EXTENDICARE

NEWS RELEASE

3000 Steeles Avenue East, Markham, Ontario L3R 9W2
Tel: (905) 470-4000 Fax: (905) 470-5588

FOR IMMEDIATE RELEASE
February 26, 2014

Extendicare Announces 2013 Fourth Quarter and Year-end Results

MARKHAM, ONTARIO – Extendicare Inc. ("Extendicare" or the "Company") (TSX: EXE) today reported results for the fourth quarter and year ended December 31, 2013. Results are presented in Canadian dollars unless otherwise noted.

HIGHLIGHTS (variances exclude effect of foreign exchange)

Q4 Financial Results

- Revenue of $519.3 million in Q4 2013 included a $6.7 million increase in same-facility operations over Q4 2012.
- In the United States, our average daily Medicare Part A rate in Q4 2013 decreased by 0.3% over Q4 2012, and by 0.5% over Q3 2013. Average daily Managed Care rate in Q4 2013 increased by 1.3% over Q4 2013 and declined by 0.8% over Q3 2013.
- In Canada, the average daily revenue rate for our senior care centers increased by 5.6% to $201.82 from $191.15 in Q4 2012, and home health care volumes improved by 8.1%.
- Adjusted EBITDA of $32.1 million in Q4 2013, declined by $21.8 million over Q4 2012, and by $11.2 million over Q3 2013.
- Adjusted EBITDA included an increase in the provision for self-insured liabilities of $14.3 million over Q4 2012 and $6.3 million over Q3 2013.
- Adjusted EBITDA margin of 6.2% in Q4 2013, down from 10.7% in Q4 2012 and from 8.5% in Q3 2013.
- AFFO was $10.4 million ($0.119 per basic share) in Q4 2013 compared to $26.8 million ($0.312 per basic share) in Q4 2012 and $20.4 million ($0.235 per basic share) in Q3 2013.

2013 Financial Results

- Revenue of $2,024.4 million included a $19.6 million increase in same-facility operations over 2012.
- In the United States, our average daily revenue rates for Medicare Part A and Managed Care in 2013 increased by 1.9% and 2.5%, respectively, over 2012.
- In Canada, the average daily revenue rate for our senior care centers increased by 3.8% to $194.33 from $187.24 in 2012, and home health care volumes improved by 5.2%.
- Adjusted EBITDA of $155.7 million in 2013 declined by $30.0 million, due to an increase in provision for self-insured liabilities and lower U.S. census levels.
- EBITDA margin of 7.7% in 2013 compared to 9.0% in 2012.
- AFFO was $71.1 million ($0.820 per basic share) in 2013 compared to $84.6 million ($0.994 per basic share) in 2012.
- Distributions in 2013 totalled $52.0 million, representing approximately 73% of AFFO for the same period. Since May 2013, the Company has been paying a monthly dividend of $0.04 per share, or $0.48 per share per annum.

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"), has been undertaking a review of strategic alternatives relating to a separation of the Company's Canadian and U.S. businesses that would be in the best interests of the Company and would reasonably be expected to enhance shareholder value. With the assistance of CitiGroup Global Markets Inc., as a financial advisor, the Company has studied various alternatives extensively and analyzed relevant considerations, including valuation, taxation, curtailment of future liability costs, and strategic implications of each option.

Extendicare confirms that the Strategic Committee continues its work on this initiative and that the Company is currently negotiating with one party towards a transaction that may involve the lease and/or sale of some or all of our U.S. assets or business. There is no certainty that a transaction will be completed in the near term, if at all. Material details will be disclosed to the public when available.

PROVISION FOR SELF-INSURED LIABILITIES

The results of our independent actuarial review completed at year end necessitated the continued strengthening of our reserves this quarter. For 2013, we recorded a provision for self-insured liabilities of US$52.9 million (US$9.4 million, US$9.2 million, US$14.0 million and US$20.3 million in each quarter, respectively). Approximately US$22.2 million of the US$52.9 million provision recorded in 2013 related to our former Kentucky operations, as we continue to process the settlement of those claims. Of the balance of the provision of US$30.7 million, approximately US$5.7 million related to the strengthening of prior years' reserves in other states, and US$25.0 million related to potential claims for the current 2013 period.

MEDICARE UPDATES

At the end of 2013, Medicare's SGR (sustainable growth rate) was extended through March 31, 2014, to prevent schedule cuts to physician reimbursement and out-patient therapy rates, known in the industry as the "Doc Fix". The U.S. Congress is currently weighing alternatives beyond March, and is expected to implement either a nine-month fix or a more permanent solution to this annual discussion.

