EXTENDICARE®
... helping people live better

NEWS RELEASE

EXTENDICARE ANNOUNCES 2021 SECOND QUARTER RESULTS

MARKHAM, ONTARIO, August 5, 2021 – Extendicare Inc. (“Extendicare” or the “Company”) (TSX: EXE) today reported results for the three and six months ended June 30, 2021. Results are presented in Canadian dollars unless otherwise noted.

Second Quarter Highlights

- Continuing growth in vaccination levels among residents and staff, providing enhanced protection across our network.
- No current outbreaks in our long-term care (LTC) homes or retirement communities.
- LTC occupancy up 250 bps as COVID restrictions ease.
- Maintaining enhanced staffing levels, testing and other prevention measures as emergence of COVID variants remain a concern.
- Home health care average daily volumes increase 3.7% and return to pre-pandemic levels.

“As the impact of the pandemic receded, we experienced a broad recovery across Extendicare in the second quarter, with strong growth in both LTC occupancy and home health care volumes,” said President and Chief Executive Officer, Dr. Michael Guerriere. “We are gratified by the outstanding efforts of our staff to get vaccinated to protect themselves and those we care for. Our comprehensive resident and staff vaccination program has enabled us to welcome families and visitors back into our LTC homes and retirement communities in recent weeks. While we are encouraged by the progress made this quarter, we continue to maintain enhanced staffing levels in our homes, accompanied by robust testing and other prevention measures, to complement the success of the vaccines. We remain vigilant as a resurgence in COVID-19 cases cannot be ruled out until there is broader progress on vaccination rates in the general population.”

Protecting Residents, Clients and Caregivers

As of August 5, 2021, Extendicare has no active outbreaks across its 69 LTC homes and retirement communities.

Extendicare’s extensive education and awareness campaign for staff, along with the provision of paid time off and reimbursement of travel expenses for vaccination, are contributing to rising vaccination rates that are helping to keep our residents and employees safe and keep the virus out of our LTC homes and retirement communities. Our vaccination rates as of August 5th were as follows:

- 92% of our LTC and 90% of our retirement residents have been fully vaccinated;
- 86% of our LTC staff and 80% of our retirement staff have received at least their first dose; and
- 86% of ParaMed staff have received at least their first dose.

More of our staff are being vaccinated each week. We continue to conduct active symptom screening upon entry and continued use of personal protective equipment. Surveillance testing continues to play an important role in keeping our homes and communities safe – now with a particular focus on those who are not yet fully vaccinated.

With the marked decrease in COVID-19 outbreaks in Q2 2021, our pandemic related spending decreased to $42.8 million from $58.1 million in Q1 2021. These costs were partially offset by provincial funding of $33.3 million. These costs included $11.3 million in temporary pandemic pay premiums for eligible front-line staff in Q2 2021, offset by funding from Ontario and Alberta. Since the beginning of the pandemic, unfunded pandemic costs have resulted in a cumulative reduction of Adjusted EBITDA of $41.9 million. While COVID-19 costs declined in Q2 2021, we will continue to incur elevated costs as we remain vigilant in our on-going efforts to protect our residents, clients and staff until the threat of the pandemic has abated. The amount and timing of COVID-19 funding has not always aligned with when costs are incurred causing significant volatility in our results, which we expect will continue until the pandemic subsides.

Extendicare is also investing to meet the needs of residents and clients in the future. During Q2 2021, construction commenced on Extendicare's new 192-bed LTC home in Kingston, Ontario, while construction on our new Sudbury, Ontario home continued. In Q2 2021, we successfully closed $95.9 million in construction financing to support the Sudbury and Kingston projects.

In our ongoing efforts to address the significant staffing challenges facing the industry, we continue to make progress with our PSW college partnerships and in-house HSW training programs, graduating and hiring more than 300 new caregivers through these programs in the first half of 2021. We are also participating in various new federal and provincial programs aimed at expanding the seniors' care workforce, with more than 250 students enrolled in internships to whom we plan to offer employment upon graduation.

