NEWS RELEASE

EXTENDICARE ANNOUNCES 2019 FIRST QUARTER RESULTS

MARKHAM, ONTARIO – May 14, 2019 – Extendicare Inc. ("Extendicare" or the "Company") (TSX: EXE) today reported results for the three months ended March 31, 2019. Results are presented in Canadian dollars unless otherwise noted.

"In the first quarter, three of our four business segments experienced strong year-over-year results, partially offset by lower volumes at ParaMed. Adjusted EBITDA was down due to increased one-time ParaMed investments, which we anticipate will drive higher client volumes and margin growth in the future," said Chief Executive Officer, Dr. Michael Guerriere. "With the additions of CFO David Bacon and VP ParaMed Operations Ali Mir, our strengthened leadership team is focused on driving profitable growth by delivering best-in-class services to our residents and clients."

Financial Highlights from First Quarter 2019 (all comparisons with Q1 2018)

- Revenue of $274.3 million, up 1.0% or $2.9 million from $271.4 million.
- NOI of $30.4 million, up 3.6% or $1.1 million from $29.3 million; driven by growth in all segments, except for ParaMed which experienced lower business volumes and incremental transformation costs.
- Adjusted EBITDA of $19.6 million, down $0.4 million from $20.0 million; impacted by incremental ParaMed transformation costs.
- Earnings from continuing operations of $1.1 million, down $2.5 million from $3.6 million; further impacted by $1.4 million provision for costs associated with the previously announced exit of ParaMed from the B.C. market.
- AFFO of $12.6 million ($0.142 per basic share) down $2.1 million; impacted by higher current income taxes and lower earnings.
- Dividends declared of $10.6 million in first three months of 2019, representing approximately 84% of AFFO.

Business Updates

ParaMed Progress

The Company is making progress on its previously announced investment of over $12 million to transform the ParaMed business, of which $1.7 million was invested in the first quarter, for a cumulative $6.6 million to date. The implementation of a new cloud-based system to optimize scheduling, automate work processes, and better support Extendicare's valued staff is now at the 60% mark and remains on track to be completed by the end of 2019. Management anticipates business volumes and margins will begin increasing by the end of 2019.

Extendicare is installing a new executive leadership team at ParaMed to manage the execution of the investments in improved work processes and technology. Ali Mir, was appointed VP ParaMed Operations on May 13. Ali is a former McKinsey consultant with experience at eHealth Ontario, where he was VP of Community eHealth Solutions and at Telus Health, where he managed the Outcomes, Analytics and the family practice clinics portfolio. We are currently in the interview process to fill a second new VP position. These changes will position the ParaMed business for long-term growth and value creation.

Schlegel Villages Joins SGP Purchasing Partner Network

On January 1, 2019, Extendicare's SGP Purchasing Partner Network was pleased to form a new partnership with Schlegel Villages Inc., which represents 18 long-term care and 8 retirement communities in Ontario, serving up to 4,400 residents. Schlegel Villages offers an outstanding brand in the seniors care industry, and joins a number of highly respected existing SGP clients, including Effective Pricing Solutions, Jarlette Health Services, Prima Care Living Solutions, Southbridge Care Homes, The Good Samaritan Society, and Verve Senior Living. Together with our partners, SGP now provides cost effective products and services for more than 57,000 residents across Canada.

Financial Activities Subsequent to March 31, 2019

- Repatriated US$10.0 million from its captive insurance company (the "Captive").
- Closed on Canadian Mortgage and Housing Corporation (CMHC)-insured financing of $16.0 million on the Lynde Creek retirement living community acquired for cash in 2018.

May Dividend Declared

The Board of Directors of Extendicare today declared a cash dividend of $0.04 per share for the month of May 2019, which is payable on June 17, 2019, to shareholders of record at the close of business on May 31, 2019. This dividend is designated as an "eligible dividend" within the meaning of the Income Tax Act (Canada).