On February 11, 2014, the U.S. Congress passed legislation raising the debt ceiling limit allowing the U.S. government to continue to pay its bills, with no further increases needed, until March of 2015.

2013 FOURTH QUARTER FINANCIAL REVIEW

TABLE 1	**Q4**	**Q4**	**Q3**
(millions of dollars unless otherwise noted)	**2013**	**2012**	**2013**
Revenue			
U.S. operations (US$)	**307.2**	313.6	309.0
U.S. operations (C$)	**322.3**	310.8	321.0
Canadian operations	**197.0**	186.2	187.6
Total Revenue	**519.3**	497.0	508.6
Adjusted EBITDA (1)			
U.S. operations (US$)	**12.0**	33.9	22.6
U.S. operations (C$)	**12.7**	33.7	23.6
Canadian operations	**19.4**	19.2	19.4
Total Adjusted EBITDA	**32.1**	52.9	43.0
Adjusted EBITDA margin	**6.2%**	10.7%	8.5%
Average U.S./Canadian dollar exchange rate	**1.0489**	0.9916	1.0385

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

2013 Fourth Quarter Comparison to 2012 Fourth Quarter

Consolidated revenue from continuing operations improved by $4.6 million this quarter, excluding a $17.7 million positive effect of a weaker Canadian dollar. The impact of: leasing out our Kentucky centers in the latter half of 2012; 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 $2.1 million between periods. Revenue from our remaining operations (referred to as "same-facility operations") improved by $6.7 million, due to an improvement from our Canadian operations, partially offset by lower revenue from our U.S. operations.

Revenue from U.S. operations declined by US$6.4 million to US$307.2 million in the 2013 fourth quarter compared to US$313.6 million in the 2012 fourth quarter. Non same-facility operations generated revenue of US$18.1 million this quarter compared to US$19.8 million in the 2012 fourth quarter, for a net decline of US$1.7 million. Revenue from same-facility operations declined by US$4.7 million between periods, primarily due to the impact of lower census levels of US$7.4 million and a decrease in prior period revenue of US$3.0 million (a charge of US$0.7 million this quarter compared to a receipt of US$2.3 million in the 2012 fourth quarter), partially offset by a net increase in average rates of US$5.6 million and higher other revenue of US$0.1 million.

Revenue from Canadian operations grew by $10.8 million to $197.0 million in the 2013 fourth quarter from $186.2 million in the 2012 fourth 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 $9.4 million this quarter compared to $10.1 million in the 2012 fourth quarter, for a net decrease of $0.7 million. Revenue from same-facility operations improved by $11.5 million between periods, primarily due to funding enhancements, the timing of recognition of revenue under the Ontario envelope system, a favourable prior period revenue settlement adjustment of $1.2 million, and higher volumes from our Ontario home health care operations of 8.1%.

Consolidated Adjusted EBITDA from continuing operations was $32.1 million this quarter compared to $52.9 million in the 2012 fourth quarter, representing 6.2% and 10.7% of revenue, respectively. Excluding a $1.0 million positive effect of a weaker Canadian dollar, Adjusted EBITDA declined by $21.8 million, of which $21.7 million was from same-facility operations. The U.S. operations contributed $22.2 million, or US$22.2 million, to this decline and was partially offset by a $0.5 million improvement from the Canadian operations.

Adjusted EBITDA from U.S. operations declined by US$21.9 million to US$12.0 million this quarter from US$33.9 million in the 2012 fourth quarter, representing 3.9% and 10.8% of revenue, respectively. Adjusted EBITDA from non same-facility operations increased by US$0.2 million (US$2.7 million contribution this quarter compared to US$2.5 million in the same 2012 period). Adjusted EBITDA from same-facility operations decreased by US$22.1 million as a result of higher costs of US$17.4 million and lower revenue of US$4.7 million. Operating, administrative and lease costs from same-facility operations increased by US$17.4 million, primarily due to a US$14.3 million increase in the provision for self-insured liabilities, a US$4.8 million increase in labour costs primarily due to a change in vacation policy that favourably impacted the 2012 fourth quarter, and other cost increases of US$0.3 million, partially offset by a refund of prior period charges of US$2.0 million recorded in the 2013 fourth quarter.

Adjusted EBITDA from Canadian operations was $19.4 million this quarter compared to $19.2 million in the 2012 fourth quarter, representing 9.9% and 10.3% of revenue, respectively. Adjusted EBITDA from non same-facility operations declined by $0.3 million ($0.8 million contribution this quarter compared to $1.1 million in the same 2012 period). Adjusted EBITDA from same-facility operations improved by $0.5 million as a result of revenue improvements of $11.5 million, partially offset by cost increases of $11.0 million.

