EXTENDICARE

NEWS RELEASE

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FOR IMMEDIATE RELEASE
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Extendicare Announces 2013 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, 2013. Results are presented in Canadian dollars unless otherwise noted.

HIGHLIGHTS (variances exclude effect of foreign exchange)

- Revenue of $508.6 million in Q3 2013 included a $2.1 million increase in same-facility operations over Q3 2012.
- Average daily revenue rates for Medicare Part A and Managed Care in Q3 2013 increased by 1.1% and 3.3%, respectively, over Q3 2012, and increased by 1.5% and 2.0%, respectively over Q2 2013.
- Adjusted EBITDA of $43.0 million in Q3 2013, increased by $4.7 million over Q3 2012, and increased by $1.2 million over Q2 2013.
- Adjusted EBITDA margin of 8.5% in Q3 2013 increased from 7.5% in Q3 2012 and improved from 8.3% in Q2 2013.
- AFFO was $20.4 million ($0.235 per basic share) in Q3 2013 compared to $11.2 million ($0.130 per basic share) in Q3 2012 and $22.1 million ($0.255 per basic share) in Q2 2013.
- Distributions in the first nine months of 2013 totalled $41.5 million, or $0.48 per share, representing approximately 68% of AFFO for the same period.
- Declares November dividend of $0.04 per share.
- Board of Extendicare confirms the appointment of Benjamin J. Hutzel as Chairman, effective immediately.

"Extendicare's underlying operational results for the quarter were solid, easily supporting our current levels of distributions," stated Tim Lukenda, President and CEO of Extendicare. "The need to further strengthen our reserves for known and as yet unknown liability claims impacted the reported results in the quarter."

STRATEGIC REVIEW UPDATE

As previously announced in May 2013, the board of directors of the Company (the "Board"), appointed a strategic committee of the Board (the "Strategic Committee") to review strategic alternatives relating to the separation of Extendicare's Canadian and U.S. businesses. With the assistance of CitiGroup Global Markets Inc., as a financial advisor, the Strategic Committee has been evaluating various alternatives relating to the realignment of Extendicare's businesses and has made considerable progress in its review. The Board is optimistic that it will publicly announce the outcome of the strategic review process before year end. The Board will adopt the transaction or structure that it concludes would be in the best interests of the Company and its shareholders. No assurance can be given that the process will result in the completion of a transaction or other alternative or the timing or its terms.

While the Strategic Committee and the Board are undertaking the strategic review of the Company's Canadian and U.S. businesses, the Company does not intend to disclose developments relating to the process unless and until the Board approves a transaction or alternative or otherwise determines that disclosure is appropriate. During the review process, the Company will not be discussing any matters relating to the process in any investor or analyst presentation meeting or on conference calls.

PROVISION FOR SELF-INSURED LIABILITIES

The results of our independent actuarial review completed during the 2013 third quarter necessitated the continued strengthening of our reserves this quarter. For the first nine months of 2013, we recorded a provision for self-insured liabilities of US$32.6 million (US$9.4 million, US$9.2 million, and US$14.0 million, in the first, second and third quarters, respectively). Approximately US$16.6 million of the US$32.6 million provision recorded in the first nine months of 2013 related to our former Kentucky operations, as we continue to process the settlement of those claims.

MEDICARE UPDATES

Our Medicare funding has been impacted by a number of legislative changes, as follows *(estimated annual reduction to our revenue in parenthesis)*:

(i) the sequestration funding cuts of 2.0% effective April 1, 2013 *(US$7.1 million)*;

(ii) the October 2012 medical review process for therapy in excess of US$3,700 *(US$3.5 million to US$4.5 million)*;

(iii) the reduction in Part A co-insurance reimbursable bad debts beginning in 2013, from 100% to 88% , to 76% in year two, and to 65% in year three *(US$2.7 million in year one to US$5.8 million in year three)*; and

(iv) the April 1, 2013 change in the multiple procedure payment reduction (MPPR) percentage from 25% to 50% *(US$3.6 million).*

In October 2013, the U.S. Centers for Medicare & Medicaid Services (CMS) implemented a net market basket increase of 1.3%, consisting of a market basket increase of 2.3% minus a forecasting error of 0.5% and minus a productivity adjustment of 0.5%. It is estimated that the impact of this funding increase will provide us with additional Medicare Part A and Managed Care revenue of approximately US$5.1 million per annum.

Looking forward, the industry again faces the prospect of a 27% drop in Medicare Part B rates on January 1, 2014, normally referred to as the “Doc Fix”. Historically, the rate cuts have been suspended for one-year periods. However, if implemented, we estimate that it would result in a reduction in our therapy revenue by US$11 million per annum.

