EXTENDICARE

NEWS RELEASE

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FOR IMMEDIATE RELEASE
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Extendicare Announces 2014 Third Quarter Results

MARKHAM, ONTARIO – Extendicare Inc. (“Extendicare” or the “Company”) (TSX: EXE) today reported results for the three and nine months ended September 30, 2014. Results are presented in Canadian dollars unless otherwise noted.

HIGHLIGHTS (variances exclude effect of foreign exchange)

- Revenue of $536.2 million in Q3 2014 included an $11.7 million increase in same-facility operations over Q3 2013.
- Adjusted EBITDA of $42.5 million in Q3 2014 declined by $1.5 million over Q3 2013, and by $3.3 million over Q2 2014, and included an increase in self-insured liabilities expense of $0.1 million over Q3 2013 and an increase of $3.7 million over Q2 2014.
- AFFO was $17.3 million ($0.196 per basic share) in Q3 2014 compared to $20.4 million ($0.235 per basic share) in Q3 2013 and $15.5 million ($0.177 per basic share) in Q2 2014.
- Results for Canadian operations include funding enhancements retroactive to April 1, 2014, for the Ontario nursing and program flow-through envelopes and to support home health care PSW base wage increases, and include increased home health care volumes of 8.6% over Q3 2013.
- Dividends declared in the first nine months of 2014 totalled $31.6 million, representing approximately 58% of AFFO for the same period.
- Declares November dividend of $0.04 per share.

PENNSYLVANIA LEASE TRANSACTION UPDATE

With respect to the previously announced intent to lease out our Pennsylvania operations to a third party, we have entered into leases and an operations transfer agreement to lease all 22 of our owned skilled nursing centers in the states of Pennsylvania (2,502 beds), Delaware (120 beds) and West Virginia (120 beds) to an experienced third-party long-term care operator. Under the agreement, the operating leases will have 15-year terms with two 5-year extensions at the option of the operator. The average annual lease revenue will be US$27.3 million, after taking into account lease incentives. The leases will not include options to purchase the associated real estate assets. The transfer of operations will be subject to third-party approvals, including state licensure. Leases on the first 10 centers are anticipated to close in January 2015, and the balance in the 2015 second quarter.

For the 2013 year, these 22 skilled nursing centers generated annualized revenue of US$265.2 million and Adjusted EBITDA of US$19.3 million that included an estimated US$18.7 million in provisions made for self-insured liabilities. For the first nine months of 2014, these operations generated revenue of US$199.3 million and Adjusted EBITDA of US$6.8 million that included an estimated US$20.9 million in self-insured liabilities expense. As a result of the estimated reduction in our self-insured liabilities expense attributable to these operations, this transaction is anticipated to improve our Adjusted EBITDA and AFFO. The estimated financial impact of the lease transaction on our results for the 2013 year is an improvement in Adjusted EBITDA of approximately US$4.9 million and an improvement in AFFO of approximately US$8.6 million. With respect to our results for the first nine months of 2014, the estimated financial impact is an improvement in Adjusted EBITDA of approximately US$11.2 million and an improvement in AFFO of approximately US$12.0 million.

SELF-INSURED LIABILITIES EXPENSE

The results of our independent actuarial review completed during the 2014 third quarter necessitated the continued strengthening of our reserves this quarter. Our expense in the 2014 third quarter was $15.4 million, or US$14.1 million, compared to US$10.7 million in the 2014 second quarter, and US$6.7 million in the 2014 first quarter, with the sequential increases primarily due to an increase in Pennsylvania based claims. Reserves for these claims represented approximately $22.9 million (US$20.9 million), or 66% of the total expense of $34.5 million (US$31.5 million) recorded in the first nine months of 2014. We did not experience any adverse development with respect to our former Kentucky operations in the first nine months of 2014. In comparison, our provision for the first nine months of 2013 was $33.4 million (US$32.6 million), and included approximately US$16.6 million related to our former Kentucky operations, and an estimated US$7.4 million related to our Pennsylvania operations.

STRATEGIC REVIEW UPDATE

As previously disclosed in May 2013, the board of directors of the Company (the “Board”), through its strategic committee (the “Strategic Committee”), continues to pursue a transaction involving the sale of the U.S. business (the “Strategic Review”). Details relating to the outcome of the Strategic Review will be disclosed when appropriate.

DEBT FINANCING

In September 2014, EHSI obtained a US$30.0 million non-recourse term loan (the “2014 PrivateBank Pennsylvania Loan”) from The PrivateBank and Trust Company (“The PrivateBank”). In October 2014, the proceeds of this loan, together with available cash, were used to settle the previously announced U.S. government investigations of US$39.0 million.

The 2014 PrivateBank Pennsylvania Loan is secured by first mortgages on five skilled nursing centers in the state of Pennsylvania. The 2014 PrivateBank Pennsylvania Loan has a five-year term maturing in September 2019, with monthly principal and interest payments based on a 25-year amortization period and one-month LIBOR plus 450 basis points. EHSI has the option to prepay the outstanding balance of the loan in whole or in part subject to a prepayment fee of 4% of the outstanding loan balance during the first year of the agreement, 3% during the second year, 2% during the third and fourth years, 1% during the first half of the fifth year, and 0% thereafter. The 2014 PrivateBank Pennsylvania Loan contains customary covenants and events of default, including maintaining minimum rent coverage and debt service coverage ratios on each of the five centers and a minimum fixed charge coverage ratio with respect to the five centers on a consolidated basis.