2013 Fourth Quarter Comparison to 2013 Third Quarter

In comparison to the 2013 third quarter, consolidated revenue from continuing operations this quarter improved by $7.5 million, excluding a $3.2 million positive effect of a weaker Canadian dollar. Revenue from the Canadian operations increased by $9.4 million due to timing of recognition under the Ontario nursing center envelope system and increased home health care volumes. Revenue from the U.S. operations declined primarily due to lower prior period settlement adjustments.

Consolidated Adjusted EBITDA from continuing operations was $32.1 million this quarter compared to $43.0 million in the 2013 third quarter, representing 6.2% and 8.5% of revenue, respectively. Excluding a $0.3 million positive effect of a weaker Canadian dollar, Adjusted EBITDA declined by $11.2 million between periods.

Adjusted EBITDA from U.S. operations declined by US$10.6 million to US$12.0 million this quarter from US$22.6 million in the 2013 third quarter, and represented 3.9% and 7.3% of revenue, respectively. Same-facility operations contributed US$9.9 million to the decline resulting from cost increases of US$9.4 million and lower revenue of US$0.5 million between quarters. Revenue was impacted by a decrease in prior period settlement adjustments of US$3.1 million, partially offset by improvements in overall census and average rates. Operating, administrative and lease costs increased by US$9.4 million between quarters, which included a higher provision for self-insured liabilities of US$6.3 million and increased labour-related costs of US$3.8 million.

Adjusted EBITDA from Canadian operations was unchanged at $19.4 million this quarter compared to the 2013 third quarter, representing 9.9% and 10.3% of revenue, respectively. Revenue improvements of $9.4 million were offset by cost increases, primarily due to the timing of spending under the Ontario nursing center envelope system, a seasonal increase in utility costs, and higher administrative costs between quarters.

2013 FINANCIAL REVIEW

TABLE 2	**Year ended December 31**	
(millions of dollars unless otherwise noted)	**2013**	**2012**
Revenue		
U.S. operations (US$)	**1,234.6**	1,309.0
U.S. operations (C$)	**1,271.5**	1,308.5
Canadian operations	**752.9**	728.9
Total Revenue	**2,024.4**	2,037.4
Adjusted EBITDA [(1)]		
U.S. operations (US$)	**81.4**	111.1
U.S. operations (C$)	**83.8**	111.0
Canadian operations	**71.9**	72.2
Total Adjusted EBITDA	**155.7**	183.2
Adjusted EBITDA margin	**7.7%**	9.0%
Average U.S./Canadian dollar exchange rate	**1.0299**	0.9996

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

Consolidated revenue from continuing operations for the year ended December 31, 2013, declined by $50.4 million, excluding a $37.4 million positive effect of the weaker Canadian dollar. Non same-facility operations contributed $70.0 million to the decline in revenue between periods, largely due to the ceasing of operations in Kentucky. Revenue from same-facility operations grew by $19.6 million, with an improvement from the Canadian operations of $25.1 million partially offset by lower revenue from the U.S. operations primarily due to lower census levels.

Consolidated Adjusted EBITDA from continuing operations declined by $30.0 million, excluding a $2.5 million positive effect of the weaker Canadian dollar, and was 7.7% and 9.0% of revenue, respectively. Non same-facility operations contributed $5.3 million to the decline between periods. Adjusted EBITDA from same-facility operations decreased by $24.7 million, as a result of a $26.1 million decline from the U.S. operations, partially offset by a $1.4 million improvement from the Canadian operations, as discussed below.

Adjusted EBITDA from U.S. operations declined by US$29.7 million to US$81.4 million in 2013 from US$111.1 million in 2012, representing 6.6% and 8.5% of revenue, respectively. Adjusted EBITDA from non same-facility operations declined by US$3.7 million between years (US$13.1 million in 2013 compared to US$16.8 million in 2012). Adjusted EBITDA from same-facility operations declined by US$26.0 million as a result of lower revenue of US$5.4 million and higher costs of US$20.6 million. The decline in revenue was due to lower census of US$29.5 million, a decrease in prior period revenue settlement adjustments of US$3.0 million, one less day this year of US$2.8 million, and other items of US$6.0 million, partially offset by higher average funding rates of US$35.9 million. Costs from same-facility operations increased by US$20.6 million, primarily due to an increase in the provision for self-insured liabilities of US$18.4 million, a premium refund of US$3.5 million received in the 2012 first quarter, and other net cost increases of US$1.8 million, partially offset by a refund of prior period charges of US$2.0 million, and lower labour-related costs of US$1.1 million, which included favourable workers' compensation adjustments of US$2.7 million.

