EXTENDICARE

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NEWS RELEASE

FOR IMMEDIATE RELEASE
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Extendicare Announces 2013 Second Quarter Results

MARKHAM, ONTARIO – Extendicare Inc. (“Extendicare” or the “Company”) (TSX: EXE) today reported results for the three and six months ended June 30, 2013. Results are presented in Canadian dollars unless otherwise noted.

HIGHLIGHTS (variances exclude effect of foreign exchange)

Q2 Financial Results

- Revenue of $498.6 million in Q2 2013 essentially flat over Q2 2012, except for the impact of the exit from Kentucky in 2012.
- Average daily revenue rates for Medicare Part A and Managed Care in Q2 2013 increased by 2.0% and 2.2%, respectively, over Q2 2012, and the Medicare Part A rate decreased by 2.5% while the Managed Care rate was relatively flat over Q1 2013.
- Adjusted EBITDA was $41.5 million in Q2 2013, representing a decline of $2.5 million over Q2 2012, and an improvement of $2.0 million over Q1 2013.
- Adjusted EBITDA margin was unchanged at 8.3% in Q2 2013 compared to Q2 2012 and improved over 7.9% in Q1 2013.
- AFFO was $22.1 million ($0.255 per basic share) in Q2 2013 compared to $19.5 million ($0.230 per basic share) in Q2 2012 and $18.2 million ($0.211 per basic share) in Q1 2013.
- Distributions in the first six months of 2013 totalled $31.1 million, or $0.36 per share, representing approximately 77% of AFFO for the same period.
- Declares August dividend of $0.04 per share.

“In the second quarter of 2013, Extendicare recorded results that we believe reflect the ongoing challenges in the U.S. economy and health care sector,” said Tim Lukenda, President and CEO of Extendicare. “We continue to take the necessary steps to adapt to the changing circumstances and manage the issues within our control.”

“In 2013, Extendicare made further strategic investments to enhance its Canadian operations with the opening of a new 256-bed nursing center in Sault Ste. Marie, Ontario in April and the soon to be completed 180-bed facility in Timmins, Ontario, scheduled to open in October, to better serve the needs of residents in these communities.”

“Our commitment to quality and achievement in the U.S. health care profession was once again recognized by winning a total of six *Silver – Achievement in Quality* awards and 13 *Bronze – Commitment to Quality* awards presented by the American Health Care Association. This brings the total awards won by our U.S. nursing centers to nine silver and 106 bronze, demonstrating our determination to deliver quality care to our customers,” Lukenda added.

PROVISION FOR SELF-INSURED LIABILITIES

The results of our independent actuarial review completed during the 2013 second quarter necessitated the continued strengthening of our reserves this quarter. For the first half of 2013, we recorded a provision for self-insured liabilities of US$18.6 million (US$9.4 million in the first quarter and US$9.2 million in the second quarter). Approximately US$7.1 million of the US$18.6 million provision recorded in the first half of 2013 related to our former Kentucky operations, as we continue to process the settlement of those claims. The balance of the provision of US$11.5 million is management's best estimate for the ultimate cost to resolve both known claims and claims that have been incurred but not yet reported in the first half of 2013. It was anticipated that following the exit from Kentucky, our provision for self-insured liabilities would reduce to a level of approximately US$12 million annually. However, the projected reduction did not occur due to an increase in claims in other states.

MEDICARE UPDATES

The U.S. Centers for Medicare & Medicaid Services (CMS) announced on July 31, 2013, that the net market basket increase to be implemented October 1, 2013 will be 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.

As previously reported, sequestration triggered automatic Medicare funding cuts of 2% effective April 1, 2013. Sequestration will remain in effect through to 2021, pending legislative changes. We estimate that this 2% funding cut has reduced our Medicare and Managed Care revenue by approximately US$7.1 million per annum.

As well, our Medicare Part B ancillary revenue has been reduced by the implementation on April 1, 2013 of a change in the multiple procedure payment reduction (MPPR) percentage from 25% to 50%. We estimate that this has reduced our revenue by approximately US$2.7 million per annum.

The reduction in the percentage of recognized reimbursable bad debts for Part A co-insurance from 100% to 88% effective January 1, 2013, is estimated to have reduced our Medicare Part A revenue by approximately US$1.3 million in the first half of 2013, or US$2.7 million per annum.