Select Financial Information

Adoption of IFRS 16

Effective January 1, 2019, the Company adopted International Financial Reporting Standards (IFRS) 16 "Leases", using the modified retrospective approach, under which the comparative information presented has not been restated and continues to be reported under International Accounting Standard (IAS) 17 "Leases". The transition did not result in any retrospective adjustment to opening retained earnings on January 1, 2019.

Lease costs for the prior year have been reclassified under administrative costs to conform with the current year presentation. The impact of adopting this standard on net earnings and overall cash flow is neutral; however, the principal payment of the lease liabilities is presented in financing activities (previously reflected as operating activities).

In connection with the adoption of IFRS 16, the Company has amended its definition of funds from operations (FFO) by including a deduction for "depreciation for office leases". As a result, the impact of the adoption of IFRS 16 on the determination of FFO and adjusted funds from operations (AFFO) is not material.

The following is a summary of selected financial information for the three months ended March 31, 2019 and 2018.

(unaudited) *(thousands of dollars, unless otherwise noted)*	Three months ended March 31 2019	2018
Revenue		
Long-term care	**156,221**	152,805
Retirement living	**9,508**	6,971
Home health care	**102,665**	106,464
Management, consulting and other	**5,875**	5,184
Total revenue	**274,269**	271,424
Operating expenses	**243,883**	242,102
Net operating income (NOI) (1)	**30,386**	29,322
NOI margin (1)	***11.1%***	*10.8%*
Administrative costs	**10,834**	9,345
Adjusted EBITDA (1)	**19,552**	19,977
Adjusted EBITDA margin (1)	***7.1%***	*7.4%*
Depreciation and amortization	**9,427**	7,837
Other expense	**1,429**	180
Earnings from continuing operations	**1,057**	3,566
per basic and diluted share *($)*	**0.01**	0.04
Earnings from discontinued operations, net of tax	**1,901**	1,265
Net earnings	**2,958**	4,831
per basic and diluted share *($)*	**0.03**	0.05
AFFO (1)	**12,615**	14,669
per basic share *($)*	**0.142**	0.166
per diluted share *($)*	**0.138**	0.161
Maintenance capex (continuing operations)	**916**	1,051
Cash dividends declared per share	**0.120**	0.120
Payout ratio (1) (2)	**84%**	72%
Weighted average number of shares *(thousands)*		
Basic	**88,825**	88,379
Diluted	**99,186**	99,688

(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.

2019 First Quarter Summary

Net Operating Income

Net operating income improved by $1.1 million or 3.6% to $30.4 million for the three months ended March 31, 2019, and represented 11.1% of revenue compared to 10.8% for the three months ended March 31, 2018. Net operating income was favourably impacted by one less statutory holiday this quarter, funding enhancements, and growth of the retirement living and contract operations management, consulting and group purchasing operations, partially offset by lower home health care volumes of 4.1.% and incremental ParaMed transformation costs of $0.3 million. The average occupancy of our stabilized retirement living communities was 95.4% for the three months ended March 31, 2019, as compared to 88.8% for the same prior year period.

Administrative Costs

Administrative costs increased by $1.5 million, or 15.9%, to $10.8 million for the three months ended March 31, 2019. Excluding the reduction of $0.7 million in lease costs upon the adoption of IFRS 16, administrative costs increased by $2.2 million and were impacted by incremental ParaMed transformation costs of $0.8 million, and higher compensation costs and professional fees.

Adjusted EBITDA

Adjusted EBITDA declined by $0.4 million to $19.6 million for the three months ended March 31, 2019, and represented 7.1% of revenue compared to 7.4% for the three months ended March 31, 2018, reflecting the $1.1 million improvement in net operating income offset by higher administrative costs of $1.5 million. Adjusted EBITDA was impacted by higher ParaMed transformation costs of $1.1 million ($1.7 million for the three months ended March 31, 2019, as compared to $0.6 million for the same prior year period), and a reduction of $0.7 million for the three months ended March 31, 2019, due to the adoption of IFRS 16.