Adjusted EBITDA from Canadian operations was $71.9 million in 2013 compared to $72.2 million in 2012, representing 9.6% and 9.9% of revenue, respectively. Non same-facility operations contributed Adjusted EBITDA of $2.7 million this period compared to $4.4 million in 2012, for a net decline of $1.7 million between years, of which $0.9 million was from the discontinuance of home health care in Alberta and the balance related to the new centers in northern Ontario. Improvements from same-facility operations of $1.4 million resulted from higher revenue of $25.1 million, partially offset by higher costs of $23.7 million. Revenue improvements resulted from enhanced funding and a 5.2% increase in Ontario home health care volumes, while cost increases included higher labour-related costs of $18.6 million.

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

AFFO was $10.4 million ($0.119 per basic share) in the 2013 fourth quarter compared to $26.8 million ($0.312 per basic share) in the 2012 fourth quarter, representing a decrease of $16.8 million, excluding a $0.4 million positive effect of a weaker Canadian dollar. This decline was primarily due to a decrease in Adjusted EBITDA of $21.8 million, partially offset by the timing of facility maintenance capital expenditures, which were lower by $3.0 million, reduced net interest costs and lower current income taxes. Net interest costs were lower by $1.0 million as a result of our debt refinancing. Current income taxes for the 2013 fourth quarter were a recovery of $3.3 million compared to a recovery of $2.4 million in the 2012 fourth quarter. The 2013 and 2012 fourth quarters were favourably impacted by book-to-file tax adjustments of approximately $3.6 million and $4.0 million, respectively, primarily related to our U.S. operations. Excluding these book-to-file adjustments, current income taxes represented 2.3% and 5.2% of pre-tax funds from operations (FFO), respectively.

In comparison to AFFO in the 2013 third quarter of $20.4 million ($0.235 per basic share), AFFO this quarter decreased by $10.2 million, excluding a $0.2 million positive effect of a weaker Canadian dollar. This decline was primarily due to a decrease in Adjusted EBITDA of $11.2 million and increased facility maintenance capital spending of $6.7 million, partially offset by lower current income taxes due to the favourable book-to-file adjustments in the 2013 fourth quarter.

For the year ended December 31, 2013, AFFO was $71.1 million ($0.820 per basic share), compared to $84.6 million ($0.994 per basic share) in 2012, representing a decrease of $14.5 million, excluding a $1.0 million positive effect of a weaker Canadian dollar. This decline was primarily due to a $30.0 million decrease in Adjusted EBITDA, partially offset by the timing of facility maintenance capital expenditures, which were lower by $8.1 million, lower net interest costs of $4.5 million due to our debt refinancing, and lower current income taxes. Current income taxes were $4.7 million in 2013 compared to $7.0 million in 2012, representing 6.6% and 7.3% of pre-tax FFO, respectively. Both years were favourably impacted by book-to-file tax adjustments of approximately $4.0 million in 2013 and $5.2 million in 2012. In addition, the 2012 first quarter results included a non-taxable premium refund of $3.5 million. Excluding these items, current income taxes represented 12.3% of pre-tax FFO in 2013 compared to 10.8% in 2012.

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; and the ability to utilize loss carryforwards. The restructuring of our Canadian legal entities, along with the elimination of the income trust structure in July 2012, enhanced our ability to utilize available non-capital loss carryforwards, which reduced our Canadian current income taxes in the last half of 2012 and during 2013. Our Canadian non-capital loss carryforwards were substantially utilized by the end of 2013. As a result, we anticipate that our annual effective tax rate on FFO will increase in 2014 to between 23% and 26%.

Facility maintenance capital expenditures were $12.2 million in the 2013 fourth quarter, compared to $14.9 million in the 2012 fourth quarter and $5.5 million in the 2013 third quarter, representing 2.4%, 3.0% and 1.1% of revenue, respectively. Facility maintenance capital expenditures totalled $28.2 million in 2013 compared to $35.7 million in 2012, representing 1.4% and 1.8% of revenue, respectively. 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 $38 million to $43 million in facility maintenance capital expenditures and $15 million to $20 million in growth capital expenditures.

Distributions declared in 2013 totalled $52.0 million, or $0.60 per share, representing approximately 73% of AFFO of $71.1 million, or $0.820 per basic share, compared to approximately 85% in 2012. Since May 2013, the Company has been paying a monthly dividend of $0.04 per share, or $0.48 per share per annum.