2013 THIRD QUARTER FINANCIAL REVIEW

TABLE 1 *(millions of dollars unless otherwise noted)*	**Q3 2013**	**Q3 2012**	**Q2 2013**
Revenue			
U.S. operations (US$)	**309.0**	316.2	304.7
U.S. operations (C$)	**321.0**	314.6	311.9
Canadian operations	**187.6**	183.9	186.7
Total Revenue	**508.6**	498.5	498.6
Adjusted EBITDA (1)			
U.S. operations (US$)	**22.6**	17.2	23.3
U.S. operations (C$)	**23.6**	17.0	23.8
Canadian operations	**19.4**	20.3	17.7
Total Adjusted EBITDA	**43.0**	37.3	41.5
Adjusted EBITDA margin	**8.5%**	7.5%	8.3%
Average U.S./Canadian dollar exchange rate	**1.0385**	0.9956	1.0234

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

2013 Third Quarter Comparison to 2012 Third Quarter

Consolidated revenue from continuing operations declined by $3.3 million this quarter, excluding a $13.4 million positive effect of a weaker Canadian dollar. The impact of: leasing out our Kentucky centers in the latter half of 2012; opening a new nursing center in Sault Ste. Marie, Ontario; closing a rehabilitation hospital in Michigan; and ceasing home health care operations in Alberta (collectively referred to as “non same-facility operations”), resulted in lower revenue of $5.4 million between periods. Revenue from our remaining operations (referred to as “same-facility operations”) improved by $2.1 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$7.2 million to US$309.0 million in the 2013 third quarter compared to US$316.2 million in the 2012 third quarter. Non same-facility operations generated revenue of US$4.4 million this quarter compared to US$8.8 million in the 2012 third quarter, for a net decline of US$4.4 million. Revenue from same-facility operations declined by US$2.8 million between periods, primarily due to the impact of lower census levels of US$11.9 million and lower other revenue of US$2.4 million, partially offset by a net increase in average rates of US$9.3 million and an increase in prior period revenue of US$2.2 million (receipt of US$2.4 million this quarter compared to US$0.2 million in the 2012 third quarter). Our same-facility average daily census (ADC) was lower by 490 this quarter from the 2012 third quarter, and included a decline in Medicaid ADC of 363 and Skilled Mix ADC of 135. Our same-facility Skilled Mix ADC represented 21.3% of residents this quarter compared to 21.5% in the 2012 third quarter.

Revenue from Canadian operations grew by $3.7 million to $187.6 million in the 2013 third quarter from $183.9 million in the 2012 third quarter. For purposes of discussing the variances in our results, the operations of all four of our Sault Ste. Marie nursing centers, consisting of a new nursing center that opened in April 2013, two 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 $6.6 million this quarter compared to $7.9 million in the 2012 third quarter, for a net decrease of $1.3 million. Revenue from same-facility operations improved by $5.0 million between periods, primarily due to funding enhancements and higher volumes from the Ontario home health care operations.

Consolidated Adjusted EBITDA from continuing operations was $43.0 million this quarter compared to $37.3 million in the 2012 third quarter, representing 8.5% and 7.5% of revenue, respectively. Excluding a $1.0 million positive effect of a weaker Canadian dollar, Adjusted EBITDA increased by $4.7 million, of which $6.3 million was from same-facility operations. The U.S. operations contributed $6.5 million, or US$6.4 million, to this improvement, which included favourable prior period revenue and workers' compensation settlements of US$4.5 million, and a decrease in the provision for self-insured liabilities of US$3.3 million between periods. Adjusted EBITDA from same-facility Canadian operations declined by $0.2 million this quarter, primarily due to labour cost increases in excess of funding enhancements.

Adjusted EBITDA from U.S. operations improved by US$5.4 million to US$22.6 million this quarter from US$17.2 million in the 2012 third quarter, representing 7.3% and 5.4% of revenue, respectively. Adjusted EBITDA from non same-facility operations declined by US$1.0 million (US$3.5 million contribution this quarter compared to US$4.5 million in the same 2012 period). Adjusted EBITDA from same-facility operations improved by US$6.4 million as a result of lower costs of US$9.2 million, partially offset by lower revenue of US$2.8 million. Operating, administrative and lease costs from same-facility operations declined by US$9.2 million, primarily due to lower labour-related costs of US$6.5 million, and a decrease in the provision for self-insured liabilities of US$3.3 million (US$14.0 million this quarter compared to US$17.3 million in the 2012 third quarter), partially offset by a net increase in other costs of US$0.6 million. Favourable labour-related costs benefited from a prior period workers' compensation refund of US$2.3 million received this quarter, the impact of lower census levels, and lower health benefit costs, partially offset by an average wage rate increase of 2.4% in nursing center operations.