ONTARIO LONG-TERM CARE AND HOME HEALTH CARE FUNDING UPDATES

In September 2014, the Ontario government provided the annual funding enhancements to the long-term care sector, the majority of which was retroactive to April 1, 2014. The April 1, 2014, funding increases to the nursing and program flow-through envelopes were 2%. These enhancements, along with our CMI adjustments, are estimated to provide additional revenue to us of approximately $3.7 million to offset additional costs for resident care and services within the nursing and program flow-through envelopes. In addition, the Ontario government provided funding enhancements for the accommodation envelope to increase the daily rates for food costs by $0.07 (0.9%), and the non flow-through component of the accommodation envelope by $0.36 (0.7%). We estimate that this enhanced funding will increase our annual revenue by approximately $0.8 million.

As previously announced, the 2014 budget of the Ontario government included wage rate increases for personal support workers (PSWs) in the publicly funded home and community care sector of $4.00 per hour over three years to a minimum of $16.50 per hour. In September 2014, PSWs received an hourly wage increase of $1.50 retroactive to April 1, 2014, and will receive an additional $1.50 on April 1, 2015, with a further $1.00 increase on April 1, 2016. The government has provided increased funding for the base wage increase and an additional 16% to cover incremental benefit costs. However, we estimate that our incremental benefit costs are approximately 22%, representing a shortfall of approximately $0.09 per hour on the initial $1.50 per hour increase, or $0.24 per hour over three years on the full $4.00 per hour increase. Based upon our current PSW service volumes through ParaMed Home Health Care Services, we estimate that the shortfall in funding will reduce our earnings by approximately $0.4 million in the first year, growing to a total of $1.0 million per annum in year three. We, along with others in the industry applaud the government's recognition of the need to improve wages for PSWs in home care. However, we share concerns over the adequacy of funding for associated incremental costs, and are currently engaged with the government to communicate those concerns.

2014 THIRD QUARTER FINANCIAL REVIEW

TABLE 1	**Q3**	**Q3**	**Q2**
(millions of dollars unless otherwise noted)	**2014**	**2013**	**2014**
Revenue			
U.S. operations (US$)	**308.9**	309.0	310.8
U.S. operations (C$)	**336.4**	321.0	338.8
Canadian operations	**199.8**	187.6	192.8
Total Revenue	**536.2**	508.6	531.6
Adjusted EBITDA (1)			
U.S. operations (US$)	**20.4**	22.6	25.0
U.S. operations (C$)	**22.3**	23.6	27.2
Canadian operations	**20.2**	19.4	18.7
Total Adjusted EBITDA	**42.5**	43.0	45.9
Adjusted EBITDA margin	**7.9%**	8.5%	8.6%
Average U.S./Canadian dollar exchange rate	**1.0891**	1.0385	1.0904

(1) Refer to discussion of non-GAAP measures.

2014 Third Quarter Comparison to 2013 Third Quarter

Consolidated revenue improved by $12.1 million this quarter, excluding a $15.5 million positive effect of a weaker Canadian dollar. The impact of the following 2013 events: opening two new nursing centers in northern Ontario; discontinuing home health care operations in Alberta; classifying 11 U.S. skilled nursing centers in various states as held for sale; and closing a rehabilitation hospital in Michigan (collectively referred to as "non same-facility operations"), resulted in lower revenue of $0.4 million between periods. Revenue from our remaining operations (referred to as "same-facility operations") improved by $11.7 million, due primarily to improvements from our Canadian operations.

Revenue from U.S. operations declined by US$0.1 million to US$308.9 million in the 2014 third quarter compared to US$309.0 million in the 2013 third quarter. Non same-facility operations generated revenue of US$15.0 million this quarter compared to US$15.6 million in the 2013 third quarter, for a net decline of US$0.6 million. Revenue from same-facility operations increased by US$0.5 million between periods, primarily due to higher nursing ancillary revenue of US$1.5 million and a net increase in average rates of US$0.7 million, partially offset by unfavourable prior period revenue settlement adjustments of US$0.7 million, and lower census mix of US$0.4 million and other revenue of US$0.6 million.

Revenue from Canadian operations grew by $12.2 million to $199.8 million in the 2014 third quarter from $187.6 million in the 2013 third quarter. For purposes of discussing the variances in our results, the operations of all six of our Sault Ste. Marie and Timmins area nursing centers, consisting of two new nursing centers that opened in 2013, three that were closed and one that was downsized, are classified as "non same-facility". In addition, we no longer provide home health care services in Alberta, and therefore, these operations have also been classified as "non same-facility". The non same-facility operations generated revenue of $9.8 million this quarter compared to $8.7 million in the 2013 third quarter, for a net increase of $1.1 million. Revenue from same-facility operations improved by $11.1 million between periods, approximately $2.7 million of which was retroactive funding for the Ontario flow-through envelopes and home health care wage increases related to the 2014 second quarter. Revenue from same-facility nursing and assisted living center operations increased by $3.4 million, primarily due to funding enhancements (approximately $0.9 million related to the 2014 second quarter). Revenue from the Ontario home health care operations increased by $6.9 million, approximately $3.6 million of which was enhanced funding to support increased PSW wages (approximately half related to the 2014 second quarter), and the balance of the improvement was primarily due to an 8.6% increase in daily volumes. Other revenue improved by $0.8 million, primarily due to additional centers under management.