U.S. OPERATIONS KEY METRICS

Skilled Nursing Facility Revenue Rates

The CMS Medicare net market basket increases for October 1, 2012 and 2013, were 1.8% and 1.3%, respectively. However, our Medicare Part A and Managed Care rates were adversely impacted by the sequestration funding reduction of 2.0% effective April 1, 2013, and our Medicare Part A funding has been impacted by a reduction in co-insurance reimbursement for bad debts, which declined from 100% to 88% on January 1, 2013, and to 76% on January 1, 2014. For the 2013 fourth quarter, our average daily Medicare Part A rate, excluding prior period settlement adjustments, was US$468.78, representing a decrease of 0.3% from US$470.21 in the 2012 fourth quarter, primarily due to the impact of sequestration partially offset by the market basket increase. In comparison to our average daily Medicare Part A rate of

US$471.20 in the 2013 third quarter, our rate this quarter declined by 0.5%, primarily due to the reduction in reimbursement for bad debts and a change in acuity mix, partially offset by the net market basket increase. For 2013 compared to 2012, our average daily Medicare Part A rate increased by 1.9% to US$470.21, primarily due to changes in acuity mix, with the impact of the market basket increases being substantially offset by sequestration and reductions in reimbursement for bad debts.

For the 2013 fourth quarter, our average daily Managed Care rate, excluding prior period settlement adjustments, was US$445.03, representing an increase of 1.3% from US$439.41 in the 2012 fourth quarter and a 0.8% decline from US$448.82 in the 2013 third quarter, primarily due to changes in acuity mix. For 2013, our average daily Managed Care rate increased by 2.5% to US$443.27.

Our average daily Medicaid rate, excluding prior period settlement adjustments, increased this quarter by 3.5% to US$200.80 from US$194.03 in the 2012 fourth quarter, and by 0.5% from US$199.76 in the 2013 third quarter. For 2013 compared to 2012, our average daily Medicaid rate increased by 5.4% to US$199.07. However, revenue from Medicaid rate increases was partially offset by higher state provider taxes, resulting in a net increase of 5.0% this year over 2012. In addition, during the 2012 fourth quarter, we became eligible to receive Upper Payment Limit funding for all of our centers in Indiana. Exclusive of this additional funding, the net increase in Medicaid rates this year over 2012 was 3.2%.

Total and Skilled Census

Our same-facility ADC of 11,192 in the 2013 fourth quarter was 324 below the 2012 fourth quarter level of 11,516 due to lower Medicaid ADC of 255, lower Skilled Mix ADC of 52, and lower private/other ADC of 17. In comparison to the 2013 third quarter, our same-facility ADC improved by 28 due to higher Skilled Mix ADC of 23 and higher private/other ADC of 22, partially offset by lower Medicaid ADC of 17. For 2013, our same-facility skilled nursing center ADC declined by 2.7%, or 317 ADC to 11,288 from 11,605 in 2012 due to lower Skilled Mix ADC of 72 and lower Medicaid ADC of 248, partially offset by higher private/other ADC of three. Our average same-facility occupancy was 83.4% this quarter compared to 85.1% in the 2012 fourth quarter, and 82.8% in the 2013 third quarter. For 2013, our average occupancy from same-facility skilled nursing center operations was 83.8% compared to 85.5% in 2012.

Our same-facility Skilled Mix ADC of 21.7% of our residents in the 2013 fourth quarter improved over 21.6% in each of the 2012 fourth and 2013 third quarters.

CONFERENCE CALL AND WEBCAST

On February 27, 2014, at 10:00 a.m. (ET), we will hold a conference call to discuss our 2013 fourth quarter and year-end 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 7894126#. A replay of the call will be available until midnight on March 14, 2014. To access the rebroadcast, dial 1-800-408-3053 or 905-694-9451, followed by the passcode 1390940#. 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 35,300 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 249 senior care centers in North America have capacity to care for approximately 27,700 residents.

Non-GAAP Measures

Extendicare assesses and measures operating results and financial position based on performance measures referred to as “Adjusted EBITDA”, “earnings (loss) from continuing operations 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 face of the Consolidated Statements of Earnings and on the Supplemental Information 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.