MEL RHINELANDER TO STEP DOWN AS CHAIRMAN BY THE END OF THE YEAR

Mel Rhinelander, the Chairman of Extendicare, today announced that he will be stepping down as Chairman by the end of the year, but will remain a member of the board of directors of Extendicare (the "Board"). Mr. Rhinelander has been serving as Chairman since December 2008 and has been a director since May 2000. The Board has approved Benjamin J. Hutzel to replace Mr. Rhinelander as Chairman at that time. Mr. Hutzel is a retired partner of Bennett Jones LLP and has been serving as a director of the Company since May 2010.

2013 SECOND QUARTER FINANCIAL REVIEW

TABLE 1	**Q2**	**Q2**	**Q1**
(millions of dollars unless otherwise noted)	**2013**	**2012**	**2013**
Revenue			
U.S. operations (US$)	**304.7**	339.5	313.7
U.S. operations (C$)	**311.9**	343.1	316.3
Canadian operations	**186.7**	181.6	181.6
Total Revenue	**498.6**	524.7	497.9
Adjusted EBITDA (1)			
U.S. operations (US$)	**23.3**	26.3	23.5
U.S. operations (C$)	**23.8**	26.5	23.7
Canadian operations	**17.7**	17.1	15.4
Total Adjusted EBITDA	**41.5**	43.6	39.1
Adjusted EBITDA margin	**8.3%**	8.3%	7.9%
Average U.S./Canadian dollar exchange rate	**1.0234**	1.0103	1.0083

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

2013 Second Quarter Comparison to 2012 Second Quarter

Consolidated revenue from continuing operations declined by $30.2 million this quarter, excluding a $4.1 million positive effect of a weaker Canadian dollar. The impact of leasing out our Kentucky centers in the latter half of 2012 together with the impact of opening a new nursing center in Sault Ste. Marie, Ontario (collectively referred to as “non same-facility operations”), resulted in lower revenue of $30.1 million between periods. Revenue from our remaining operations (referred to as “same-facility operations”) declined by $0.1 million, due to lower revenue from our U.S. operations, partially offset by an improvement from our Canadian operations.

Revenue from U.S. operations declined by US$34.8 million to US$304.7 million in the 2013 second quarter compared to US$339.5 million in the 2012 second quarter. Non same-facility operations generated revenue of US$3.7 million this quarter compared to US$33.7 million in the 2012 second quarter, for a net decline of US$30.0 million. Revenue from same-facility operations declined by US$4.8 million between periods, primarily due to the impact of lower census levels of US$10.3 million and lower other revenue of US$2.9 million, partially offset by a net increase in average rates of US$8.4 million. Our same-facility average daily census (ADC) was lower by 409 this quarter from the 2012 second quarter, and included a decline in Medicaid ADC of 291 and Skilled Mix ADC of 138. Our same-facility Skilled Mix ADC represented 22.2% of residents this quarter compared to 22.6% in the 2012 second quarter.

Revenue from Canadian operations grew by $5.1 million to $186.7 million in the 2013 second quarter from $181.6 million in the 2012 second quarter. During the 2013 second quarter we opened our newly built nursing center in Sault Ste. Marie (256 beds). We previously operated three nursing centers in the area (363 beds). Residents from the three existing centers were transferred to the new facility, resulting in the closure of two centers and downsizing of the third. We now operate two nursing centers in Sault Ste. Marie (356 beds). For purposes of discussing the variance in results, all four of the Sault Ste. Marie nursing centers (two closed, one existing and one new) are considered “non same-facility operations”. The non same-facility operations generated revenue of $6.1 million this quarter compared to $5.8 million in the 2012 second quarter, for a net increase of $0.3 million. Revenue from same-facility operations improved by $4.8 million between periods, primarily due to funding enhancements and higher home health care volumes.

Consolidated Adjusted EBITDA from continuing operations was $41.5 million this quarter compared to $43.6 million in the 2012 second quarter, representing 8.3% of revenue in both quarters. Excluding a $0.4 million positive effect of a weaker Canadian dollar, Adjusted EBITDA declined by $2.5 million, of which $1.4 million was from non-same facility operations. Adjusted EBITDA from same-facility operations declined by $1.1 million, due to a reduction from our U.S. operations, partially offset by an improvement from our Canadian operations, as discussed below.

