EXTENDICARE

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NEWS RELEASE

FOR IMMEDIATE RELEASE
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Extendicare Announces 2013 First Quarter Results and Intent to Separate Canadian and U.S. Businesses

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

HIGHLIGHTS (variances exclude effect of foreign exchange)

Q1 Financial Results

- Revenue was $497.9 million in Q1 2013, representing a decline of $21.5 million over Q1 2012, primarily related to the planned exit from Kentucky in 2012, while same-facility operations grew by $8.7 million.
- Average daily revenue rates for Medicare Part A and Managed Care in Q1 2013 increased by 4.3% and 3.1%, respectively, over Q1 2012, and the Medicare Part A rate increased by 1.2%, while the Managed Care rate was flat, over Q4 2012.
- EBITDA was $39.1 million in Q1 2013, representing a decline of $10.4 million over Q1 2012, and a decrease of $14.1 million over Q4 2012.
- EBITDA margin was 7.9% in Q1 2013 compared to 9.5% in Q1 2012 and 10.7% in Q4 2012.
- AFFO was $18.2 million ($0.211 per basic share) in Q1 2013 compared to $27.1 million ($0.322 per basic share) in Q1 2012 and $26.8 million ($0.312 per basic share) in Q4 2012.
- Distributions in Q1 2013 totalled $18.1 million, or $0.21 per share, representing approximately 100% of AFFO for the same period.

"In the first quarter of 2013, Extendicare experienced disappointing financial and operational results in light of the continued uncertainty in the U.S. health care sector, the persisting weakness in the economy and ongoing changes taking place in the U.S. regulatory and funding environment, " said Tim Lukenda, President and CEO of Extendicare. "The health care industry is experiencing unprecedented economic and financial pressures that are likely to continue in the short term. Extendicare is responding to these challenges by staying focused on its strategic priorities of remaining financially flexible and stable, and delivering quality health care to our residents and managing our operations efficiently. This will ensure we are well positioned to adapt effectively to the demands of this evolving marketplace."

"As previously announced, Extendicare realigned its dividend to be less dependant on volatile U.S. cash flows, effective with the May dividend. We believe this to be a prudent decision to preserve the financial strength and flexibility of our organization," he added.

SEPARATION OF EXTENDICARE'S CANADIAN AND U.S. BUSINESSES

Extendicare also announced today that the board of directors of the Company (the "Board") has concluded that the Company should separate its U.S. and Canadian businesses. The complexities associated with the Company's cross border business mix and operations and the contrasting U.S. and Canadian senior care operating and regulatory environments have long presented challenges to the market in assessing the Company's valuation. The Company's U.S. and Canadian health care businesses, from the perspectives of future challenges and opportunities and the resultant strategies, capitalization, and operational approaches to respond to such differences, will continue to diverge. This divergence has been emphasized by the significant change in the U.S. operating environment due to U.S. health care and regulatory reform with its related federal and state spending cuts.

The Board has been reviewing strategic alternatives relating to the separation of the two businesses and has made substantial and significant progress to date to identify and execute on a realignment of the Company's businesses. Last year, the Board appointed a Strategic Committee to focus on this initiative which has retained CitiGroup Global Markets Inc., as a financial advisor. The Strategic Committee is in the process of evaluating the specific technique and form of the separation, which may take the form of a sale of the U.S. business or, alternatively, a distribution by the Company of the Canadian or U.S. business (which would give shareholders the flexibility to participate in two companies – one company, which would own and operate the Canadian business and a second company, which would own and operate the U.S. business). The Board will adopt the structure that it concludes would be in the best interests of the Company and its shareholders.

The Board expects that the separation of the Company's Canadian and U.S. businesses can be completed late this year. The timing will depend on the form of the separation and obtaining any necessary regulatory and shareholder approvals and rulings. Although the Board is optimistic that the separation will be completed by such time, no assurance can be given that the process will result in a separation of the two businesses or the timing or its terms.

While the Strategic Committee and the Board are undertaking the process of separating 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 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 meetings or on conference calls.

PROVISION FOR SELF-INSURED LIABILITIES

For the first quarter of 2013, we made provisions for self-insured liabilities of $9.5 million (US$9.4 million) compared to $5.8 million (US$5.8 million) in the first quarter of 2012. The level of provision recorded in the first quarter of this year was greater than anticipated. Our provision for self-insured liabilities of US$5.8 million in the first quarter of 2012 included an allocation of US$3.0 million for the Kentucky operations that we had anticipated would no longer be required following our exit from that state in mid-2012. However, this anticipated reduction did not occur, and as a result our provision for same-facility operations increased by US$6.6 million this quarter over the first quarter of 2012, of which approximately US$2.0 million resulted from Kentucky based claims settlements above our prior estimates and the remaining US$4.6 million due to an increase in claims in other states. As was the case last year, we did not conduct an independent actuarial review this quarter, and will be doing so in the second quarter of 2013.