Q2 2021 Financial Highlights (all comparisons with Q2 2020)

- Revenue up 9.0% or $25.5 million to $307.4 million; driven by a 24.0% increase in home health care average daily volumes (ADV), COVID-19 funding of $6.1 million, LTC funding enhancements and growth in retirement living and other operations, partially offset by timing of flow-through funding, and lower preferred accommodation revenue in LTC operations.
- Net operating income (NOI)(1) up $11.3 million to $31.3 million; reflecting the Canada Emergency Wage Subsidy (CEWS) payments to ParaMed of $7.7 million, increased ADV and back-office efficiencies in home health care operations and a reduction in net COVID-19 costs of $1.1 million, partially offset by increased costs of resident care and lower preferred accommodation revenue in LTC operations.
- Adjusted EBITDA(1) up $9.7 million to $17.8 million; reflecting the improvement in NOI noted above and $0.1 million reduction in COVID-19 related administrative costs, partially offset by higher administrative costs related to labour, information technology, professional fees and travel.
- Earnings from continuing operations up $9.8 million to $1.0 million; primarily driven by improvements in NOI from the home health care operations, lower finance costs and other expense recorded in Q2 2020, partially offset by higher administrative costs.
- AFFO(1) of $8.1 million ($0.09 per basic share), up $5.1 million; reflecting the increase in earnings from continuing operations, excluding the other expense recorded in Q2 2020, partially offset by higher maintenance capex.

Six Months 2021 Financial Highlights (all comparisons with Six Months 2020)

- Revenue up 13.7% or $76.1 million to $629.8 million; driven by COVID-19 funding of $61.5 million, a 10.1% increase in home health care ADV, LTC funding enhancements and growth in retirement living and other operations, partially offset by timing of flow-through funding and lower preferred accommodation revenue in LTC operations.
- NOI up $21.2 million to $71.5 million; reflecting CEWS payments received by ParaMed of $17.4 million, increased ADV and back-office efficiencies in home health care and growth in other operations, partially offset by increased costs of resident care and lower preferred accommodation revenue in LTC operations.
- Adjusted EBITDA up $17.2 million to $45.5 million; reflecting the improvement in NOI noted above, partially offset by higher administrative costs related to labour, information technology, professional fees, travel, insurance and claims reserves, and COVID-19 administrative costs of $0.8 million.
- Earnings from continuing operations up $16.9 million to $9.3 million; primarily driven by improvements in NOI from the home health care and other operations segments, and lower finance costs and other expense, partially offset by higher administrative costs.
- AFFO of $27.6 million ($0.31 per basic share), up $13.0 million; reflecting the increase in earnings from continuing operations, excluding the other expense recorded in 2020, partially offset by higher maintenance capex.

Business Updates

The following is a summary of the Company's revenue, NOI and NOI margins by business segment for the three and six months ended June 30, 2021 and 2020, respectively.

(unaudited)	Three months ended June 30						Six months ended June 30					
(millions of dollars,	2021			2020			2021			2020		
unless otherwise noted)	Revenue	NOI	Margin	Revenue	NOI	Margin	Revenue	NOI	Margin	Revenue	NOI	Margin
Long-term care	**187.2**	**9.8**	***5.2%***	178.5	11.1	*6.2%*	**392.3**	**26.1**	***6.6%***	338.7	29.5	*8.7%*
Retirement living	**12.3**	**3.7**	***30.1%***	11.7	3.5	*30.0%*	**24.5**	**7.1**	***29.2%***	23.8	7.2	*30.4%*
Home health care	**101.1**	**14.0**	***13.9%***	85.5	1.4	*1.7%*	**198.8**	**30.0**	***15.1%***	178.6	5.7	*3.2%*
Other	**6.9**	**3.7**	***54.2%***	6.3	3.9	*62.0%*	**14.3**	**8.3**	***58.1%***	12.7	7.8	*61.4%*
	307.4	**31.3**	***10.2%***	281.9	19.9	*7.1%*	**629.8**	**71.5**	***11.4%***	553.8	50.3	*9.1%*

Note: Totals may not sum due to rounding.

Long-Term Care

Lower rates of COVID-19 cases and an easing of restrictions during Q2 2021 resulted in an increase in admissions to our LTC homes. Average occupancy in our LTC homes recovered 250 bps to 85.4% in Q2 2021 from 82.9% in Q1 2021, down from 93.5% in Q2 2020. With lengthy waitlists for LTC in many of the communities where Extendicare operates, we expect average occupancy levels to continue to increase as long as rates of COVID-19 in the community remain low. Despite lower occupancy levels, our revenue base was largely preserved through basic occupancy protection funding from the Government of Ontario, which continues until August 31, 2021. Each of the western provinces where we operate have also introduced additional funding to offset the impact of COVID-19, some of which includes funding to address occupancy shortfalls.