Adjusted EBITDA from U.S. operations was US$23.3 million this quarter compared to US$26.3 million in the 2012 second quarter, representing 7.6% and 7.7% of revenue, respectively. Adjusted EBITDA from non same-facility operations declined by US$1.0 million (US$4.0 million contribution this quarter compared to US$5.0 million in the same 2012 period). Adjusted EBITDA from same-facility operations declined by US$2.0 million as a result of lower revenue of US$4.8 million partially offset by lower costs of US$2.8 million. Operating, administrative and lease costs from same-facility operations declined by US$2.8 million, primarily due to lower labour-related costs of US$2.0 million and other net cost declines of US$0.8 million.

Adjusted EBITDA from Canadian operations was $17.7 million this quarter compared to $17.1 million in the 2012 second quarter, representing 9.5% and 9.4% of revenue, respectively. Adjusted EBITDA from non same-facility operations declined by $0.3 million ($0.3 million contribution this quarter compared to $0.6 million in the same 2012 period). This was primarily due to start-up costs in opening the new nursing center and timing of spending under the Ontario envelope system. Adjusted EBITDA from same-facility operations improved by $0.9 million as a result of revenue improvements of $4.8 million, partially offset by cost increases of $3.9 million, which included higher labour-related costs of $4.2 million.

2013 Second Quarter Comparison to 2013 First Quarter

In comparison to the 2013 first quarter, consolidated revenue from continuing operations in the 2013 second quarter declined by $4.0 million, excluding a $4.7 million positive effect of a weaker Canadian dollar, primarily due to a decline in U.S. census levels and U.S. funding reductions, partially offset by an additional day this quarter, improvements in home health care volumes and Canadian long-term care funding enhancements.

Consolidated Adjusted EBITDA from continuing operations was $41.5 million this quarter compared to $39.1 million in the 2013 first quarter, representing 8.3% and 7.9% of revenue, respectively. Excluding a $0.4 million positive effect of a weaker Canadian dollar, Adjusted EBITDA increased by $2.0 million between periods, with improvements from the Canadian operations, partially offset by a decline from the U.S. operations, as discussed below.

Adjusted EBITDA from U.S. operations was US$23.3 million this quarter compared to US$23.5 million in the 2013 first quarter, representing 7.6% and 7.5% of revenue, respectively. This decline of US$0.2 million resulted from lower revenue of US$9.0 million, partially offset by cost savings of US$8.8 million. Revenue was unfavourably impacted by lower census of US$10.4 million, lower average rates of US$0.4 million and other items of US$1.3 million, partially offset by the impact of one additional day this quarter of US$3.1 million. Our ADC was lower by 306 this quarter from the 2013 first quarter, primarily due to lower Skilled Mix ADC of 219 and lower Medicaid ADC of 134, partially offset by higher private/other ADC of 47. Our Skilled Mix ADC represented 22.2% of residents this quarter compared to 23.5% in the 2013 first quarter. Operating, administrative and lease costs declined by US$8.8 million, primarily due to a combination of seasonality and lower census levels. Labour-related costs were lower by US$5.2 million, primarily due to a seasonal decline in payroll taxes, and utility costs were lower by US$1.1 million.

Adjusted EBITDA from Canadian operations improved by $2.3 million to $17.7 million this quarter from $15.4 million in the 2013 first quarter, representing 9.5% and 8.5% of revenue, respectively. An increase in revenue of $5.1 million was primarily due to higher home care volumes, an extra day this quarter, and long-term care funding enhancements effective April 1, 2013. These revenue improvements were partially offset by higher costs of $2.8 million, which included labour-related cost increases of $2.2 million.

2013 SIX MONTH FINANCIAL REVIEW

TABLE 2 *(millions of dollars unless otherwise noted)*	Six months ended June 30 2013	 2012
Revenue		
U.S. operations (US$)	**618.4**	679.2
U.S. operations (C$)	**628.2**	683.1
Canadian operations	**368.3**	358.8
Total Revenue	**996.5**	1,041.9
Adjusted EBITDA [1]		
U.S. operations (US$)	**46.8**	60.0
U.S. operations (C$)	**47.5**	60.3
Canadian operations	**33.1**	32.7
Total Adjusted EBITDA	**80.6**	93.0
Adjusted EBITDA margin	**8.1%**	8.9%
Average U.S./Canadian dollar exchange rate	**1.0159**	1.0057

[1] Refer to discussion of non-GAAP measures.