2013 PRIVATEBANK LOAN REFINANCING

During the first quarter of 2013, we received six HUD-insured mortgage commitments totalling US$37.7 million with a weighted average interest rate of 3.66% (including mortgage insurance premiums of 0.65%) and a weighted average term to maturity of approximately 32 years. These HUD mortgages closed in April 2013, and the proceeds were used to repay our PrivateBank loans, which had an aggregate principal balance of US$33.8 million as at March 31, 2013.

MEDICARE UPDATES

Effective April 1, 2013, our Medicare Part A and Managed Care funding will be reduced by approximately US$7.1 million per annum, pursuant to a 2% automatic funding cut known as sequestration under the U.S. *Budget Control Act* enacted in 2011. The process of sequestration was to have begun on January 2, 2013, but was delayed until April 1, 2013, by the *American Taxpayer Relief Act of 2012* (ATRA).

In addition, the ATRA has delayed, until January 1, 2014, a 27% reduction of Medicare Part B rates previously scheduled to have commenced on January 1, 2013. The impact of the 27% Part B rate reduction on our therapy revenue was estimated to be US$11 million per annum. Representatives of the long-term care industry continue to have discussions with policymakers regarding the impact of the Part B fee reduction and therapy caps on access to care and quality of life for our residents.

2013 FIRST QUARTER FINANCIAL REVIEW

TABLE 1	**Q1**	**Q1**	**Q4**
(millions of dollars unless otherwise noted)	**2013**	**2012**	**2012**
Revenue			
U.S. operations (US$)	**313.7**	339.7	313.6
U.S. operations (C$)	**316.3**	340.0	310.8
Canadian operations	**181.6**	177.2	186.2
Total Revenue	**497.9**	517.2	497.0
EBITDA (1)			
U.S. operations (US$)	**23.5**	33.7	33.9
U.S. operations (C$)	**23.7**	33.8	33.7
Canadian operations	**15.4**	15.6	19.2
Total EBITDA	**39.1**	49.4	52.9
EBITDA margin	**7.9%**	9.5%	10.7%
Average U.S./Canadian dollar exchange rate	**1.0083**	1.0011	0.9916

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

2013 First Quarter Comparison to 2012 First Quarter

Consolidated revenue from continuing operations declined by $21.5 million this quarter, excluding a $2.2 million positive effect of a weaker Canadian dollar. The impact of leasing out our Kentucky centers in the latter half of 2012 (referred to as “non same-facility operations”), resulted in lower revenue of $30.2 million between periods. Growth in revenue from same-facility operations of $8.7 million was realized from both of our Canadian and U.S. operations.

Revenue from U.S. operations declined by US$26.0 million to US$313.7 million in the 2013 first quarter compared to US$339.7 million in the 2012 first quarter. Non same-facility operations generated revenue of US$3.7 million this quarter compared to US$33.9 million in the 2012 first quarter, for a net decline of US$30.2 million. Revenue from same-facility operations improved by US$4.2 million between periods, primarily due to the impact of higher average rates of US$10.9 million, partially offset by the impact of lower census levels of US$3.1 million, one less day this quarter of US$3.1 million and other lower revenue of US$0.5 million. Our same-facility average daily census (ADC) was lower by 202 this quarter from the 2012 first quarter, primarily due to a decline in Medicaid ADC of 201. Our same-facility Skilled Mix ADC represented 23.5% of residents this quarter compared to 23.0% in the 2012 first quarter.

Revenue from Canadian operations grew by $4.4 million to $181.6 million in the 2013 first quarter from $177.2 million in the 2012 first quarter, primarily due to funding enhancements and increased home health care volumes.

Consolidated EBITDA from continuing operations was $39.1 million this quarter compared to $49.4 million in the 2012 first quarter, and represented 7.9% and 9.5% of revenue, respectively. Excluding a $0.1 million positive effect of a weaker Canadian dollar, EBITDA declined by $10.4 million. Non-same facility operations contributed $3.8 million of EBITDA this quarter compared to $5.1 million in the 2012 first quarter, for a net decline of $1.3 million between periods. EBITDA from same-facility operations declined by $9.1 million, of which $8.9 million was from the U.S. operations and $0.2 million was from the Canadian operations, as discussed below.

