding enhancements and service mix, and growth of our retirement living, management and group purchasing operations, partially offset by lower home health care volumes and a decline in the contribution from our long-term care (LTC) operations primarily due to the timing of spending under the LTC envelopes and labour-related accrual adjustments. Our home health care operations benefited this quarter from funding improvements, favourable mix of services provided, the timing of Good Friday and other cost savings, partially offset by a 4.3% decline in volumes. Net operating income from our U.S. operations reflects investment income from our captive insurance subsidiary (the "Captive"), which was nominal this quarter compared to $1.3 million in the same 2017 period.

Consolidated Adjusted EBITDA from continuing operations improved by $2.7 million or 11.2% to $27.3 million this quarter, and represented 9.8% of revenue compared to 9.0% in the same 2017 period, reflecting the contribution from net operating income and lower administrative costs. Adjusted EBITDA from the Canadian operations improved by $4.0 million or 17.0%, and as a percentage of revenue was 9.9% compared to 8.6% in the same 2017 period. The decline from our U.S. operations reflects lower investment income from the Captive.

2018 Six Month Summary

Consolidated net operating income from continuing operations improved by $0.2 million or 0.2% to $65.6 million in the first six months of 2018, and represented 11.9% of revenue compared to 12.1% in the same 2017 period. Net operating income from the Canadian operations improved by $2.9 million or 4.6% to $65.5 million, and as a percentage of revenue was 11.9% this period compared to 11.6% in the same 2017 period, reflecting growth of our retirement living, management and group purchasing operations, partially offset by a decline in the contribution from our LTC operations of $1.3 million due to prior period adjustments, higher costs of resident care, and timing of spending under the Ontario flow-through envelopes, and a decline of $0.6 million from our home health care operations due to lower volumes. Net operating income from our U.S. operations reflects investment income from the Captive, which was nominal this period compared to $2.8 million in the same 2017 period.

Consolidated Adjusted EBITDA from continuing operations improved by $1.3 million or 2.8% to $47.3 million this period, and represented 8.6% of revenue compared to 8.5% in the same 2017 period, reflecting the contribution from net operating income and lower administrative costs. Adjusted EBITDA from the Canadian operations improved by $3.8 million or 8.5%, and as a percentage of revenue was 8.7% compared to 8.2% in the same 2017 period. Adjusted EBITDA from the U.S. operations declined by $2.5 million reflecting lower investment income from the Captive and a reduction in administrative costs.

2018 Other Expense

Other expense of $3.6 million year to date ($3.4 million this quarter), includes $2.5 million expensed in connection with the redemption of the 2019 Debentures and transaction costs associated with the Lynde Creek Acquisition.

2018 Earnings from Continuing Operations

Earnings from continuing operations of $6.0 million ($0.07 per basic share) for the quarter and $9.5 million ($0.11 per basic share) year to date, were down from the respective 2017 periods, reflecting the improvement in Adjusted EBITDA offset by charges related to the convertible debenture refinancing and retirement community acquisition completed in April 2018, as well as changes in fair value adjustments and foreign exchange gains and losses.

2018 Discontinued Operations

The earnings from discontinued operations of $7.1 million year to date ($5.8 million this quarter), related to a $5.8 million (US$4.5 million) release of the Captive reserves for U.S. self-insured liabilities and the impact of a discount rate adjustment applied to the Captive's accrual for U.S. self-insured liabilities.

2018 AFFO Three and Six Month Summary

AFFO improved by $2.7 million this quarter and by $4.7 million in the first six months of 2018, over the same 2017 periods, reflecting the improvement in Adjusted EBITDA and lower current income taxes, partially offset by an increase in maintenance capex. Our current income taxes have benefitted this year from favourable timing differences, and the utilization of tax loss carryforwards. We anticipate our effective tax rate on FFO will be in the range of 16% to 18% for the 2018 year.

Maintenance capex was $4.8 million in the first six months of 2018, compared to $2.8 million in the same 2017 period, representing 0.9% and 0.5% of revenue, respectively. These costs fluctuate on a quarterly and annual basis with the timing of projects and seasonality. For the 2018 year, we are expecting to spend in the range of $10 million to $11 million in maintenance capex, and in the range of $45 million to $50 million in growth capex, excluding acquisitions, related primarily to the retirement development projects.

Financial Position

As at June 30, 2018, Extendicare's consolidated cash and short-term investments on hand was $64.8 million, which excluded the investments held by our Captive of $84.9 million to support the accrual for U.S. self-insured liabilities of $51.3 million. With the release of reserves in the 2018 second quarter, management plans to repatriate US$7.5 million of cash from the Captive in the 2018 third quarter.

Our long-term debt, including convertible debentures, totalled $519.2 million as at June 30, 2018 (December 31, 2017 – $536.1 million), with a weighted average interest rate of 4.8%, and represented approximately 47% of our gross book value.

Our consolidated net interest coverage ratio for the trailing twelve months ended June 30, 2018, was 3.7 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 3.2 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.

August Dividend Declared

The Board of Directors of Extendicare today declared a cash dividend of $0.04 per share for the month of August 2018, which is payable on September 17, 2018, to shareholders of record at the close of business on August 31, 2018. This dividend is designated as an "eligible dividend" within the meaning of the Income Tax Act (Canada).

Conference Call and Webcast

On August 10, 2018, at 10:00 a.m. (ET), we will hold a conference call to discuss our 2018 second quarter 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 8878249#. A replay of the call will be available until midnight on August 24, 2018. To access the rebroadcast, dial 1-800-408-3053 or 905-694-9451, followed by the passcode 6481348#. 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 120 operated senior care and living centres (67 owned/53 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.

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