Consolidated revenue from continuing operations in the first half of 2013 declined by $51.7 million, excluding a $6.3 million positive effect of the weaker Canadian dollar. Non same-facility operations contributed $60.2 million to the decline in revenue between periods. Revenue from same-facility operations grew by $8.5 million, with an improvement from the Canadian operations of $9.1 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 $12.9 million, excluding a $0.5 million positive effect of the weaker Canadian dollar, and was 8.1% and 8.9% of revenue, respectively. Non same-facility operations contributed $2.8 million to the decline in Adjusted EBITDA between periods. Adjusted EBITDA from same-facility operations declined by $10.1 million, primarily due to a decline from the U.S. operations of $10.8 million partially offset by an improvement from the Canadian operations of $0.7 million, as discussed below.

Adjusted EBITDA from U.S. operations declined by US$13.2 million to US$46.8 million in the first six months of 2013 from US$60.0 million in the same 2012 period, representing 7.6% and 8.8% of revenue, respectively. Adjusted EBITDA from non same-facility operations was lower by US$2.4 million between periods (US$7.7 million in the first half of 2013 compared to US$10.1 million in the same 2012 period). Adjusted EBITDA from same-facility operations declined by US$10.8 million as a result of lower revenue of US$0.6 million and higher operating, administrative and lease costs of US$10.2 million. Revenue declined by US$0.6 million due to lower census levels of US$13.5 million, one less day this year of US$3.0 million, and other items of US$3.5 million, partially offset by higher average funding rates of US$19.4 million. Increased costs from same-facility operations of US$10.2 million included a higher provision for self-insured liabilities of US$7.4 million, a premium refund of US$3.5 million recognized in the 2012 first quarter, and a higher provision for bad debts of US$2.0 million, partially offset by a net decrease in other costs of US$2.7 million.

Adjusted EBITDA from Canadian operations improved by $0.4 million to $33.1 million in the first six months of 2013 from $32.7 million in the same 2012 period, representing 9.0% and 9.1% of revenue, respectively. Non same-facility operations contributed Adjusted EBITDA of $0.8 million this period compared to $1.1 million in the first six months of 2012, for a net decline of $0.3 million between periods. Same-facility operations improved by $0.7 million resulting from higher revenue of $9.1 million partially offset by higher costs of $8.4 million. Revenue improvements resulted from enhanced funding and increased home health care volumes, while cost increases included higher labour-related costs of $8.0 million.

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

AFFO was $22.1 million ($0.255 per basic share) in the 2013 second quarter compared to $19.5 million ($0.230 per basic share) in the 2012 second quarter, representing an increase of $2.5 million, excluding a $0.1 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 $1.6 million, reduced net interest costs and lower current income taxes, partially offset by lower Adjusted EBITDA of $2.5 million. Net interest costs were lower by $0.9 million as a result of our debt refinancing. Current income taxes for the 2013 second quarter were $0.9 million compared to $3.0 million in the 2012 second quarter, representing 4.2% and 14.0% of pre-tax funds from operations (FFO), respectively. The decline in the FFO effective tax rate was primarily due to lower withholding tax on cross border dividends (nil this quarter compared to $1.3 million in the 2012 second quarter) and favourable changes in deferred timing differences.

In comparison to AFFO in the 2013 first quarter of $18.2 million ($0.211 per basic share), AFFO this quarter improved by $3.7 million, excluding a $0.2 million positive effect of a weaker Canadian dollar. This improvement was primarily due to higher Adjusted EBITDA of $2.0 million and lower current income taxes, partially offset by the timing of facility maintenance capital expenditures, which were higher by $0.9 million. Current income taxes for the 2013 second quarter were $0.9 million compared to $3.4 million in the 2013 first quarter, representing 4.2% and 18.6% of pre-tax FFO, respectively. The decline in the FFO effective tax rate was primarily due to favourable changes in deferred tax timing differences and lower withholding tax on cross border dividends (nil this quarter compared to $0.5 million in the 2013 first quarter).