Consolidated Adjusted EBITDA declined by $0.5 million this quarter to $42.5 million from $43.0 million in the 2013 third quarter, representing 7.9% and 8.5% of revenue, respectively. Excluding a $1.0 million positive effect of a weaker Canadian dollar, Adjusted EBITDA declined by $1.5 million, of which $2.5 million was from same-facility operations, partially offset by an improvement from non same-facility operations. The U.S. operations contributed $2.6 million to the decline in same-facility Adjusted EBITDA, partially offset by a $0.1 million improvement from the Canadian operations.

Adjusted EBITDA from U.S. operations declined by US$2.2 million to US$20.4 million this quarter from US$22.6 million in the 2013 third quarter, representing 6.6% and 7.3% of revenue, respectively. Adjusted EBITDA from non same-facility operations improved by US$0.4 million between quarters (breakeven this quarter compared to a loss of US$0.4 million in the same 2013 period). Adjusted EBITDA from same-facility operations decreased by US$2.6 million as a result of cost increases of US$3.1 million in excess of revenue improvements of US$0.5 million. Operating, administrative and lease costs from same-facility operations, adjusted to exclude the impact of property taxes accounted for under IFRIC 21, increased by US$3.1 million, and included a US$3.7 million increase in labour costs and a US$0.1 million increase in self-insured liabilities expense.

Adjusted EBITDA from Canadian operations improved by $0.8 million to $20.2 million this quarter from $19.4 million in the 2013 third quarter, representing 10.1% and 10.3% of revenue, respectively. Adjusted EBITDA from non same-facility operations improved by $0.7 million between periods ($1.2 million this quarter compared to $0.5 million in the same 2013 period). Adjusted EBITDA from same-facility operations improved by $0.1 million due to revenue improvements of $11.1 million, partially offset by increased costs of $11.0 million, of which $9.2 million were labour-related costs. The improvement in same-facility Adjusted EBITDA resulted primarily from improvements in home health care volumes, partially offset by higher administrative costs, which included a $0.3 million increase for share appreciation rights.

2014 Third Quarter Comparison to 2014 Second Quarter

In comparison to the 2014 second quarter, consolidated revenue this quarter improved by $5.0 million, excluding a $0.4 million negative effect of a stronger Canadian dollar. Same-facility operations contributed $4.4 million to the improvement in revenue. This improvement was primarily due to funding enhancements, the timing of recognition of funding in our Canadian operations, the extra day this quarter, and growth in home health care volumes, partially offset by lower U.S. census mix.

Consolidated Adjusted EBITDA was $42.5 million this quarter compared to $45.9 million in the 2014 second quarter, representing 7.9% and 8.6% of revenue, respectively. Excluding a $0.1 million negative effect of a weaker Canadian dollar, Adjusted EBITDA declined by $3.3 million between periods, of which $3.4 million was from same-facility operations. Improvements of $1.4 million from the Canadian operations were offset by a $4.8 million decline from the U.S. operations, largely due to an increase in self-insured liabilities expense and a decline in census mix.

Adjusted EBITDA from U.S. operations declined by US$4.6 million to US$20.4 million this quarter from US$25.0 million in the 2014 second quarter, representing 6.6% and 8.0% of revenue, respectively. A decline of US$4.4 million was realized from same-facility operations as a result of lower revenue of US$1.9 million and higher costs of US$2.5 million. Revenue this quarter was impacted by a decline in census mix of US$2.7 million and unfavourable prior period revenue settlement adjustments of US$2.4 million, partially offset by the impact of an extra day this quarter of US$2.9 million, and higher average rates of US$0.4 million. Operating, administrative and lease costs from same-facility operations, adjusted to exclude the impact of property taxes accounted for under IFRIC 21, increased by US$2.5 million between quarters, primarily due to a US$3.4 million increase in self-insured liabilities expense and other net cost increases of US$0.7 million, partially offset by a reduction in labour-related costs of US$1.6 million that included a favourable prior period workers' compensation refund of US$2.5 million this quarter.

Adjusted EBITDA from Canadian operations improved by $1.5 million to $20.2 million this quarter from $18.7 million in the 2014 second quarter, representing 10.1% and 9.7% of revenue, respectively. Same-facility operations contributed $1.4 million to the improvement resulting from higher revenue of $6.4 million, partially offset by higher costs of $5.0 million. This was primarily due to funding enhancements, timing of spending under the flow-through envelopes (approximately $0.4 million), the extra day in the quarter, and growth in home health care volumes of 0.6%.

2014 NINE MONTH FINANCIAL REVIEW

TABLE 2	Nine months ended September 30	
(millions of dollars unless otherwise noted)	**2014**	**2013**
Revenue		
U.S. operations (US$)	**929.5**	927.4
U.S. operations (C$)	**1,017.0**	949.2
Canadian operations	**579.0**	555.9
Total Revenue	**1,596.0**	1,505.1
Adjusted EBITDA (1)		
U.S. operations (US$)	**70.6**	69.4
U.S. operations (C$)	**77.3**	71.1
Canadian operations	**53.8**	52.5
Total Adjusted EBITDA	**131.1**	123.6
Adjusted EBITDA margin	**8.2%**	8.2%
Average U.S./Canadian dollar exchange rate	**1.0942**	1.0235

(1) Refer to discussion of non-GAAP measures.