Depreciation and Amortization

Depreciation and amortization costs increased by $1.6 million to $9.4 million for the three months ended March 31, 2019, of which $0.7 million was a result of the adoption of IFRS 16, and the balance was due to higher capital expenditures.

Other Expense

Other expense of $1.4 million for the three months ended March 31, 2019, represented a provision for costs in connection with the previously announced expiry of ParaMed's contracts in British Columbia that are expiring in March 2020, primarily for facilities related costs. Other expense of $0.2 million for the three months ended March 31, 2018, related to transaction costs in connection with the acquisition of a retirement community.

Earnings from Continuing Operations

Earnings from continuing operations of $1.1 million ($0.01 per basic share) for the three months ended March 31, 2019, was down by $2.5 million from $3.6 million for the three months ended March 31, 2018, largely impacted by the above noted incremental ParaMed transformation costs, ParaMed B.C. market contract expiration costs and lower ParaMed business volumes.

Discontinued Operations

The after-tax earnings from discontinued operations of $1.9 million for the three months ended March 31, 2019, related to a release of the Captive's reserves. The after-tax earnings of $1.3 million for the three months ended March 31, 2018, related to the favourable impact of a discount rate adjustment on the Captive's reserves.

AFFO Summary

AFFO declined by $2.1 million, or 14.0%, to $12.6 million ($0.142 per basic share) for the three months ended March 31, 2019, from $14.7 million ($0.166 per basic share) for the three months ended March 31, 2018. The decrease is primarily a result of an increase in current income taxes of $0.9 million and the decline in Adjusted EBITDA noted above. The Company's current income taxes benefitted in 2018 from favourable timing differences, and the utilization of tax loss carryforwards. For the 2019 year, we anticipate the effective tax rate on FFO will be in the range of 17% to 19%.

Maintenance capex was $0.9 million for the three months ended March 31, 2019, as compared to $1.1 million for the three months ended March 31, 2018, and as compared to $4.2 million for the three months ended December 31, 2018, representing 0.3%, 0.4% and 1.5% of revenue, respectively. These costs fluctuate on a quarterly and annual basis with the timing of projects and seasonality. In 2019, we are expecting to spend in the range of $10 million to $12 million in maintenance capex, as compared to $12.7 million in 2018.

Financial Position

As at March 31, 2019, the Company's consolidated cash and short-term investments on hand was $70.5 million, which excluded the investments held by our Captive of $58.7 million to support the accrual for U.S. self-insured liabilities of $25.7 million. Subsequent to March 31, 2019, the Company repatriated US$10.0 million of cash from the Captive for general corporate use. In addition, the Company has $65.0 million available to draw under its ParaMed credit facility.

The Company's long-term debt, including convertible debentures as at March 31, 2019, was $532.8 million (December 31, 2018 – $529.0 million), with a weighted average interest rate of 4.8%, and represented approximately 48% of its gross book value.

Subsequent to March 31, 2019, the Company secured a CMHC-insured mortgage of $16.0 million, inclusive of fees, on the Lynde Creek Manor retirement living community, that matures in September 2029, with a fixed rate of 2.81% per annum.

The Company's consolidated net interest coverage ratio for the trailing twelve months ended March 31, 2019, was 3.7 times. Excluding interest revenue, the Company's 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.

Conference Call and Webcast

On May 15, 2019, at 11:00 a.m. (ET), Extendicare will hold a conference call to discuss its 2019 first quarter results. The call will be webcast live and archived online 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 3542154#. A replay of the call will be available approximately two hours after completion of the live call until midnight on May 31, 2019. To access the rebroadcast dial 1-800-408-3053 or 905-694-9451 followed by the passcode 8680836#.

About Extendicare

Extendicare is a leading provider of care and services for seniors across Canada. We are committed to delivering quality care throughout the health continuum to meet the needs of a growing seniors population. We operate a network of 122 senior care and retirement living centres (68 owned/54 managed) and home health care services under the Extendicare, Esprit Lifestyle and ParaMed brands. Our qualified and highly trained workforce of approximately 23,000 individuals is passionate about providing high quality services to help people live better.

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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