Adjusted EBITDA from Canadian operations was $19.4 million this quarter compared to $20.3 million in the 2012 third quarter, representing 10.3% and 11.0% of revenue, respectively. Adjusted EBITDA from non same-facility operations declined by $0.7 million ($0.4 million contribution this quarter compared to $1.1 million in the same 2012 period). Adjusted EBITDA from same-facility operations declined by $0.2 million as a result of revenue improvements of $5.0 million offset by cost increases of $5.2 million, primarily due to higher labour-related costs.

2013 Third Quarter Comparison to 2013 Second Quarter

In comparison to the 2013 second quarter, consolidated revenue from continuing operations in the 2013 third quarter improved by $5.4 million, excluding a $4.6 million positive effect of a weaker Canadian dollar, primarily due to improvements in U.S. and Canadian long-term care funding, and an additional day this quarter, partially offset by lower U.S. census levels.

Consolidated Adjusted EBITDA from continuing operations was $43.0 million this quarter compared to $41.5 million in the 2013 second quarter, representing 8.5% and 8.3% of revenue, respectively. Excluding a $0.3 million positive effect of a weaker Canadian dollar, Adjusted EBITDA increased by $1.2 million between periods. Adjusted EBITDA from the Canadian operations improved by $1.7 million this quarter, primarily due to funding enhancements and timing of costs between quarters. This improvement was partially offset by a decline in Adjusted EBITDA from the U.S. operations of $0.5 million, or US$0.7 million, which included a US$4.8 million increase in the provision for self-insured liabilities, partially offset by favourable prior period revenue and workers' compensation settlements of US$4.6 million.

Adjusted EBITDA from U.S. operations was US$22.6 million this quarter compared to US$23.3 million in the 2013 second quarter, representing 7.3% and 7.6% of revenue, respectively. This decline of US$0.7 million resulted from cost increases of US$5.0 million, partially offset by higher revenue of US$4.3 million between quarters. Revenue improved between periods primarily due to higher average rates of US$3.1 million, an additional day this quarter of US$3.0 million, an increase in prior period revenue settlements of US$2.3 million, and other items of US$0.5 million, partially offset by lower census of US$4.6 million. Our ADC was lower by 86 this quarter from the 2013 second quarter, primarily due to lower Skilled Mix ADC of 136, partially offset by higher Medicaid ADC of 35 and private/other ADC of 15. Our Skilled Mix ADC represented 21.3% of residents this quarter compared to 22.2% in the 2013 second quarter. Operating, administrative and lease costs were increased by US$5.0 million between quarters, primarily due to a higher provision for self-insured liabilities of US$4.8 million. Other net cost increases of US$0.2 million included a favourable prior period workers' compensation refund of US$2.3 million received this quarter.

Adjusted EBITDA from Canadian operations improved by $1.7 million to $19.4 million this quarter from $17.7 million in the 2013 second quarter, representing 10.3% and 9.5% of revenue, respectively. Adjusted EBITDA from same-facility operations accounted for $1.6 million of the improvement. While the ceasing of home health care operations in August resulted in a $1.2 million decline in revenue between quarters, these operations made no contribution to Adjusted EBITDA in either quarter. Excluding the Alberta ParaMed operations and impact of the Sault Ste. Marie operations, same-facility revenue increased by $2.2 million due to funding enhancements, and was partially offset by higher operating costs of $0.6 million, resulting from increased labour-related costs of $2.2 million, partially offset by a net decline in other costs due to timing of spending.

2013 NINE MONTH FINANCIAL REVIEW

TABLE 2	**Nine months ended September 30**	
(millions of dollars unless otherwise noted)	**2013**	**2012**
Revenue		
U.S. operations (US$)	**927.4**	995.4
U.S. operations (C$)	**949.2**	997.7
Canadian operations	**555.9**	542.7
Total Revenue	**1,505.1**	1,540.4
Adjusted EBITDA (1)		
U.S. operations (US$)	**69.4**	77.2
U.S. operations (C$)	**71.1**	77.3
Canadian operations	**52.5**	53.0
Total Adjusted EBITDA	**123.6**	130.3
Adjusted EBITDA margin	**8.2%**	8.5%
Average U.S./Canadian dollar exchange rate	**1.0235**	1.0023