For the first six months of 2013, AFFO was $40.3 million ($0.466 per basic share), compared to $46.6 million ($0.552 per basic share) in the same 2012 period, representing a decline of $6.5 million, excluding a $0.2 million positive effect of a weaker Canadian dollar. This decline was primarily due to lower Adjusted EBITDA of $12.9 million, partially offset by the timing of facility maintenance capital expenditures, which were lower by $1.7 million, lower interest costs of $2.7 million due to our debt refinancing, and lower current income taxes. Current income taxes for the first half of 2013 represented 11.0% of pre-tax FFO compared to 12.2% in the first half 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 13.2% of pre-tax FFO for the first half of 2013 compared to 16.2% 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 first half of 2012) and favourable changes in deferred 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 8% to 10%.

Facility maintenance capital expenditures were $5.8 million in the 2013 second quarter, compared to $7.3 million in the 2012 second quarter and $4.7 million in the 2013 first quarter, representing 1.2%, 1.4% and 0.9% of revenue, respectively. For the first half of 2013, facility maintenance capital expenditures totalled $10.5 million compared to $12.1 million in the same 2012 period, representing 1.0%

and 1.2% 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 $35 million to $40 million in facility maintenance capital expenditures and $33 million to $38 million in growth capital expenditures.

Distributions declared in the first half of 2013 totalled $31.1 million, or $0.36 per share, representing approximately 77% of AFFO of $40.3 million, or $0.466 per basic share, compared to approximately 76% in the same 2012 period.

U.S. OPERATIONS KEY METRICS

Skilled Nursing Facility Revenue Rates

Our average daily Medicare Part A and Managed Care rates this quarter, excluding prior period settlement adjustments, were US$464.30 and US$440.04, respectively. Compared to the 2012 second quarter levels, these average rates increased by 2.0% and 2.2%, respectively, primarily due to improvements in acuity mix, partially offset by a reduction in co-insurance reimbursement. In comparison to the 2013 first quarter levels, the Medicare Part A rate decreased by 2.5%, while the Managed Care rate remained relatively unchanged. The Medicare and Managed Care rates were unfavourably impacted by the sequestration funding reduction of 2.0% effective April 1, 2013.

Our average daily Medicaid rate, excluding prior period settlement adjustments, increased this quarter by 5.5% to US$197.14 over US$186.83 in the 2012 second quarter, and by 0.9% from US$195.39 in the 2013 first quarter. However, revenue from Medicaid rate increases was partially offset by higher state provider taxes, resulting in a net increase of 4.9% this quarter in comparison to the 2012 second quarter. 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 second quarter over the 2012 second quarter was 3.2%.

Total and Skilled Census

Our same-facility ADC of 11,948 in the 2013 second quarter was 409 below the 2012 second quarter level of 12,357 due to lower Medicaid ADC of 291 and lower Skilled Mix ADC of 138, partially offset by higher private/other ADC of 20. In comparison to the 2013 first quarter, our same-facility ADC declined by 306 due to lower Skilled Mix ADC of 219 and lower Medicaid ADC of 134, partially offset by higher private/other ADC of 47. Our average same-facility occupancy was 82.6% this quarter compared to 84.8% in the 2012 second quarter, and 84.6% in the 2013 first quarter.

Our same-facility Skilled Mix ADC represented 22.2% of our residents in the 2013 second quarter compared to 22.6% in the 2012 second quarter and 23.5% in the 2013 first quarter.

AUGUST 2013 DIVIDEND DECLARED

The Board of Directors of Extendicare today declared a cash dividend of $0.04 per share for the month of August 2013, which is payable on September 16, 2013 to shareholders of record at the close of business on August 30, 2013. This dividend is designated as an "eligible dividend" within the meaning of the Income Tax Act (Canada).

CONFERENCE CALL AND WEBCAST

On August 9, 2013, at 10:00 a.m. (ET), we will hold a conference call to discuss our 2013 second 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 August 23,