Increased costs to protect our staff and residents and lower preferred accommodation revenue resulted in lower NOI and NOI margin compared to the same period last year. NOI and NOI margin in Q2 2021 were $9.8 million and 5.2%, respectively, down from $11.1 million and 6.2% respectively in Q2 2020. Compared to Q2 2020, COVID-19 related funding increased by $7.9 million, resulting in a $1.4 million reduction in unfunded costs associated with COVID-19 and pandemic pay programs.

Home Health Care

Extendicare's home health care volumes returned to pre-pandemic levels as we exited Q2 2021. Our Q2 2021 ADV was 25,264, up 3.7% from Q1 2021 and 24.0% higher than Q2 2020.

In Q2 2021, ParaMed's revenue was $101.1 million, up 18.3% from Q2 2020, driven by growth in ADV of 24.0%, partially offset by lower COVID-19 and pandemic pay funding of $1.8 million.

NOI and NOI margin increased to $14.0 million and 13.9%, respectively, in Q2 2021, up from $1.4 million and 1.7%, respectively, in Q2 2020. The improvement in NOI reflects CEWS payments received by ParaMed of $7.7 million in Q2 2021, higher ADV and improved back-office efficiencies. This was offset by an increase in net costs associated with COVID-19 of $0.6 million. Given the level of recovery in ADV, we do not anticipate qualifying for CEWS in future quarters.

Excluding the impact of CEWS, net COVID-19 related costs and Q4 2020 one-time charges, NOI margins continue to improve with Q2 2021 at 7.9%, as compared to 7.3% in Q1 2021 and 5.8% in Q4 2020.

Retirement Living

The financial performance of our retirement living operations improved over Q2 2020, as easing of COVID-19 restrictions began to positively impact occupancy and care services.

In Q2 2021, higher revenue of $0.6 million or 4.8% and lower estimated net COVID-19 costs, partially offset by increased labour and promotional costs, contributed to an increase in NOI of $0.2 million or 5.2% from Q2 2020.

Throughout the pandemic the average occupancy of our stabilized communities has remained above 90%. The easing of restrictions during the latter half of the second quarter contributed to an increase in average occupancy of 30 bps to 84.4% in Q2 2021 from Q1 2021 comprised of an increase of 210 bps in our lease-up communities, partially offset by a 50 bps decrease in our stabilized communities.

Other Operations

Increased customer demand contributed to continued solid performance in our SGP Purchasing Partner Network (SGP). Investments in growth initiatives, including higher promotional and travel expenses, impacted NOI and NOI margins in the quarter.

Revenue increased to $6.9 million, up 9.8% from Q2 2020, largely driven by customer growth in SGP. Increased operating costs in the quarter resulted in a decline in NOI by $0.2 million or 4.0% to $3.7 million, representing 54.2% of revenue. The number of third-party residents served by SGP increased to approximately 83,500 at the end of Q2 2021, up 11.1% from Q2 2020 and 3.0% from Q1 2021.

Financial Position

As at June 30, 2021, Extendicare had cash and cash equivalents on hand of $132.5 million and access to a further $73.2 million in undrawn demand credit facilities. In addition, the Company has construction financing in the aggregate of $95.9 million available for its Sudbury and Kingston LTC redevelopment projects. As a result, Extendicare is well positioned with strong liquidity and no scheduled debt maturities until Q1 2022.

Select Financial Information

The following is a summary of the Company's consolidated financial information for the three and six months ended June 30, 2021 and 2020.

(unaudited)	**Three months ended June 30**		**Six months ended June 30**	
(thousands of dollars unless otherwise noted)	**2021**	**2020**	**2021**	**2020**
Revenue	**307,449**	281,947	**629,830**	553,765
Operating expenses	**276,198**	262,013	**558,315**	503,448
NOI (1)	**31,251**	19,934	**71,515**	50,317
NOI margin (1)	***10.2%***	*7.1%*	***11.4%***	*9.1%*
Administrative costs	**13,434**	11,767	**25,975**	22,019
Adjusted EBITDA (1)	**17,817**	8,167	**45,540**	28,298
Adjusted EBITDA margin (1)	***5.8%***	*2.9%*	***7.2%***	*5.1%*
Other expense	−	2,780	−	2,780
Earnings from continuing operations	**960**	(8,889)	**9,283**	(7,652)
per basic and diluted share *($)*	**0.01**	(0.10)	**0.10**	(0.09)
Earnings from discontinued operations, net of tax	−	5,230	−	9,899
Net earnings	**960**	(3,659)	**9,283**	2,247
per basic and diluted share *($)*	**0.01**	(0.04)	**0.10**	0.03
AFFO (1)	**8,073**	2,946	**27,618**	14,576
per basic share *($)*	**0.09**	0.03	**0.31**	0.16
per diluted share *($)*	**0.09**	0.03	**0.30**	0.16
Current income tax expense included in FFO	**2,091**	(1,848)	**4,918**	225
FFO effective tax rate	***24.7%***	*140.9%*	***18.3%***	*2.3%*
Maintenance capex	**3,746**	2,157	**4,779**	3,912
Cash dividends declared per share	**0.12**	0.12	**0.24**	0.24
Payout ratio (1)	**133%**	365%	**78%**	147%
Weighted average number of shares *(thousands)*				
Basic	**89,980**	89,826	**89,954**	89,735
Diluted	**100,615**	100,177	**100,672**	100,095