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

Extendicare Inc.
Consolidated Statements of Earnings

(in thousands of Canadian dollars)	Three months ended December 31		Twelve months ended December 31	
	2013	**2012**	**2013**	**2012**
Revenue				
Nursing and assisted living centers				
United States	**307,922**	296,208	**1,216,569**	1,259,858
Canada	**149,677**	140,681	**568,870**	550,302
Home health − Canada	**44,717**	43,692	**174,087**	170,343
Health technology services − United States	**5,494**	7,041	**22,348**	25,453
Outpatient therapy − United States	**3,290**	2,775	**13,360**	13,229
Rent, management, consulting and other services	**8,274**	6,637	**29,231**	18,228
Total revenue	**519,374**	497,034	**2,024,465**	2,037,413
Operating expenses	**468,855**	426,921	**1,793,368**	1,780,019
Administrative costs	**15,443**	14,465	**64,258**	63,155
Lease costs	**2,923**	2,710	**11,096**	10,986
Total expenses	**487,221**	444,096	**1,868,722**	1,854,160
Adjusted EBITDA (1)	**32,153**	52,938	**155,743**	183,253
Depreciation and amortization	**19,949**	18,990	**77,929**	76,805
Loss (gain) from asset impairment, disposals and other items	**8,335**	(367)	**9,641**	7,930
Earnings before net finance costs and income taxes	**3,869**	34,315	**68,173**	98,518
Finance costs				
Interest expense	**15,954**	16,538	**63,416**	65,306
Interest income	**(1,369)**	(1,221)	**(4,638)**	(3,565)
Accretion costs	**863**	695	**3,380**	2,302
Fair value adjustments	**(103)**	2,313	**(3,099)**	(4,823)
Loss on foreign exchange and financial instruments	**1**	-	**519**	1,103
Net finance costs	**15,346**	18,325	**59,578**	60,323
Earnings (loss) before income taxes	**(11,477)**	15,990	**8,595**	38,195
Income tax expense (recovery)				
Current	**(3,330)**	(2,400)	**4,547**	5,178
Deferred	**(349)**	3,836	**(1,204)**	5,394
	(3,679)	1,436	**3,343**	10,572
Earnings (loss) from continuing operations	**(7,798)**	14,554	**5,252**	27,623
Discontinued operations	**-**	72	**-**	35,033
Net earnings (loss)	**(7,798)**	14,626	**5,252**	62,656
Earnings (loss) from continuing operations	**(7,798)**	14,554	**5,252**	27,623
Add (deduct):				
Fair value adjustment on convertible debentures, net of tax	**(103)**	2,313	**(3,099)**	(4,823)
Loss on foreign exchange and financial instruments, net of tax	**1**	-	**519**	1,103
Loss (gain) from asset impairment, disposals and other items, net of tax	**6,007**	(367)	**7,662**	5,629
Earnings (loss) from continuing operations before separately reported items	**(1,893)**	16,500	**10,334**	29,532

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

Extendicare Inc.
Consolidated Statements of Financial Position

(in thousands of Canadian dollars, unless otherwise noted)	**December 31 2013**	**December 31 2012**
Assets		
Current assets		
Cash and short-term investments	**95,999**	71,398
Restricted cash	**18,668**	28,680
Accounts receivable, less allowance	**210,795**	209,518
Income taxes recoverable	**9,395**	4,149
Other current assets	**61,893**	31,408
Total current assets	**396,750**	345,153
Non-current assets		
Property and equipment, *including construction-in-progress of $6,514 and $62,688, respectively*	**1,152,007**	1,181,596
Goodwill and other intangible assets	**79,229**	82,793
Other assets	**213,571**	176,457
Deferred tax assets	**7,531**	21,917
Total non-current assets	**1,452,338**	1,462,763
Total Assets	**1,849,088**	1,807,916
Liabilities and Equity		
Current liabilities		
Accounts payable	**31,030**	35,508
Accrued liabilities	**214,715**	202,913
Accrual for self-insured liabilities	**28,052**	21,888
Current portion of long-term debt	**148,051**	93,448
Income taxes payable	**10,430**	9,377
Total current liabilities	**432,278**	363,134
Non-current liabilities		
Provisions	**28,801**	26,851
Accrual for self-insured liabilities	**87,257**	74,042
Long-term debt	**1,016,785**	1,038,787
Other long-term liabilities	**46,147**	48,025
Deferred tax liabilities	**199,954**	202,417
Total non-current liabilities	**1,378,944**	1,390,122
Total liabilities	**1,811,222**	1,753,256
Shareholders' equity	**37,866**	54,660
Total Liabilities and Equity	**1,849,088**	1,807,916
Closing U.S./Cdn. dollar exchange rate	***1.0636***	*0.9949*