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

Consolidated revenue from continuing operations in the first nine months of 2013 declined by $55.0 million, excluding a $19.7 million positive effect of the weaker Canadian dollar. Non same-facility operations contributed $65.6 million to the decline in revenue between periods. Revenue from same-facility operations grew by $10.6 million, with an improvement from the Canadian operations of $14.0 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 $8.2 million, excluding a $1.5 million positive effect of the weaker Canadian dollar, and was 8.2% and 8.5% of revenue, respectively. Non same-facility operations contributed $4.5 million to the decline between periods. Adjusted EBITDA from same-facility operations decreased by $3.7 million, with an improvement from the Canadian operations of $0.8 million, partially offset by a $4.5 million decline from the U.S. operations, as discussed below.

Adjusted EBITDA from U.S. operations declined by US$7.8 million to US$69.4 million in the first nine months of 2013 from US$77.2 million in the same 2012 period, representing 7.5% and 7.8% of revenue, respectively. Adjusted EBITDA from non same-facility operations declined by US$3.2 million between periods (US$11.1 million in the first nine months of 2013 compared to US$14.3 million in the same 2012 period). Adjusted EBITDA from same-facility operations declined by US$4.6 million as a result of lower revenue of US$3.4 million and higher costs of US$1.2 million. The decline in revenue was due to lower census of US$25.4 million, one less day this year of US$3.0 million, and other items of US$6.1 million, partially offset by higher average funding rates of US$31.1 million. Costs from same-facility operations increased by US$1.2 million, primarily due to an increase in the provision for self-insured liabilities of US$4.1 million, a premium refund of US$3.5 million received in the 2012 first quarter, and other net cost increases of US$0.9 million, partially offset by lower labour-related costs of US$7.3 million, which included a prior year's workers' compensation refund of US$2.3 million received in the 2013 third quarter.

Adjusted EBITDA from Canadian operations was $52.5 million in the first nine months of 2013 compared to $53.0 million in the same 2012 period, representing 9.4% and 9.8% of revenue, respectively. Non same-facility operations contributed Adjusted EBITDA of $1.5 million this period compared to $2.8 million in the first nine months of 2012, for a net decline of $1.3 million between periods. Improvements from same-facility operations of $0.8 million resulted from higher revenue of $14.0 million, partially offset by higher costs of $13.2 million. Revenue improvements resulted from enhanced funding and increased Ontario home health care volumes, while cost increases included higher labour-related costs of $13.1 million.

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

AFFO was $20.4 million ($0.235 per basic share) in the 2013 third quarter compared to $11.2 million ($0.130 per basic share) in the 2012 third quarter, representing an increase of $8.8 million, excluding a $0.4 million positive effect of a weaker Canadian dollar. This improvement was primarily due to an increase in Adjusted EBITDA of $4.7 million, the timing of facility maintenance capital expenditures, which were lower by $3.4 million and reduced net interest costs, partially offset by higher current income taxes as a result of the increase in earnings. Net interest costs were lower by $0.8 million as a result of our debt refinancing. Current income taxes for the 2013 third quarter were $3.7 million compared to $3.5 million in the 2012 third quarter, representing 17.7% and 21.9% of pre-tax funds from operations (FFO), respectively.

In comparison to AFFO in the 2013 second quarter of $22.1 million ($0.255 per basic share), AFFO this quarter decreased by $1.9 million, excluding a $0.2 million positive effect of a weaker Canadian dollar. This decline was primarily due to an increase in current income taxes, partially offset by higher Adjusted EBITDA of $1.2 million. Current income taxes for the 2013 third quarter were $3.7 million compared to $0.9 million in the 2013 second quarter, representing 17.7% and 4.2% of pre-tax FFO, respectively. The increase in the FFO effective tax rate was primarily due to changes in deferred tax timing differences.

For the first nine months of 2013, AFFO was $60.7 million ($0.701 per basic share), compared to $57.8 million ($0.682 per basic share) in the same 2012 period, representing an increase of $2.3 million, excluding a $0.6 million positive effect of a weaker Canadian dollar. This improvement was primarily due to the timing of facility maintenance capital expenditures, which were lower by $5.1 million, lower interest costs of $3.5 million due to our debt refinancing, and lower current income taxes, partially offset by a decline in Adjusted EBITDA of $8.2 million. Current income taxes for the first nine months of 2013 were $8.0 million compared to $9.4 million in the same 2012 period, representing 13.4% of pre-tax FFO compared to 14.5% in the first nine months of 2012. Both periods were favourably impacted by book-to-file tax adjustments of approximately $0.8 million and $1.4 million, respectively. In addition, the 2012 first quarter results included a non-taxable premium refund of $3.5 million. Excluding these items, current income taxes represented 14.8% of pre-tax FFO for the first nine months of 2013 compared to 17.3% in the same 2012 period. The decline in the FFO effective tax rate was primarily due to lower withholding tax on cross border dividends ($0.5 million this period compared to $1.3 million in the nine months of 2012) and changes in deferred tax timing differences.

