

Extendicare Announces Final Settlement with U.S. Government

MARKHAM, ONTARIO – Extendicare Inc. (“Extendicare” or the “Company”) (TSX: EXE) today announced that its wholly owned U.S. subsidiary, Extendicare Health Services, Inc. (EHSI), has completed and executed a settlement agreement with the U.S. Department of Justice (DOJ), the Office of the Inspector General (OIG) of the U.S. Department of Health and Human Services and multiple states, which fully and finally resolves the previously disclosed DOJ and OIG investigations and ancillary claims that have been pending since 2010.

Pursuant to the terms of the settlement, EHSI will make a lump-sum payment to the government of US\$38 million in October 2014. EHSI has denied engaging in any illegal conduct and has agreed to the terms of the final settlement without any admission of wrongdoing.

As is standard practice in settlements of DOJ and OIG investigations, EHSI has entered into a corporate integrity agreement with the OIG (the “CIA”) for a five-year period effective October 3, 2014. During its term, the CIA will require EHSI to continue to maintain a compliance program at all of its U.S. skilled nursing centers and related rehabilitation operations designed to ensure compliance of the Company’s U.S. operations with U.S. federal and state health care program requirements.

“We are pleased to finally put this matter behind us and look forward to continuing our efforts to deliver quality care and services to our patients and residents,” said Tim Lukenda, President and CEO of Extendicare. “We have already invested substantial resources to enhance our existing compliance program over the past several years. EHSI is a leader in the for-profit sector in registered nurse staffing levels and has made significant improvements in direct care staffing levels year over year as reported by Long Term Care Trend Tracker. Our quality initiatives are further validated by the 80% of EHSI centers that have achieved an AHCA/NCAL National Quality Award. In addition, the number of EHSI centers with an overall four or five-star quality rating, as measured by the Centers for Medicare and Medicaid Services, has improved by almost 300% since the program’s inception in 2008. As a result, we are very proud of the quality of the care and services that we provide, and we believe that we are well positioned to comply with the additional compliance related requirements of the CIA,” added Lukenda.

Extendicare does not expect the settlement to have a material adverse effect on the Company’s business or long-term consolidated financial position; however, the settlement and related payment will have an impact on the Company’s results of operations for fiscal 2014. The lump-sum payment was fully accrued for in Extendicare’s results for the second quarter of 2014. It is anticipated that EHSI will incur ongoing costs associated with the enhanced compliance obligations of the CIA of between US\$1.5 million and US\$3.5 million per annum during the five-year term of the agreement. The Company’s participation in U.S. federal and state health care programs will not be adversely affected by the settlement or the CIA.

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 36,000 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 251 senior care centers in North America have capacity to care for approximately 27,600 residents.

Forward-looking Statements

Information provided by Extendicare from time to time, including this release, contains or may contain forward-looking statements concerning anticipated financial events, results, circumstances, economic performance or expectations with respect to Extendicare and its subsidiaries, including, without limitation, statements regarding its business operations, business strategy, and financial condition. Forward-looking statements can be identified because they generally contain the words “expect”, “intend”, “anticipate”, “believe”, “estimate”, “project”, “plan” or “objective” or other similar expressions or the negative thereof. Forward-looking statements reflect management’s beliefs and assumptions and are based on information currently available, and Extendicare assumes no obligation to update or revise any forward-looking statement, except as required by applicable securities laws. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of Extendicare to differ materially from those expressed or implied in the statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on Extendicare’s forward-looking statements. Further information can be found in the disclosure documents filed by Extendicare with the securities regulatory authorities, available at www.sedar.com and on Extendicare’s website at www.extendicare.com.

For further information, contact:

Dylan Mann

Senior Vice President and Chief Financial Officer

Phone: (414) 908-8623; Fax: (905) 470-4003

Email: dmann@extendicare.com

Visit Extendicare’s Website at www.extendicare.com