EBITDA from U.S. operations was US$23.5 million this quarter compared to US$33.7 million in the 2012 first quarter, and represented 7.5% and 9.9% of revenue, respectively. Excluding a premium refund of US$3.5 million recognized in the 2012 first quarter, EBITDA declined by US$6.7 million between quarters. EBITDA from non same-facility operations declined by US$1.4 million (US$3.7 million contribution this quarter compared to US$5.1 million in the same 2012 period). EBITDA from same-facility operations declined by US$5.3 million as a result of cost increases of US$9.5 million in excess of revenue improvements of US$4.2 million. Higher operating, administrative and lease costs from same-facility operations of US$9.5 million included an increase in the provisions for self-insured liabilities of US$6.6 million and bad debts of US$1.5 million, higher labour-related costs of US$1.3 million and a net increase in other costs of US$0.1 million. Approximately US$2.0 million of the increase in the provision for self-insured liabilities resulted from Kentucky based claims settlements above prior estimates, and the remaining US$4.6 million was due to an increase in claims in other states.

EBITDA from Canadian operations was $15.4 million this quarter compared to $15.6 million in the 2012 first quarter and represented 8.5% and 8.8% of revenue, respectively. Revenue improvements of $4.4 million were offset by increased labour-related costs of $3.9 million and other cost increases of $0.7 million.

2013 First Quarter Comparison to 2012 Fourth Quarter

In comparison to the 2012 fourth quarter, consolidated revenue from continuing operations in the 2013 first quarter declined by $4.5 million, excluding a $5.4 million positive effect of a weaker Canadian dollar, primarily due to two fewer days this quarter and the timing of recognition of funding in Canada under the Ontario flow-through envelope system.

Consolidated EBITDA from continuing operations was $39.1 million this quarter compared to $52.9 million in the 2012 fourth quarter, and represented 7.9% and 10.7% of revenue, respectively. Excluding a $0.3 million positive effect of a weaker Canadian dollar, EBITDA declined by $14.1 million between periods, of which $3.8 million was from the Canadian operations and $10.3 million from the U.S. operations, as discussed below.

EBITDA from U.S. operations was US$23.5 million this quarter compared to US$33.9 million in the 2012 fourth quarter, and represented 7.5% and 10.8% of revenue, respectively. This decline of US$10.4 million resulted from cost increases of US$10.5 million, with revenue essentially flat between periods. Revenue was higher by US$0.1 million and included increased census of US$6.3 million and higher average rates of US$2.5 million, partially offset by the impact of two fewer days this quarter of US$6.3 million, a decline in prior period settlement adjustments of US$2.3 million (none this quarter versus US$2.3 million in the fourth quarter) and other items of US$0.1 million. Our ADC was higher by 19 this quarter from the 2012 fourth quarter, primarily due to higher Skilled Mix ADC of 264, partially offset by lower Medicaid ADC of 133 and private/other ADC of 112. Our Skilled Mix ADC represented 23.5% of residents this quarter compared to 21.3% in the 2012 fourth quarter. Operating, administrative and lease costs increased by US$10.5 million and included higher labour-related costs of US$7.8 million, primarily due to the change in vacation policy that favourably impacted the 2012 fourth quarter results, and an increase in the provision for self-insured liabilities of US$3.4 million, partially offset by other net cost declines of US$0.7 million. Approximately US$2.0 million of the increase in the provision for self-insured liabilities resulted from Kentucky based claims settlements above prior estimates.

EBITDA from Canadian operations declined by $3.8 million to $15.4 million this quarter from $19.2 million in the 2012 fourth quarter, and represented 8.5% and 10.3% of revenue, respectively. A decline in revenue of $4.6 million was partially offset by lower costs of $0.8 million. This was primarily due to a decline in home health care volumes, two fewer days this quarter, timing of spending under the flow-through envelopes, and a seasonal increase in utility costs of $0.7 million.

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

AFFO was $18.2 million ($0.211 per basic share) in the 2013 first quarter compared to $27.1 million ($0.322 per basic share) in the 2012 first quarter, representing a decline of $9.0 million, excluding a $0.1 million positive effect of a weaker Canadian dollar. This decline was primarily due to lower EBITDA of $10.4 million and higher current income taxes, partially offset by lower net interest costs and facility maintenance capital expenditures. Excluding the impact of foreign exchange, net interest costs were lower by $1.8 million as a result of our debt refinancing. Current income taxes for the 2013 first quarter were $3.4 million compared to $2.9 million in the 2012 first quarter, and represented 18.6% and 10.6% of pre-tax funds from operations (FFO), respectively. Both quarters were favourably impacted by book-to-file adjustments of approximately $0.8 million this quarter and $1.4 million in the 2012 first quarter. In addition, the 2012 first quarter results included a non-taxable premium refund of $3.5 million. Excluding these items, current income taxes represented 23.2% of pre-tax FFO this quarter compared to 18.1% in the 2012 first quarter.