Extendicare Inc.
Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	**Three months ended December 31**		**Twelve months ended December 31**	
	2013	**2012**	**2013**	**2012**
Operating Activities				
Net earnings (loss)	**(7,798)**	14,626	**5,252**	62,656
Adjustments for:				
Depreciation and amortization	**19,949**	18,991	**77,929**	76,805
Provision for self-insured liabilities	**21,130**	5,960	**54,482**	40,807
Payments for self-insured liabilities	**(5,607)**	(6,770)	**(42,720)**	(23,933)
Deferred taxes	**(349)**	3,660	**(1,204)**	5,263
Current taxes	**(3,330)**	(2,296)	**4,547**	26,729
Loss (gain) from asset impairment, disposals and other items	**8,335**	(367)	**9,641**	7,930
Gain from asset disposals from discontinued operations	**-**	-	**-**	(56,453)
Net finance costs	**15,346**	18,325	**59,578**	60,323
Interest capitalized	**(59)**	(526)	**(1,232)**	(873)
Other	**(2)**	(610)	**(335)**	(406)
	47,615	50,993	**165,938**	198,848
Net change in operating assets and liabilities				
Accounts receivable	**(21,932)**	3,665	**6,246**	21,111
Other current assets	**2,905**	379	**4,541**	759
Accounts payable and accrued liabilities	**8,465**	3,451	**(15,882)**	(31,701)
	37,053	58,488	**160,843**	189,017
Interest paid	**(14,831)**	(16,999)	**(59,585)**	(60,276)
Interest received	**1,387**	1,209	**4,657**	3,509
Income taxes paid	**815**	(1,374)	**(7,999)**	(23,463)
Net cash from operating activities	**24,424**	41,324	**97,916**	108,787
Investing Activities				
Purchase of property, equipment and software	**(12,793)**	(33,723)	**(55,753)**	(84,103)
Net proceeds from dispositions	**2,507**	-	**3,671**	56,323
Other assets	**1,787**	446	**1,646**	(5,363)
Net cash from investing activities	**(8,499)**	(33,277)	**(50,436)**	(33,143)
Financing Activities				
Issue of long-term debt, excluding line of credit	**8,229**	36,812	**95,703**	329,720
Repayment of long-term debt, excluding line of credit	**(11,697)**	(114,749)	**(84,101)**	(254,468)
Issue on line of credit	**-**	4,839	**-**	63,964
Repayment on line of credit	**(1,061)**	(3,014)	**(6,179)**	(108,846)
Decrease (increase) in restricted cash	**(7,064)**	(4,584)	**9,799**	(11,832)
Decrease (increase) in investments held for self-insured liabilities	**(4,599)**	(12,279)	**6,908**	(31,603)
Dividends/distributions paid	**(8,881)**	(14,425)	**(45,534)**	(56,980)
Financing costs	**(116)**	(1,204)	**(2,065)**	(13,101)
Other	**(35)**	2	**5**	(4)
Net cash from financing activities	**(25,224)**	(108,602)	**(25,464)**	(83,150)
Increase (decrease) in cash and cash equivalents	**(9,299)**	(100,555)	**22,016**	(7,506)
Cash and cash equivalents at beginning of period	**104,132**	171,439	**71,398**	80,018
Foreign exchange gain (loss) on cash held in foreign currency	**1,166**	514	**2,585**	(1,114)
Cash and cash equivalents at end of period	**95,999**	71,398	**95,999**	71,398

Extendicare Inc.
Financial and Operating Statistics

(amounts in Canadian dollars, unless otherwise noted)	**Three months ended December 31**		**Twelve months ended December 31**	
	2013	**2012**	**2013**	**2012**
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)	**28.6 %**	29.9 %	**29.9 %**	31.3 %
Managed Care	**10.9**	10.3	**10.8**	10.5
Skilled mix	**39.5**	40.2	**40.7**	41.8
Private/other	**10.0**	9.6	**9.5**	9.2
Quality mix	**49.5**	49.8	**50.2**	51.0
Medicaid	**50.5**	50.2	**49.8**	49.0
	100.0	100.0	**100.0**	100.0
Average Daily Census by Payor Source (same-facility basis)				
Medicare	**1,696**	1,778	**1,785**	1,867
Managed Care	**735**	705	**743**	733
Skilled mix	**2,431**	2,483	**2,528**	2,600
Private/other	**1,218**	1,235	**1,189**	1,186
Quality mix	**3,649**	3,718	**3,717**	3,786
Medicaid	**7,543**	7,798	**7,571**	7,819
	11,192	11,516	**11,288**	11,605
Average Revenue per Resident Day by Payor Source (excluding prior period settlement adjustments) *(US$)*				
Medicare Part A only	**$468.78**	$470.21	**$470.21**	$461.45
Medicare (Parts A and B)	**508.95**	510.68	**511.84**	508.92
Managed Care	**445.03**	439.41	**443.27**	432.38
Private/other	**247.79**	235.69	**244.60**	235.39
Medicaid	**200.80**	194.03	**199.07**	188.87
Weighted average	**267.51**	261.78	**268.44**	258.66
Average Occupancy (excluding managed centers) (same-facility basis)				
U.S. skilled nursing centers	**83.4 %**	85.1 %	**83.8 %**	85.5 %
U.S. assisted living centers	**76.3**	76.1	**78.1**	69.9
Canadian centers	**98.2**	98.7	**97.8**	97.9
Purchase of Property, Equipment and Software *(thousands)*				
Growth expenditures	**$598**	$19,332	**$28,747**	$49,253
Facility maintenance	**12,254**	14,917	**28,238**	35,723
Deduct: capitalized interest	**(59)**	(526)	**(1,232)**	(873)
	$12,793	$33,723	**$55,753**	$84,103
Segmented Adjusted Funds from Operations *(thousands)*				
United States *(US$)*	**$2,689**	$20,764	**$32,787**	$51,400
United States *(C$)*	**2,961**	20,674	**33,767**	51,382
Canada	**7,450**	6,088	**37,347**	33,187
	$10,411	$26,762	**$71,114**	$84,569
Average U.S./Cdn. dollar exchange rate	***1.0489***	*0.9916*	***1.0299***	*0.9996*