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, has enhanced our ability to realize available non-capital loss carryforwards, which reduced our current Canadian income taxes to a nominal level for the last half of 2012. As a result of the continued utilization of these non-capital loss carryforwards and favourable changes in our U.S. deferred tax timing differences, we anticipate that our annual effective tax rate on FFO for the 2013 year will be in the range of 10% to 14%.

Facility maintenance capital expenditures were $5.5 million in the 2013 third quarter, compared to $8.7 million in the 2012 third quarter and $5.8 million in the 2013 second quarter, representing 1.1%, 1.7% and 1.2% of revenue, respectively. For the first nine months of 2013, facility maintenance capital expenditures totalled $16.0 million compared to $20.8 million in the same 2012 period, representing 1.1% and 1.4% 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 2013, we are expecting to spend in the range of $28 million to $32 million in facility maintenance capital expenditures and $35 million to $40 million in growth capital expenditures.

Distributions declared in the first nine months of 2013 totalled $41.5 million, or $0.480 per share, representing approximately 68% of AFFO of $60.7 million, or $0.701 per basic share, compared to approximately 93% in the same 2012 period.

U.S. OPERATIONS KEY METRICS

Skilled Nursing Facility Revenue Rates

Our Medicare Part A and Managed Care rates for 2013 have been impacted by the sequestration funding reduction of 2.0% effective April 1, 2013, which offset the October 1, 2012 net market basket increase of 1.8%, and a reduction in co-insurance reimbursement for bad debts from 100% to 88% effective January 1, 2013. Despite these net funding reductions, our average Medicare Part A and Managed Care rates have increased this quarter primarily due to changes in acuity mix. For the 2013 third quarter, our average daily Medicare Part A and Managed Care rates, excluding prior period settlement adjustments, were US$471.20 and US$448.82, respectively, and increased by 1.1% and 3.3%, respectively over the 2012 third quarter levels. In comparison to the 2013 second quarter levels, the average daily Medicare Part A and Managed Care rates increased by 1.5% and 2.0%.

Our average daily Medicaid rate, excluding prior period settlement adjustments, increased this quarter by 4.9% to US$199.76 from US$190.42 in the 2012 third quarter, and by 1.3% from US$197.14 in the 2013 second quarter. However, revenue from Medicaid rate increases was partially offset by higher state provider taxes, resulting in a net increase of 4.5% this quarter in comparison to the 2012 third quarter. 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 in the 2013 third quarter over the 2012 third quarter was 1.9%.

Total and Skilled Census

Our same-facility ADC of 11,857 in the 2013 third quarter was 490 below the 2012 third quarter level of 12,347 due to lower Medicaid ADC of 363 and lower Skilled Mix ADC of 135, partially offset by higher private/other ADC of 8. In comparison to the 2013 second quarter, our same-facility ADC declined by 84 due to lower Skilled Mix ADC of 134, partially offset by higher Medicaid ADC of 35, and private/other

ADC of 15. Our average same-facility occupancy was 82.0% this quarter compared to 85.0% in the 2012 third quarter, and 82.7% in the 2013 second quarter.

Our same-facility Skilled Mix ADC represented 21.3% of our residents in the 2013 third quarter compared to 21.5% in the 2012 third quarter and 22.2% in the 2013 second quarter.

NOVEMBER 2013 DIVIDEND DECLARED
The Board of Directors of Extendicare today declared a cash dividend of $0.04 per share for the month of November 2013, which is payable on December 16, 2013, to shareholders of record at the close of business on November 29, 2013. This dividend is designated as an “eligible dividend” within the meaning of the Income Tax Act (Canada).

CONFERENCE CALL AND WEBCAST
On November 7, 2013, at 10:00 a.m. (ET), we will hold a conference call to discuss our 2013 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 4852472#. A replay of the call will be available until midnight on November 22, 2013. 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 35,500 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 245 senior care centers in North America have capacity to care for approximately 27,000 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.