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 35,900 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 246 senior care centers in North America have capacity to care for approximately 27,100 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 June 30		Six months ended June 30	
	2013	**2012**	**2013**	**2012**
Revenue				
Nursing and assisted living centers				
United States	**298,337**	332,179	**601,101**	662,284
Canada	**139,959**	136,551	**277,366**	270,471
Home health − Canada	**44,045**	42,908	**86,108**	84,392
Health technology services − United States	**5,745**	6,743	**11,253**	12,305
Outpatient therapy − United States	**3,290**	3,541	**6,674**	7,197
Rent, management, consulting and other services	**7,145**	2,764	**13,976**	5,225
Total revenue	**498,521**	524,686	**996,478**	1,041,874
Operating expenses	**438,011**	462,321	**877,854**	911,111
Administrative costs	**16,358**	15,961	**32,545**	32,173
Lease costs	**2,697**	2,767	**5,481**	5,580
Total expenses	**457,066**	481,049	**915,880**	948,864
Adjusted EBITDA (1)	**41,455**	43,637	**80,598**	93,010
Depreciation and amortization	**19,404**	19,455	**38,450**	38,810
Loss from asset impairment, disposals and other items	**717**	2,810	**728**	3,450
Earnings before net finance costs and income taxes	**21,334**	21,372	**41,420**	50,750
Finance costs				
Interest expense	**15,757**	15,966	**31,446**	32,805
Interest income	**(1,278)**	(1,091)	**(2,460)**	(1,813)
Accretion costs	**839**	535	**1,667**	1,066
Fair value adjustments	**(1,044)**	(120)	**(2,654)**	(5,107)
Loss on foreign exchange and financial instruments	**-**	1,103	**518**	1,103
Net finance costs	**14,274**	16,393	**28,517**	28,054
Earnings before income taxes	**7,060**	4,979	**12,903**	22,696
Income tax expense (recovery)				
Current	**697**	2,046	**4,091**	4,899
Deferred	**1,262**	(742)	**(135)**	(354)
	1,959	1,304	**3,956**	4,545
Earnings from continuing operations	**5,101**	3,675	**8,947**	18,151
Discontinued operations	**-**	-	**-**	34,530
Net earnings	**5,101**	3,675	**8,947**	52,681
Earnings from continuing operations	**5,101**	3,675	**8,947**	18,151
Add (deduct):				
Fair value adjustment on convertible debentures, net of tax	**(1,044)**	(120)	**(2,654)**	(5,107)
Loss on foreign exchange and financial instruments, net of tax	**-**	1,103	**518**	1,103
Loss from asset impairment, disposals and other items, net of tax	**492**	1,726	**500**	2,149
Earnings from continuing operations before separately reported items	**4,549**	6,384	**7,311**	16,296

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

Extendicare Inc.
Consolidated Statements of Financial Position

(in thousands of Canadian dollars, unless otherwise noted)	**June 30 2013**	**December 31 2012**
Assets		
Current assets		
Cash and short-term investments	**70,943**	71,398
Restricted cash	**24,703**	28,680
Accounts receivable, less allowance	**201,517**	209,518
Income taxes recoverable	**6,286**	4,149
Other current assets	**35,543**	31,408
Total current assets	**338,992**	345,153
Non-current assets		
Property and equipment, *including construction-in-progress of $30,872 and $62,688, respectively*	**1,205,014**	1,181,596
Goodwill and other intangible assets	**84,172**	82,793
Other assets	**197,398**	176,457
Deferred tax assets	**19,233**	21,917
Total non-current assets	**1,505,817**	1,462,763
Total Assets	**1,844,809**	1,807,916
Liabilities and Equity		
Current liabilities		
Accounts payable	**34,459**	35,508
Accrued liabilities	**192,107**	202,913
Accrual for self-insured liabilities	**22,877**	21,888
Current portion of long-term debt	**180,457**	93,448
Income taxes payable	**10,792**	9,377
Total current liabilities	**440,692**	363,134
Non-current liabilities		
Provisions	**28,899**	26,851
Accrual for self-insured liabilities	**73,119**	74,042
Long-term debt	**987,719**	1,038,787
Other long-term liabilities	**46,389**	48,025
Deferred tax liabilities	**211,229**	202,417
Total non-current liabilities	**1,347,355**	1,390,122
Total liabilities	**1,788,047**	1,753,256
Shareholders' equity	**56,762**	54,660
Total Liabilities and Equity	**1,844,809**	1,807,916
Closing U.S./Cdn. dollar exchange rate	***1.0518***	*0.9949*