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 December 31, 2013 and 2012.[1]

(in thousands of Canadian dollars unless otherwise noted)	**Three months ended December 31**		**Twelve months ended December 31**	
	2013	**2012**	**2013**	**2012**
Adjusted EBITDA from continuing operations	**32,153**	52,938	**155,743**	183,253
Depreciation for furniture, fixtures, equipment and computers	**(5,407)**	(5,748)	**(22,018)**	(23,580)
Accretion costs	**(863)**	(695)	**(3,380)**	(2,302)
Interest expense, net	**(14,585)**	(15,317)	**(58,778)**	(61,741)
	11,298	31,178	**71,567**	95,630
Current income tax expense (recovery) [2]	**3,307**	2,400	**(4,741)**	(6,948)
FFO (continuing operations)	**14,605**	33,578	**66,826**	88,682
Amortization of financing costs	**1,713**	1,666	**7,119**	5,274
Principal portion of government capital funding payments	**940**	687	**3,389**	2,756
Additional maintenance capital expenditures [3]	**(6,847)**	(9,169)	**(6,220)**	(12,143)
AFFO (continuing operations)	**10,411**	26,762	**71,114**	84,569
AFFO (discontinued operations)	**-**	-	**-**	-
AFFO	**10,411**	26,762	**71,114**	84,569
Per Basic Share/Unit ($)				
FFO (continuing operations)	**0.167**	0.393	**0.770**	1.043
AFFO (continuing operations)	**0.119**	0.312	**0.820**	0.994
AFFO	**0.119**	0.312	**0.820**	0.994
Per Diluted Share/Unit ($)				
FFO (continuing operations)	**0.168**	0.362	**0.756**	0.988
AFFO (continuing operations)	**0.124**	0.292	**0.784**	0.945
AFFO	**0.124**	0.292	**0.784**	0.945
Distributions declared	**10,462**	18,021	**52,023**	71,497
Distributions declared per share/unit ($)	**0.1200**	0.2100	**0.6000**	0.8400
Basic weighted average number of shares/units *(thousands)*	**87,140**	85,736	**86,738**	85,039
Diluted weighted average number of shares/units *(thousands)*	**104,109**	105,254	**103,708**	100,420

(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 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.

Reconciliation of Cash Provided by Operating Activities to AFFO	**Three months ended December 31**		**Twelve months ended December 31**	
(in thousands of Canadian dollars)	**2013**	**2012**	**2013**	**2012**
Net cash from operating activities	**24,424**	41,324	**97,916**	108,787
Add (Deduct):				
Net change in operating assets and liabilities, including interest and taxes	**12,845**	(1,856)	**9,668**	5,436
Current tax on fair value adjustments, gain/loss on foreign exchange, financial instruments, asset impairment, disposals and other items	**(23)**	104	**(194)**	19,781
Net provisions and payments for self-insured liabilities	**(15,523)**	810	**(11,762)**	(16,874)
Depreciation for furniture, fixtures, equipment and computers	**(5,407)**	(5,748)	**(22,018)**	(23,580)
Principal portion of government capital funding payments	**940**	687	**3,389**	2,756
Other	**2**	610	**335**	406
Additional maintenance capital expenditures	**(6,847)**	(9,169)	**(6,220)**	(12,143)
AFFO	**10,411**	26,762	**71,114**	84,569