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Extendicare Inc.
Consolidated Statements of Earnings

(in thousands of Canadian dollars)	Three months ended September 30		Nine months ended September 30	
	2013	**2012**	**2013**	**2012**
Revenue				
Nursing and assisted living centers				
United States	**307,546**	301,366	**908,647**	963,650
Canada	**141,827**	139,150	**419,193**	409,621
Home health − Canada	**43,262**	42,259	**129,370**	126,651
Health technology services − United States	**5,601**	6,107	**16,854**	18,412
Outpatient therapy − United States	**3,396**	3,257	**10,070**	10,454
Rent, management, consulting and other services	**6,981**	6,366	**20,957**	11,591
Total revenue	**508,613**	498,505	**1,505,091**	1,540,379
Operating expenses	**446,659**	441,987	**1,324,513**	1,353,098
Administrative costs	**16,270**	16,517	**48,815**	48,690
Lease costs	**2,692**	2,696	**8,173**	8,276
Total expenses	**465,621**	461,200	**1,381,501**	1,410,064
Adjusted EBITDA (1)	**42,992**	37,305	**123,590**	130,315
Depreciation and amortization	**19,530**	19,005	**57,980**	57,815
Loss from asset impairment, disposals and other items	**578**	4,847	**1,306**	8,297
Earnings before net finance costs and income taxes	**22,884**	13,453	**64,304**	64,203
Finance costs				
Interest expense	**16,016**	15,963	**47,462**	48,768
Interest income	**(809)**	(531)	**(3,269)**	(2,344)
Accretion costs	**850**	541	**2,517**	1,607
Fair value adjustments	**(342)**	(2,029)	**(2,996)**	(7,136)
Loss on foreign exchange and financial instruments	**-**	-	**518**	1,103
Net finance costs	**15,715**	13,944	**44,232**	41,998
Earnings (loss) before income taxes	**7,169**	(491)	**20,072**	22,205
Income tax expense (recovery)				
Current	**3,786**	2,679	**7,877**	7,578
Deferred	**(720)**	1,912	**(855)**	1,558
	3,066	4,591	**7,022**	9,136
Earnings (loss) from continuing operations	**4,103**	(5,082)	**13,050**	13,069
Discontinued operations	**-**	431	**-**	34,961
Net earnings (loss)	**4,103**	(4,651)	**13,050**	48,030
Earnings (loss) from continuing operations	**4,103**	(5,082)	**13,050**	13,069
Add (deduct):				
Fair value adjustment on convertible debentures, net of tax	**(342)**	(2,029)	**(2,996)**	(7,136)
Loss on foreign exchange and financial instruments, net of tax	**-**	-	**518**	1,103
Loss from asset impairment, disposals and other items, net of tax	**1,155**	3,847	**1,655**	5,996
Earnings (loss) from continuing operations before separately reported items	**4,916**	(3,264)	**12,227**	13,032

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

Extendicare Inc.
Consolidated Statements of Financial Position

(in thousands of Canadian dollars, unless otherwise noted)	**September 30 2013**	**December 31 2012**
Assets		
Current assets		
Cash and short-term investments	**104,132**	71,398
Restricted cash	**11,817**	28,680
Accounts receivable, less allowance	**191,514**	209,518
Income taxes recoverable	**2,101**	4,149
Other current assets	**29,842**	31,408
Total current assets	**339,406**	345,153
Non-current assets		
Property and equipment, *including construction-in-progress of $34,635 and $62,688, respectively*	**1,180,002**	1,181,596
Goodwill and other intangible assets	**79,823**	82,793
Other assets	**189,859**	176,457
Deferred tax assets	**21,785**	21,917
Total non-current assets	**1,471,469**	1,462,763
Total Assets	**1,810,875**	1,807,916
Liabilities and Equity		
Current liabilities		
Accounts payable	**30,986**	35,508
Accrued liabilities	**187,567**	202,913
Accrual for self-insured liabilities	**23,568**	21,888
Current portion of long-term debt	**151,665**	93,448
Income taxes payable	**6,631**	9,377
Total current liabilities	**400,417**	363,134
Non-current liabilities		
Provisions	**28,897**	26,851
Accrual for self-insured liabilities	**72,355**	74,042
Long-term debt	**1,009,265**	1,038,787
Other long-term liabilities	**42,922**	48,025
Deferred tax liabilities	**209,469**	202,417
Total non-current liabilities	**1,362,908**	1,390,122
Total liabilities	**1,763,325**	1,753,256
Shareholders' equity	**47,550**	54,660
Total Liabilities and Equity	**1,810,875**	1,807,916
Closing U.S./Cdn. dollar exchange rate	***1.0303***	*0.9949*