Consolidated revenue in the first nine months of 2014 improved by $25.2 million, excluding a $65.7 million positive effect of the weaker Canadian dollar. Non same-facility operations contributed a decline in revenue of $2.6 million between periods. Revenue from same-facility operations grew by $27.8 million, with an improvement from the Canadian operations of $23.6 million, and the balance from the U.S. operations.

Consolidated Adjusted EBITDA improved by $2.5 million, excluding a $5.0 million positive effect of the weaker Canadian dollar, and was 8.2% of revenue in both periods. Non same-facility operations contributed $1.5 million to the improvement between periods. Adjusted EBITDA from same-facility operations increased by $1.0 million, with an improvement of $0.6 million from the U.S. operations, and the balance from the Canadian operations.

Adjusted EBITDA from U.S. operations improved by US$1.2 million to US$70.6 million in the first nine months of 2014 from US$69.4 million in the same 2013 period, representing 7.6% and 7.5% of revenue, respectively. Adjusted EBITDA from non same-facility operations improved by US$0.6 million (a loss of US$0.3 million in the first nine months of 2014 compared to a loss of US$0.9 million in the same 2013 period). Adjusted EBITDA from same-facility operations improved by US$0.6 million as a result of higher revenue of US$4.2 million, partially offset by cost increases of US$3.6 million. The increase in revenue was primarily due to an increase in average rates of US$10.3 million, higher nursing ancillary revenue of US$4.4 million, and favourable prior period revenue settlement adjustments of US$0.6 million, partially offset by lower census of US$9.0 million and other revenue of US$2.1 million. Costs from same-facility operations increased by US$3.6 million, primarily due to an increase in labour-related costs of US$6.4 million, partially offset by a reduction in self-insured liabilities expense of US$1.1 million, and other net cost reductions of US$1.7 million.

Adjusted EBITDA from Canadian operations improved by $1.3 million to $53.8 million in the first nine months of 2014 from $52.5 million in the same 2013 period, representing 9.3% and 9.4% of revenue, respectively. Non same-facility operations contributed Adjusted EBITDA of $2.8 million this period compared to $1.9 million in the first nine months of 2013, for a net improvement of $0.9 million between periods. Same-facility operations improved by $0.4 million, resulting from higher revenue of

$23.6 million, partially offset by higher costs of $23.2 million. Revenue improvements resulted primarily from enhanced funding and an 8.0% increase in Ontario home health care volumes, while cost increases included higher labour-related costs of $20.4 million.

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

AFFO was $17.3 million ($0.196 per basic share) in the 2014 third quarter compared to $20.4 million ($0.235 per basic share) in the 2013 third quarter, representing a decrease of $3.3 million, excluding a $0.2 million positive effect of a weaker Canadian dollar. This decline was primarily due to a reduction in Adjusted EBITDA of $1.5 million, an increase in current income taxes of $1.3 million and increased facility maintenance capital expenditures of $1.1 million, partially offset by lower interest costs, and an increase in government capital funding payments. Current income taxes for the 2014 third quarter were $5.2 million compared to $3.7 million in the 2013 third quarter, representing 24.5% and 17.7% of pre-tax funds from operations (FFO), respectively.

In comparison to the 2014 second quarter AFFO of $15.5 million ($0.177 per basic share), AFFO this quarter increased by $1.8 million. This improvement was primarily due to a reduction in current income taxes of $5.8 million and lower interest costs of $0.3 million, partially offset by a decline in Adjusted EBITDA of $3.3 million, and increased facility maintenance capital expenditures of $1.0 million. Current income taxes declined this quarter to $5.2 million from $11.0 million in the 2014 second quarter primarily due to withholding tax of $6.1 million (US$5.5 million) on the payment of a cross-border dividend from our U.S. operations in the 2014 second quarter.

For the first nine months of 2014, AFFO was $54.3 million ($0.619 per basic share), compared to $60.7 million ($0.701 per basic share) in the same 2013 period, representing a decline of $8.1 million, excluding a $1.7 million positive effect of a weaker Canadian dollar. This decline was primarily due to an increase in current income taxes of $10.3 million, increased facility maintenance capital expenditures of $0.7 million and higher interest costs of $0.1 million, partially offset by an improvement in Adjusted EBITDA of $2.5 million, and an increase in government capital funding payments of $0.5 million. Current income taxes for the first nine months of 2014 were $19.4 million compared to $8.0 million in the same 2013 period, representing 29.3% and 13.4% of pre-tax FFO, respectively. The increase in current income taxes was primarily due to withholding tax on cross-border dividends of $6.1 million incurred this period compared to $0.5 million in the first nine months of 2013.

The effective tax rates on our FFO can be impacted by: adjustments to our estimates of annual deferred timing differences, particularly when dealing with cash-based tax items versus accounting accruals; changes in the proportion of earnings between taxable and non-taxable entities; book-to-file adjustments for prior year filings; cross-border dividends; and the ability to utilize loss carryforwards. The restructuring of our Canadian legal entities in mid-2012 enhanced our ability to utilize available non-capital loss carryforwards. Our Canadian non-capital loss carryforwards were substantially utilized by the end of the 2014 first quarter and we incurred withholding tax of $6.1 million on the payment of a cross-border dividend in the 2014 second quarter. As a result, we anticipate that our annual effective tax rate on FFO for 2014 will increase over the 2013 level, to between 23% and 26%.