Extendicare Inc.
Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Three months ended June 30		Six months ended June 30	
	2013	**2012**	**2013**	**2012**
Operating Activities				
Net earnings	**5,101**	3,675	**8,947**	52,681
Adjustments for:				
Depreciation and amortization	**19,404**	19,455	**38,450**	38,810
Provision for self-insured liabilities	**9,365**	11,463	**18,885**	17,330
Payments for self-insured liabilities	**(16,443)**	(7,954)	**(24,265)**	(12,713)
Deferred taxes	**1,262**	(737)	**(135)**	(451)
Current taxes	**697**	2,042	**4,091**	26,225
Loss from asset impairment, disposals and other items	**717**	2,810	**728**	3,450
Gain from asset disposals from discontinued operations	**-**	-	**-**	(55,759)
Net finance costs	**14,274**	16,393	**28,517**	28,054
Interest capitalized	**(242)**	(134)	**(822)**	(190)
Other	**(2)**	(44)	**(330)**	306
	34,133	46,969	**74,066**	97,743
Net change in operating assets and liabilities				
Accounts receivable	**22,844**	6,662	**22,912**	15,361
Other current assets	**(1,847)**	(834)	**(2,956)**	(3,616)
Accounts payable and accrued liabilities	**(19,456)**	(6,144)	**(16,231)**	(27,171)
	35,674	46,653	**77,791**	82,317
Interest paid	**(14,401)**	(18,793)	**(29,153)**	(31,476)
Interest received	**1,278**	1,089	**2,468**	1,765
Income taxes paid	**(660)**	(10,098)	**(5,214)**	(16,287)
Net cash from operating activities	**21,891**	18,851	**45,892**	36,319
Investing Activities				
Purchase of property, equipment and software	**(17,890)**	(16,895)	**(34,098)**	(26,354)
Net proceeds from dispositions	**-**	-	**-**	56,323
Other assets	**185**	(143)	**(406)**	(3,639)
Net cash from investing activities	**(17,705)**	(17,038)	**(34,504)**	26,330
Financing Activities				
Issue of long-term debt, excluding line of credit	**46,989**	14,293	**56,245**	158,281
Repayment of long-term debt, excluding line of credit	**(41,321)**	(8,030)	**(49,978)**	(123,471)
Issue on line of credit	**-**	272	**-**	59,326
Repayment on line of credit	**-**	(11,097)	**-**	(106,191)
Decrease (increase) in restricted cash	**(2,265)**	245	**3,977**	(6,529)
Decrease (increase) in investments held for self-insured liabilities	**5,469**	(1,680)	**4,983**	(16,526)
Dividends/distributions paid	**(12,772)**	(14,354)	**(27,473)**	(28,378)
Financing costs	**(1,449)**	(2,621)	**(1,821)**	(5,679)
Other	**32**	20	**66**	6
Net cash from financing activities	**(5,317)**	(22,952)	**(14,001)**	(69,161)
Decrease in cash and cash equivalents	**(1,131)**	(21,139)	**(2,613)**	(6,512)
Cash and cash equivalents at beginning of period	**70,621**	93,544	**71,398**	80,018
Foreign exchange gain (loss) on cash held in foreign currency	**1,453**	1,028	**2,158**	(73)
Cash and cash equivalents at end of period	**70,943**	73,433	**70,943**	73,433

Extendicare Inc.
Financial and Operating Statistics

(amounts in Canadian dollars, unless otherwise noted)	**Three months ended June 30**		**Six months ended June 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)	**29.9 %**	32.0 %	**31.0 %**	32.1 %
Managed Care	**10.7**	10.3	**10.8**	10.6
Skilled mix	**40.6**	42.3	**41.8**	42.7
Private/other	**9.6**	9.1	**9.2**	9.0
Quality mix	**50.2**	51.4	**51.0**	51.7
Medicaid	**49.8**	48.6	**49.0**	48.3
	100.0	100.0	**100.0**	100.0
Average Daily Census by Payor Source (same-facility basis)				
Medicare	**1,887**	2,026	**1,971**	2,032
Managed Care	**770**	769	**795**	797
Skilled mix	**2,657**	2,795	**2,766**	2,829
Private/other	**1,256**	1,236	**1,233**	1,230
Quality mix	**3,913**	4,031	**3,999**	4,059
Medicaid	**8,035**	8,326	**8,101**	8,348
	11,948	12,357	**12,100**	12,407
Average Revenue per Resident Day by Payor Source (excluding prior period settlement adjustments) (US$)				
Medicare Part A only	**$ 464.30**	$ 455.25	**$ 470.41**	$ 455.78
Medicare (Parts A and B)	**504.22**	502.54	**510.77**	503.73
Managed Care	**440.04**	430.66	**439.74**	428.28
Private/other	**244.29**	236.02	**244.65**	234.09
Medicaid	**197.14**	186.83	**196.26**	185.91
Weighted average	**266.26**	256.75	**268.42**	256.48
Average Occupancy (excluding managed centers) (same-facility basis)				
U.S. skilled nursing centers	**82.6 %**	84.8 %	**83.6 %**	85.0 %
U.S. assisted living centers	**78.5**	68.4	**78.7**	66.4
Canadian centers	**97.6**	97.7	**97.5**	97.5
Purchase of Property, Equipment and Software *(thousands)*				
Growth expenditures	**$12,399**	$9,707	**$24,468**	$14,442
Facility maintenance	**5,733**	7,322	**10,452**	12,102
Deduct: capitalized interest	**(242)**	(134)	**(822)**	(190)
	$17,890	$16,895	**$34,098**	$26,354
Segmented Adjusted Funds from Operations *(thousands)*				
United States *(US$)*	**$11,631**	$10,225	**$21,420**	$29,702
United States *(C$)*	**11,893**	10,376	**21,761**	29,873
Canada	**10,207**	9,128	**18,562**	16,774
	$22,100	$19,504	**$40,323**	$46,647
Average U.S./Cdn. dollar exchange rate	***1.0234***	*1.0103*	***1.0159***	*1.0057*