(1) ***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 measures are not 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 Extendicare's operating performance and ability to pay cash dividends; 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.*

Extendicare's disclosure documents, including its Management's Discussion and Analysis, may be found on SEDAR's website at www.sedar.com under the Company's issuer profile and on the Company's website at www.extendicare.com under the "Investors/Financial Reports" 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 2021, which is payable on September 15, 2021, to shareholders of record at the close of business on August 31, 2021. This dividend is designated as an "eligible dividend" within the meaning of the Income Tax Act (Canada).

Conference Call and Webcast

On August 6, 2021, at 11:30 a.m. (ET), Extendicare will hold a conference call to discuss its 2021 second 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 1-800-319-4610 or 416-915-3239. A replay of the call will be available approximately two hours after completion of the live call until midnight on August 20, 2021. To access the rebroadcast dial 1-800-319-6413 followed by the passcode 7326#.

About Extendicare

Extendicare is a leading provider of care and services for seniors across Canada, operating under the Extendicare, Esprit Lifestyle, ParaMed, Extendicare Assist, and SGP Purchasing Partner Network brands. We are committed to delivering quality care throughout the health continuum to meet the needs of a growing seniors population. We operate or provide contract services to a network of 120 long-term care homes and retirement communities (69 owned/51 contract services), provide approximately 8.8 million hours of home health care services annually, and provide group purchasing services to third parties representing approximately 83,500 senior residents across Canada. Extendicare proudly employs more than 23,500 qualified, highly trained and dedicated individuals who are passionate about providing high quality care and services to help people live better.

Forward-looking Statements

This press release contains forward-looking statements concerning anticipated future events, results, circumstances, economic performance or expectations with respect to Extendicare and its subsidiaries, including, without limitation, statements regarding its business operations, business strategy, growth strategy, results of operations and financial condition, including anticipated timelines, costs and financial returns in respect of development projects, and in particular statements in respect of the impact of measures taken to mitigate the impact of COVID-19, the availability of various government programs and financial assistance announced in respect of COVID-19, the impact of COVID-19 on the Company's operating costs, staffing, procurement, occupancy levels and volumes in its home health care business, the impact on the capital and credit markets and the Company's ability to access the credit markets as a result of COVID-19, increased litigation and regulatory exposure and the outcome of any litigation and regulatory proceedings. Forward-looking statements can often be identified by the expressions "anticipate", "believe", "estimate", "expect", "intend", "objective", "plan", "project", "will" 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. The Company 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 the Company to differ materially from those expressed or implied in the statements. In particular, risks and uncertainties related to the effects of COVID-19 on the Company include the length, spread and severity of the pandemic; the nature and extent of the measures taken by all levels of governments and public health officials, both short and long term, in response to COVID-19; domestic and *global credit and capital markets; the Company's ability to access capital on favourable terms or at all due to the potential for reduced revenue and increased operating expenses as a result of COVID-19; the availability of insurance on favourable terms; litigation and/or regulatory proceedings against or involving the Company, regardless of merit; the health and safety of the Company's employees and its residents and clients; and domestic and global supply chains, particularly in respect of personal protective equipment. Given the evolving circumstances surrounding COVID-19, it is difficult to predict how significant the adverse impact will be on the global and domestic economy and the business operations and financial position of Extendicare. For further information on the risks, uncertainties and assumptions that could cause Extendicare's actual results to differ from current expectations, refer to "Risk Factors" in Extendicare's Annual Information Form and "Forward Looking-Statements" in Extendicare's Q2 2021 Management's Discussion and Analysis filed by Extendicare with the securities regulatory authorities, available at www.sedar.com and on Extendicare's website at www.extendicare.com. Given these risks and uncertainties, readers are cautioned not to place undue reliance on Extendicare's forward-looking statements.*

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