Facility maintenance capital expenditures were $6.9 million in the 2014 third quarter, compared to $5.5 million in the 2013 third quarter and $5.9 million in the 2014 second quarter, representing 1.3%, 1.1% and 1.1% of revenue, respectively. For the first nine months of 2014, facility maintenance capital expenditures totalled $17.5 million compared to $16.0 million in the same 2013 period, representing 1.1% of revenue in both periods. These costs fluctuate on a quarterly basis with the timing of projects and seasonality. It is our intention to spend between 1.5% and 2.0% of revenue annually, which is consistent with our objective to maintain and upgrade our centers. In 2014, we are expecting to spend in the range of $30 million to $35 million in facility maintenance capital expenditures and approximately $5 million in growth capital expenditures.

Dividends declared in the first nine months of 2014 totalled $31.6 million, or $0.360 per share, representing approximately 58% of AFFO of $54.3 million, or $0.619 per basic share, compared to a payout ratio of approximately 68% in the same 2013 period, when the dividends declared totalled $0.480 per share.

U.S. OPERATIONS KEY METRICS

Skilled Nursing Facility Revenue Rates

On October 1, 2014, the Medicare net market basket increased 2.0%, which we estimate will provide us with additional Medicare Part A and Managed Care revenue of approximately US$7.0 million per annum.

For the 2014 third quarter, our average daily Medicare Part A rate, excluding prior period settlement adjustments, was US$473.95, representing an increase of 0.6% from US$471.20 in the 2013 third quarter, primarily due to the market basket increase on October 1, 2013, of 1.3%, partially offset by changes in acuity mix. In comparison to our average daily Medicare Part A rate of US$472.68 in the 2014 second quarter, our rate this quarter increased by 0.3%, primarily due to changes in acuity mix.

For the 2014 third quarter, our average daily Managed Care rate, excluding prior period settlement adjustments, was US$453.41, representing an increase of 1.0% from US$448.82 in the 2013 third quarter and an increase of 1.4% from US$447.10 in the 2014 second quarter, primarily due to changes in acuity mix.

Our average daily Medicaid rate, excluding prior period settlement adjustments, increased this quarter by 1.4% to US$202.48 from US$199.76 in the 2013 third quarter, and increased by 0.2% from US$202.15 in the 2014 second quarter.

Total and Skilled Census

Our same-facility ADC of 11,222 in the 2014 third quarter improved by 58 from the 2013 third quarter level of 11,164 due to higher Medicaid and Managed Care ADC of 133 and 27, respectively, partially offset by lower Medicare and private/other ADC of 79 and 23, respectively. In comparison to the 2014 second quarter, our same-facility ADC this quarter improved by seven, due to higher Medicaid ADC of 117 and slight increases in Managed Care and private/other, partially offset by lower Medicare ADC of 119. Our average same-facility occupancy was 85.3% this quarter compared to 82.8% in the 2013 third quarter. In comparison to the 2014 second quarter, our average percentage occupancy improved to 85.3% from 84.9%, primarily due to a removal of beds from service.

Our same-facility Skilled Mix ADC of 21.0% of our residents in the 2014 third quarter declined from 21.6% in the 2013 third quarter, and declined from 22.0% in the 2014 second quarter.

NOVEMBER 2014 DIVIDEND DECLARED

The Board of Directors of Extendicare today declared a cash dividend of $0.04 per share for the month of November 2014, which is payable on December 15, 2014, to shareholders of record at the close of business on November 28, 2014. This dividend is designated as an "eligible dividend" within the meaning of the Income Tax Act (Canada).

CONFERENCE CALL AND WEBCAST

On November 7, 2014, at 11:00 a.m. (ET), we will hold a conference call to discuss our 2014 third quarter results. The call will be webcast live and archived in the investors/presentations & webcasts section of our website at www.extendicare.com. Alternatively, the call-in number is 1-866-696-5910 or 416-340-2217, conference ID number 5060236#. A replay of the call will be available until midnight on November 21, 2014. To access the rebroadcast, dial 1-800-408-3053 or 905-694-9451, followed by the passcode 9562198#. Slides accompanying remarks during the call will be posted to our website as part of the live webcast. Also, a supplemental information package containing historical quarterly financial results and operating statistics can be found on the website under the investors/financial reports section.

ABOUT US

Extendicare is a leading North American provider of post-acute and long-term senior care services. Through our network of owned and operated health care centers, our qualified and experienced workforce of 35,900 individuals is dedicated to helping people live better through a commitment to quality service that includes skilled nursing care, rehabilitative therapies and home health care services. Our 259 senior care centers in North America have capacity to care for approximately 28,400 residents.

Retrospective Adoption of IFRIC 21, Levies

Upon the adoption of IFRIC 21, Levies, effective January 1, 2014, the Company has reassessed the timing of when to accrue property taxes imposed by specific legislation in the jurisdictions where it owns property. The Company previously accrued for Canadian and U.S. property taxes evenly throughout the year. In accordance with IFRIC 21, the Company has determined that the liability to pay the U.S. property taxes should be recognized in full at a single point in time when the obligating event occurs. The obligating event for the U.S. properties has been determined to be January 1, as stated in the legislation. The Company's recognition of property taxes for its Canadian properties remains unchanged. The Company has retrospectively applied this change in accounting policy to January 1, 2013, and has restated its comparative interim periods for 2013 to reflect the recognition of the full amount of the annual U.S. property tax expense in the first quarter.