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 June 30, 2013 and 2012.[(1)]

(in thousands of Canadian dollars unless otherwise noted)	**Three months ended June 30**		**Six months ended June 30**	
	2013	**2012**	**2013**	**2012**
Adjusted EBITDA from continuing operations	**41,455**	43,637	**80,598**	93,010
Depreciation for furniture, fixtures, equipment and computers	**(5,504)**	(6,318)	**(11,101)**	(12,115)
Accretion costs	**(839)**	(535)	**(1,667)**	(1,066)
Interest expense, net	**(14,479)**	(14,875)	**(28,986)**	(30,992)
	20,633	21,909	**38,844**	48,837
Current income tax expense [(2)]	**(868)**	(3,073)	**(4,262)**	(5,935)
FFO (continuing operations)	**19,765**	18,836	**34,582**	42,902
Amortization of financing costs	**1,714**	985	**3,512**	2,355
Principal portion of government capital funding payments	**850**	687	**1,580**	1,377
Additional maintenance capital expenditures [(3)]	**(229)**	(1,004)	**649**	13
AFFO (continuing operations)	**22,100**	19,504	**40,323**	46,647
AFFO (discontinued operations)	**-**	-	**-**	-
AFFO	**22,100**	19,504	**40,323**	46,647
Per Basic Share/Unit ($)				
FFO (continuing operations)	**0.228**	0.222	**0.400**	0.507
AFFO (continuing operations)	**0.255**	0.230	**0.466**	0.552
AFFO	**0.255**	0.230	**0.466**	0.552
Per Diluted Share/Unit ($)				
FFO (continuing operations)	**0.219**	0.214	**0.391**	0.481
AFFO (continuing operations)	**0.240**	0.221	**0.443**	0.519
AFFO	**0.240**	0.221	**0.443**	0.519
Distributions declared	**13,004**	17,825	**31,126**	35,554
Distributions declared per share/unit ($)	**0.1500**	0.2100	**0.3600**	0.4200
Basic weighted average number of shares/units *(thousands)*	**86,658**	84,805	**86,441**	84,576
Diluted weighted average number of shares/units *(thousands)*	**103,628**	98,618	**103,411**	98,389

(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 June 30**		**Six months ended June 30**	
(in thousands of Canadian dollars)	**2013**	**2012**	**2013**	**2012**
Net cash from operating activities	**21,891**	18,851	**45,892**	36,319
Add (Deduct):				
Net change in operating assets and liabilities, including interest and taxes	**(1,817)**	11,785	**(2,236)**	5,686
Current tax on fair value adjustments, gain/loss on foreign exchange, financial instruments, asset impairment, disposals and other items	**(171)**	(1,032)	**(171)**	20,290
Net provisions and payments for self-insured liabilities	**7,078**	(3,509)	**5,380**	(4,617)
Depreciation for furniture, fixtures, equipment and computers	**(5,504)**	(6,318)	**(11,101)**	(12,115)
Principal portion of government capital funding payments	**850**	687	**1,580**	1,377
Other	**2**	44	**330**	(306)
Additional maintenance capital expenditures	**(229)**	(1,004)	**649**	13
AFFO	**22,100**	19,504	**40,323**	46,647