Extendicare Inc.
Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Three months ended September 30		Nine months ended September 30	
	2013	**2012**	**2013**	**2012**
Operating Activities				
Net earnings (loss)	**4,103**	(4,651)	**13,050**	48,030
Adjustments for:				
Depreciation and amortization	**19,530**	19,004	**57,980**	57,814
Provision for self-insured liabilities	**14,467**	17,517	**33,352**	34,847
Payments for self-insured liabilities	**(12,848)**	(4,450)	**(37,113)**	(17,163)
Deferred taxes	**(720)**	2,054	**(855)**	1,603
Current taxes	**3,786**	2,800	**7,877**	29,025
Loss (gain) from asset impairment, disposals and other items	**578**	4,847	**1,306**	8,297
Gain from asset disposals from discontinued operations	**-**	(694)	**-**	(56,453)
Net finance costs	**15,715**	13,944	**44,232**	41,998
Interest capitalized	**(351)**	(157)	**(1,173)**	(347)
Other	**(3)**	(102)	**(333)**	204
	44,257	50,112	**118,323**	147,855
Net change in operating assets and liabilities				
Accounts receivable	**5,266**	2,085	**28,178**	17,446
Other current assets	**4,592**	3,996	**1,636**	380
Accounts payable and accrued liabilities	**(8,116)**	(7,981)	**(24,347)**	(35,152)
	45,999	48,212	**123,790**	130,529
Interest paid	**(15,601)**	(11,801)	**(44,754)**	(43,277)
Interest received	**802**	535	**3,270**	2,300
Income taxes paid	**(3,600)**	(5,802)	**(8,814)**	(22,089)
Net cash from operating activities	**27,600**	31,144	**73,492**	67,463
Investing Activities				
Purchase of property, equipment and software	**(8,862)**	(24,026)	**(42,960)**	(50,380)
Net proceeds from dispositions	**1,164**	-	**1,164**	56,323
Other assets	**265**	(2,170)	**(141)**	(5,809)
Net cash from investing activities	**(7,433)**	(26,196)	**(41,937)**	134
Financing Activities				
Issue of long-term debt, excluding line of credit	**31,229**	134,627	**87,474**	292,908
Repayment of long-term debt, excluding line of credit	**(22,426)**	(16,248)	**(72,404)**	(139,719)
Issue on line of credit	**-**	(201)	**-**	59,125
Repayment on line of credit	**(5,118)**	359	**(5,118)**	(105,832)
Decrease (increase) in restricted cash	**12,886**	(719)	**16,863**	(7,248)
Decrease (increase) in investments held for self-insured liabilities	**6,524**	(2,798)	**11,507**	(19,324)
Dividends/distributions paid	**(9,180)**	(14,177)	**(36,653)**	(42,555)
Financing costs	**(128)**	(6,218)	**(1,949)**	(11,897)
Other	**(26)**	(12)	**40**	(6)
Net cash from financing activities	**13,761**	94,613	**(240)**	25,452
Increase in cash and cash equivalents	**33,928**	99,561	**31,315**	93,049
Cash and cash equivalents at beginning of period	**70,943**	73,433	**71,398**	80,018
Foreign exchange gain (loss) on cash held in foreign currency	**(739)**	(1,555)	**1,419**	(1,628)
Cash and cash equivalents at end of period	**104,132**	171,439	**104,132**	171,439