Non-GAAP Measures

Extendicare assesses and measures operating results and financial position based on performance measures referred to as "Adjusted EBITDA", "earnings (loss) before separately reported items", "Funds from Operations", and "Adjusted Funds from Operations". 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. Reconciliations of these non-GAAP measures from net earnings and/or from net cash from operations, where applicable, are provided in this press release on the Non-GAAP Reconciliations page. Detailed descriptions of these terms 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.

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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Extendicare Inc.
Consolidated Statements of Earnings (Loss)

(in thousands of Canadian dollars)	Three months ended September 30		Nine months ended September 30	
	2014	**2013**	**2014**	**2013**
Revenue				
Nursing and assisted living centers				
United States	**322,989**	307,546	**975,911**	908,647
Canada	**146,957**	141,827	**431,612**	419,193
Home health − Canada	**49,590**	43,262	**138,014**	129,370
Health technology services − United States	**5,569**	5,601	**17,075**	16,854
Outpatient therapy − United States	**3,252**	3,396	**9,766**	10,070
Rent, management, consulting and other services	**7,861**	6,981	**23,705**	20,957
Total revenue	**536,218**	508,613	**1,596,083**	1,505,091
Operating expenses	**471,112**	444,170	**1,408,530**	1,326,991
Administrative costs	**17,126**	16,270	**50,712**	48,815
Lease costs	**2,782**	2,692	**8,505**	8,173
Total expenses	**491,020**	463,132	**1,467,747**	1,383,979
Earnings before depreciation, amortization, loss from asset impairment, disposals and other items	**45,198**	45,481	**128,336**	121,112
Depreciation and amortization	**18,451**	19,530	**55,542**	57,980
Provision for U.S. government investigations	**-**	-	**42,240**	-
Loss from asset impairment, disposals and other items	**12,947**	578	**16,067**	1,306
Earnings before net finance costs and income taxes	**13,800**	25,373	**14,487**	61,826
Finance costs				
Interest expense	**15,965**	16,016	**48,578**	47,462
Interest income	**(1,023)**	(809)	**(3,173)**	(3,269)
Accretion costs	**956**	850	**2,871**	2,517
Fair value adjustments	**-**	(342)	**(296)**	(2,996)
Loss on foreign exchange and financial instruments	**-**	-	**-**	518
Net finance costs	**15,898**	15,715	**47,980**	44,232
Earnings (loss) before income taxes	**(2,098)**	9,658	**(33,493)**	17,594
Income tax expense (recovery)				
Current	**7,865**	4,771	**5,796**	6,897
Deferred	**(3,952)**	(721)	**(11,328)**	(855)
	3,913	4,050	**(5,532)**	6,042
Net earnings (loss)	**(6,011)**	5,608	**(27,961)**	11,552

Certain items have been restated for the adoption of the new standard, IFRIC 21 "Levies".

Extendicare Inc.
Consolidated Statements of Financial Position

(in thousands of Canadian dollars, unless otherwise noted)	**September 30 2014**	**December 31 2013**
Assets		
Current assets		
Cash and short-term investments	**127,459**	95,999
Restricted cash	**11,585**	18,668
Accounts receivable, less allowance	**209,634**	210,795
Income taxes recoverable	**16,688**	9,395
Other current assets	**64,203**	61,893
Total current assets	**429,569**	396,750
Non-current assets		
Property and equipment, *including construction-in-progress of $6,274 and $6,514, respectively*	**1,153,654**	1,152,007
Goodwill and other intangible assets	**75,328**	79,229
Other assets	**219,459**	213,571
Deferred tax assets	**6,977**	7,531
Total non-current assets	**1,455,418**	1,452,338
Total Assets	**1,884,987**	1,849,088
Liabilities and Equity		
Current liabilities		
Accounts payable	**26,971**	31,031
Accrued liabilities	**247,207**	215,521
Accrual for self-insured liabilities	**29,956**	28,052
Current portion of long-term debt	**32,220**	148,051
Income taxes payable	**16,186**	10,111
Total current liabilities	**352,540**	432,766
Non-current liabilities		
Provisions	**31,030**	28,801
Accrual for self-insured liabilities	**95,293**	87,257
Long-term debt	**1,167,515**	1,016,785
Other long-term liabilities	**48,866**	46,147
Deferred tax liabilities	**196,925**	199,953
Total non-current liabilities	**1,539,629**	1,378,943
Total liabilities	**1,892,169**	1,811,709
Shareholders' equity (deficiency)	**(7,182)**	37,379
Total Liabilities and Equity	**1,884,987**	1,849,088
Closing U.S./Cdn. dollar exchange rate	**1.1200**	1.0636

Certain items have been restated for the adoption of the new standard, IFRIC 21 “Levies”.

Extendicare Inc.

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Three months ended September 30		Nine months ended September 30	
	2014	**2013**	**2014**	**2013**
Operating Activities				
Net earnings (loss)	**(6,011)**	5,608	**(27,961)**	11,552
Adjustments for:				
Depreciation and amortization	**18,451**	19,530	**55,542**	57,980
Provision for self-insured liabilities	**15,368**	14,467	**34,491**	33,352
Payments for self-insured liabilities	**(14,791)**	(12,848)	**(31,853)**	(37,113)
Deferred taxes	**(3,952)**	(721)	**(11,328)**	(855)
Current taxes	**7,865**	4,771	**5,796**	6,897
Loss from asset impairment, disposals and other items	**12,947**	578	**16,067**	1,306
Net finance costs	**15,898**	15,715	**47,980**	44,232
Interest capitalized	**-**	(351)	**-**	(1,173)
Other	**-**	(3)	**-**	(333)
	45,775	46,746	**88,734**	115,845
Net change in operating assets and liabilities				
Accounts receivable	**(7,540)**	5,266	**14,914**	28,178
Other current assets	**2,138**	4,592	**(2,046)**	1,636
Provision for U.S. government investigations	**-**	-	**42,240**	-
Accounts payable and accrued liabilities	**(12,576)**	(10,605)	**(23,579)**	(21,869)
	27,797	45,999	**120,263**	123,790
Interest paid	**(17,458)**	(15,601)	**(47,884)**	(44,754)
Interest received	**1,024**	802	**3,158**	3,270
Income taxes paid	**(128)**	(3,600)	**(6,823)**	(8,814)
Net cash from operating activities	**11,235**	27,600	**68,714**	73,492
Investing Activities				
Purchase of property, equipment and software	**(7,549)**	(8,862)	**(20,058)**	(42,960)
Net proceeds from dispositions	**1,912**	1,164	**1,912**	1,164
Decrease (increase) in investments held for self-insured liabilities	**5,437**	6,524	**(5,338)**	11,507
Other assets	**721**	265	**5,355**	(141)
Net cash from investing activities	**521**	(909)	**(18,129)**	(30,430)
Financing Activities				
Issue of long-term debt, excluding line of credit	**32,894**	31,229	**142,574**	87,474
Repayment of long-term debt, excluding line of credit	**(8,455)**	(22,426)	**(138,495)**	(72,404)
Repayment on line of credit	**-**	(5,118)	**(2,303)**	(5,118)
Decrease in restricted cash	**3,834**	12,886	**7,083**	16,863
Dividends paid	**(8,913)**	(9,180)	**(26,651)**	(36,653)
Financing costs	**(1,529)**	(128)	**(4,701)**	(1,949)
Other	**-**	(26)	**-**	40
Net cash from financing activities	**17,831**	7,237	**(22,493)**	(11,747)
Increase in cash and cash equivalents	**29,587**	33,928	**28,092**	31,315
Cash and cash equivalents at beginning of period	**94,289**	70,943	**95,999**	71,398
Foreign exchange gain (loss) on cash held in foreign currency	**3,583**	(739)	**3,368**	1,419
Cash and cash equivalents at end of period	**127,459**	104,132	**127,459**	104,132

Certain items have been restated for the adoption of the new standard, IFRIC 21 "Levies".

Extendicare Inc.
Financial and Operating Statistics

(amounts in Canadian dollars, unless otherwise noted)	**Three months ended September 30**		**Nine months ended September 30**	
	2014	**2013**	**2014**	**2013**
U.S. Skilled Nursing Center Statistics				
Percent of Revenue by Payor Source (same-facility basis, excluding prior period settlement adjustments)				
Medicare (Parts A and B)	**27.8** %	29.0 %	**29.2** %	30.3 %
Managed Care	**11.2**	10.8	**11.3**	10.8
Skilled mix	**39.0**	39.8	**40.5**	41.1
Private/other	**9.6**	9.5	**9.3**	9.3
Quality mix	**48.6**	49.3	**49.8**	50.4
Medicaid	**51.4**	50.7	**50.2**	49.6
	100.0	100.0	**100.0**	100.0
Average Daily Census by Payor Source (same-facility basis)				
Medicare	**1,607**	1,686	**1,713**	1,815
Managed Care	**749**	722	**772**	745
Skilled mix	**2,356**	2,408	**2,485**	2,560
Private/other	**1,173**	1,196	**1,166**	1,179
Quality mix	**3,529**	3,604	**3,651**	3,739
Medicaid	**7,693**	7,560	**7,615**	7,581
	11,222	11,164	**11,266**	11,320
Average Revenue per Resident Day by Payor Source (excluding prior period settlement adjustments) *(US$)*				
Medicare Part A only	**$473.95**	$471.20	**$472.16**	$470.66
Medicare (Parts A and B)	**527.78**	517.06	**526.69**	512.74
Managed Care	**453.41**	448.82	**448.88**	442.69
Private/other	**246.83**	241.26	**245.51**	243.49
Medicaid	**202.48**	199.76	**201.84**	198.48
Weighted average	**269.27**	267.29	**271.60**	268.75
Average Occupancy (excluding managed centers) (same-facility basis)				
U.S. skilled nursing centers	**85.3** %	82.8 %	**85.0** %	83.9 %
U.S. assisted living centers	**73.9**	78.6	**74.1**	78.7
Canadian centers	**98.1**	98.0	**97.8**	97.7
Average U.S./Cdn. dollar exchange rate	***1.0891***	*1.0385*	***1.0942***	*1.0235*

Extendicare Inc.
Supplemental Information – FFO and AFFO

The following table provides a reconciliation of Adjusted EBITDA to Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO) for the periods ended September 30, 2014 and 2013.[(1)]