Extendicare Inc.
Financial and Operating Statistics

(amounts in Canadian dollars, unless otherwise noted)	**Three months ended September 30**		**Nine months ended September 30**	
	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)	**28.7 %**	30.4 %	**30.1 %**	31.4 %
Managed Care	**10.7**	10.2	**10.7**	10.5
Skilled mix	**39.4**	40.6	**40.8**	41.9
Private/other	**9.7**	9.4	**9.4**	9.1
Quality mix	**49.1**	50.0	**50.2**	51.0
Medicaid	**50.9**	50.0	**49.8**	49.0
	100.0	100.0	**100.0**	100.0
Average Daily Census by Payor Source (same-facility basis)				
Medicare	**1,761**	1,891	**1,897**	1,981
Managed Care	**756**	761	**781**	784
Skilled mix	**2,517**	2,652	**2,678**	2,765
Private/other	**1,271**	1,263	**1,245**	1,241
Quality mix	**3,788**	3,915	**3,923**	4,006
Medicaid	**8,069**	8,432	**8,091**	8,376
	11,857	12,347	**12,014**	12,382
Average Revenue per Resident Day by Payor Source (excluding prior period settlement adjustments) *(US$)*				
Medicare Part A only	**$471.20**	$466.23	**$470.66**	$458.90
Medicare (Parts A and B)	**517.06**	519.37	**512.74**	508.41
Managed Care	**448.82**	434.35	**442.69**	430.21
Private/other	**241.26**	237.80	**243.49**	235.29
Medicaid	**199.76**	190.42	**198.48**	187.32
Weighted average	**267.29**	260.47	**268.75**	257.72
Average Occupancy (excluding managed centers) (same-facility basis)				
U.S. skilled nursing centers	**82.0 %**	85.0 %	**83.1 %**	85.1 %
U.S. assisted living centers	**78.6**	71.0	**78.7**	68.0
Canadian centers	**98.0**	97.9	**97.7**	97.7
Purchase of Property, Equipment and Software *(thousands)*				
Growth expenditures	**$3,681**	$15,479	**$28,149**	$29,921
Facility maintenance	**5,532**	8,704	**15,984**	20,806
Deduct: capitalized interest	**(351)**	(157)	**(1,173)**	(347)
	$8,862	$24,026	**$42,960**	$50,380
Segmented Adjusted Funds from Operations *(thousands)*				
United States *(US$)*	**$8,678**	$934	**$30,098**	$30,636
United States *(C$)*	**9,045**	835	**30,806**	30,708
Canada	**11,335**	10,325	**29,897**	27,099
	$20,380	$11,160	**$60,703**	$57,807
Average U.S./Cdn. dollar exchange rate	***1.0385***	*0.9956*	***1.0235***	*1.0023*

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, 2013 and 2012.[1]

(in thousands of Canadian dollars unless otherwise noted)	**Three months ended September 30**		**Nine months ended September 30**	
	2013	**2012**	**2013**	**2012**
Adjusted EBITDA from continuing operations	**42,992**	37,305	**123,590**	130,315
Depreciation for furniture, fixtures, equipment and computers	**(5,510)**	(5,717)	**(16,611)**	(17,832)
Accretion costs	**(850)**	(541)	**(2,517)**	(1,607)
Interest expense, net	**(15,207)**	(15,432)	**(44,193)**	(46,424)
	21,425	15,615	**60,269**	64,452
Current income tax expense [2]	**(3,786)**	(3,413)	**(8,048)**	(9,348)
FFO (continuing operations)	**17,639**	12,202	**52,221**	55,104
Amortization of financing costs	**1,894**	1,253	**5,406**	3,608
Principal portion of government capital funding payments	**869**	692	**2,449**	2,069
Additional maintenance capital expenditures [3]	**(22)**	(2,987)	**627**	(2,974)
AFFO (continuing operations)	**20,380**	11,160	**60,703**	57,807
AFFO (discontinued operations)	**-**	-	**-**	-
AFFO	**20,380**	11,160	**60,703**	57,807
Per Basic Share/Unit ($)				
FFO (continuing operations)	**0.203**	0.143	**0.603**	0.650
AFFO (continuing operations)	**0.235**	0.130	**0.701**	0.682
AFFO	**0.235**	0.130	**0.701**	0.682
Per Diluted Share/Unit ($)				
FFO (continuing operations)	**0.197**	0.145	**0.588**	0.626
AFFO (continuing operations)	**0.217**	0.134	**0.660**	0.653
AFFO	**0.217**	0.134	**0.660**	0.653
Distributions declared	**10,435**	17,922	**41,561**	53,476
Distributions declared per share/unit ($)	**0.1200**	0.2100	**0.4800**	0.6300
Basic weighted average number of shares/units *(thousands)*	**86,922**	85,260	**86,603**	84,806
Diluted weighted average number of shares/units *(thousands)*	**103,892**	99,604	**103,573**	98,797

(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 September 30**		**Nine months ended September 30**	
(in thousands of Canadian dollars)	**2013**	**2012**	**2013**	**2012**
Net cash from operating activities	**27,600**	31,144	**73,492**	67,463
Add (Deduct):				
Net change in operating assets and liabilities, including interest and taxes	**(941)**	1,606	**(3,177)**	7,292
Current tax on fair value adjustments, gain/loss on foreign exchange, financial instruments, asset impairment, disposals and other items	**-**	(613)	**(171)**	19,677
Net provisions and payments for self-insured liabilities	**(1,619)**	(13,067)	**3,761**	(17,684)
Depreciation for furniture, fixtures, equipment and computers	**(5,510)**	(5,717)	**(16,611)**	(17,832)
Principal portion of government capital funding payments	**869**	692	**2,449**	2,069
Other	**3**	102	**333**	(204)
Additional maintenance capital expenditures	**(22)**	(2,987)	**627**	(2,974)
AFFO	**20,380**	11,160	**60,703**	57,807