(in thousands of Canadian dollars unless otherwise noted)	Three months ended September 30		Nine months ended September 30	
	2014	**2013**	**2014**	**2013**
Adjusted EBITDA from continuing operations	**42,452**	42,992	**131,070**	123,590
Depreciation for furniture, fixtures, equipment and computers	**(5,467)**	(5,510)	**(16,525)**	(16,611)
Accretion costs	**(956)**	(850)	**(2,871)**	(2,517)
Interest expense, net	**(14,942)**	(15,207)	**(45,405)**	(44,193)
	21,087	21,425	**66,269**	60,269
Current income tax expense (recovery) [(2)]	**(5,170)**	(3,786)	**(19,392)**	(8,048)
FFO	**15,917**	17,639	**46,877**	52,221
Amortization of financing costs	**1,745**	1,894	**5,388**	5,406
Principal portion of government capital funding payments	**1,008**	869	**3,027**	2,449
Additional maintenance capital expenditures [(3)]	**(1,398)**	(22)	**(1,017)**	627
AFFO	**17,272**	20,380	**54,275**	60,703
Per Basic Share ($)				
FFO	**0.181**	0.203	**0.535**	0.603
AFFO	**0.196**	0.235	**0.619**	0.701
Per Diluted Share ($)				
FFO	**0.179**	0.197	**0.533**	0.588
AFFO	**0.185**	0.217	**0.595**	0.660
Distributions declared	**10,547**	10,435	**31,558**	41,561
Distributions declared per share ($)	**0.1200**	0.1200	**0.3600**	0.4800
Basic weighted average number of shares *(thousands)*	**87,854**	86,922	**87,624**	86,603
Diluted weighted average number of shares *(thousands)*	**99,099**	103,892	**102,035**	103,573

(1) "Adjusted EBITDA", "funds from operations" and "adjusted funds from operations" are not recognized measures under GAAP and do not have a standardized meaning prescribed by GAAP. Refer to the discussion of non-GAAP measures.

(2) Excludes current tax with respect to the property taxes accounted for under IFRIC 21, provision for U.S. government investigations, loss (gain) from derivative financial instruments, foreign exchange, asset impairment, disposals and other items that are excluded from the computation of AFFO.

(3) Represents total facility maintenance capital expenditures less depreciation for furniture, fixtures, equipment and computers already deducted in determining FFO.

(in thousands of Canadian dollars unless otherwise noted)	Three months ended September 30		Nine months ended September 30	
	2014	**2013**	**2014**	**2013**
Purchase of Property, Equipment and Software				
Growth expenditures	**684**	3,681	**2,516**	28,149
Facility maintenance	**6,865**	5,532	**17,542**	15,984
Deduct: capitalized interest	**-**	(351)	**-**	(1,173)
	7,549	8,862	**20,058**	42,960
Segmented Adjusted Funds from Operations				
United States *(US$)*	**6,549**	8,678	**24,410**	30,098
United States *(C$)*	**7,121**	9,045	**26,709**	30,806
Canada	**10,151**	11,335	**27,566**	29,897
	17,272	20,380	**54,275**	60,703

Extendicare Inc.
Non-GAAP Reconciliations

(in thousands of Canadian dollars unless otherwise noted)	**Three months ended September 30**		**Nine months ended September 30**	
	2014	**2013**	**2014**	**2013**
Reconciliation of Cash Provided by Operating Activities to AFFO:				
Net cash from operating activities	**11,235**	27,600	**68,714**	73,492
Add (Deduct):				
Net change in operating assets and liabilities, including interest and taxes	**12,522**	563	**(28,664)**	(4,675)
Current income taxes on items excluded from AFFO (1)	**2,695**	985	**(13,596)**	(1,151)
Net provisions and payments for self-insured liabilities	**(577)**	(1,619)	**(2,638)**	3,761
Depreciation for furniture, fixtures, equipment and computers	**(5,467)**	(5,510)	**(16,525)**	(16,611)
Principal portion of government capital funding payments	**1,008**	869	**3,027**	2,449
Additional maintenance capital expenditures	**(1,398)**	(22)	**(1,017)**	627
Provision for U.S. government investigations	**-**	-	**42,240**	-
Property taxes accounted for under IFRIC 21	**(2,746)**	(2,489)	**2,734**	2,478
Other	**-**	3	**-**	333
AFFO (2)	**17,272**	20,380	**54,275**	60,703
Reconciliation of Earnings (Loss) before Income Taxes to Adjusted EBITDA:				
Earnings (loss) before income taxes	**(2,098)**	9,658	**(33,493)**	17,594
Add (Deduct):				
Property taxes accounted for under IFRIC 21	**(2,746)**	(2,489)	**2,734**	2,478
Depreciation and amortization	**18,451**	19,530	**55,542**	57,980
Net finance costs	**15,898**	15,715	**47,980**	44,232
Loss from asset impairment, disposals and other items	**12,947**	578	**16,067**	1,306
Provision for U.S. government investigations	**-**	-	**42,240**	-
Adjusted EBITDA (2)	**42,452**	42,992	**131,070**	123,590
Reconciliation of Net Earnings (Loss) to Earnings before Separately Reported Items:				
Net earnings (loss)	**(6,011)**	5,608	**(27,961)**	11,552
Add (deduct):				
Fair value adjustment on convertible debentures, net of tax	**-**	(342)	**(296)**	(2,996)
Loss on foreign exchange and financial instruments, net of tax	**-**	-	**-**	518
Loss from asset impairment, disposals and other items, net of tax	**10,196**	1,155	**12,437**	1,655
Provision for U.S. government investigations, net of tax	**777**	-	**29,723**	-
Earnings before separately reported items (2)	**4,962**	6,421	**13,903**	10,729

(1) Represents current income tax with respect to the property taxes accounted for under IFRIC 21, provision for U.S. government investigations, gains or losses from derivative financial instruments, foreign exchange, asset impairment, disposals and other items that are excluded from the computation of AFFO.

(2) Refer to discussion of non-GAAP measures.