In comparison to AFFO in the 2012 fourth quarter of $26.8 million ($0.312 per basic share), AFFO this quarter was lower by $8.8 million, excluding a $0.2 million positive effect of a weaker Canadian dollar. This decline was primarily due to lower EBITDA of $14.1 million and higher current income taxes, partially offset by lower facility maintenance capital expenditures of $10.3 million. Current income taxes for the 2012 fourth quarter were a recovery of $2.4 million, and were favourably impacted by book-to-file adjustments of approximately $4.0 million. Excluding the favourable book-to-file adjustment recorded in each of the quarters, current income taxes represented 23.2% of pre-tax FFO this quarter compared to 5.2% in the 2012 fourth quarter, and reflected the impact of the change in reserves as well as changes in deferred tax timing differences.

The effective tax rates on our FFO can be impacted by: adjustments to our estimates of annual 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 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, we anticipate that our annual effective tax rate on FFO for 2013 will be in the range of 18% to 22%.

Facility maintenance capital expenditures were $4.7 million in the 2013 first quarter, compared to $4.8 million in the 2012 first quarter and $14.9 million in the 2012 fourth quarter, representing 0.9%, 0.9% and 3.0% 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 $38 million to $44 million in facility maintenance capital expenditures and $35 million to $40 million in growth capital expenditures.

Distributions declared in the 2013 first quarter totalled $18.1 million, or $0.21 per share, representing approximately 100% of AFFO of $18.2 million compared to approximately 65% 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$476.08 and US$439.44, respectively. Compared to the 2012 first quarter levels, these average rates increased by 4.3% and 3.1%, respectively, due to the October 1, 2012, net market basket increase of 1.8% and improvements in acuity mix, partially offset by a reduction in co-insurance reimbursement. In comparison to the 2012 fourth quarter levels, the Medicare Part A rate increased by 1.2% primarily due to improvements in acuity mix, while the Managed Care rate remained relatively unchanged.

Our average daily Medicaid rate, excluding prior period settlement adjustments, increased this quarter by 5.6% to US$195.39 over US$185.00 in the 2012 first quarter, and by 0.7% from US$194.03 in the 2012 fourth quarter. However, revenue from Medicaid rate increases was partially offset by higher state provider taxes, resulting in a net increase of 4.8% this quarter in comparison to the 2012 first 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 first quarter over the 2012 first quarter was 3.3%.

Total and Skilled Census

We continue to be adversely affected by the weak U.S. economic conditions that have reduced disposable income of individuals and resulted in a general restraint by the public on health care spending. Lower hospital census has resulted in fewer admissions, and the implementation of MDS 3.0 and RUG-IV as of October 2010 also resulted in a small reduction in our average length of stay for short-term admissions. In addition, certain state Medicaid programs are attempting to divert potential admissions to assisted living centers and home care programs to reduce the strain on state Medicaid budgets.

Our same-facility ADC of 12,254 in the 2013 first quarter was 202 below the 2012 first quarter level of 12,456 due to lower Medicaid ADC of 201 and private/other ADC of 15, partially offset by an increase in Skilled Mix ADC of 14. In comparison to the 2012 fourth quarter, our same-facility ADC improved by 19, due to an increase in Skilled Mix ADC of 264, partially offset by lower Medicaid ADC of 152 and private/other ADC of 93. Our average same-facility occupancy was 84.6% this quarter compared to 85.2% in the 2012 first quarter, and 84.3% in the 2012 fourth quarter.

Our same-facility Skilled Mix ADC represented 23.5% of our residents in the 2013 first quarter compared to 23.0% in the 2012 first quarter and 21.4% in the 2012 fourth quarter.

OTHER RECENT DEVELOPMENTS

As announced on April 29, 2013, the Board has reduced the monthly dividend to $0.04 per share from $0.07 per share, commencing with the May 2013 dividend, payable on June 17, 2013 to shareholders of record at the close of business on May 31, 2013.

CONFERENCE CALL AND WEBCAST

On May 10, 2013, at 10:00 a.m. (ET), we will hold a conference call to discuss our 2013 first 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 9846412#. A replay of the call will be available until midnight on May 24, 2013. To access the rebroadcast, dial 1-800-408-3053 or 905-694-9451, followed by the passcode 8498095#.

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 35,600 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 247 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 “EBITDA”, “earnings (loss) from continuing operations before separately reported gains/losses and distributions on Exchangeable LP Units”, “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 cash provided by operations, where applicable, are provided in this press release. 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 March 31	
	2013	**2012**
Revenue		
Nursing and assisted living centers		
United States	**302,764**	330,105
Canada	**137,407**	133,920
Home health − Canada	**42,063**	41,484
Health technology services − United States	**5,508**	5,562
Outpatient therapy − United States	**3,384**	3,656
Rent, management, consulting and other services	**6,831**	2,461
Total revenue	**497,957**	517,188
Operating expenses	**439,843**	448,790
Administrative costs	**16,187**	16,212
Lease costs	**2,784**	2,813
Total expenses	**458,814**	467,815
EBITDA (1)	**39,143**	49,373
Depreciation and amortization	**19,046**	19,355
Loss from asset impairment, disposals and other items	**11**	640
Results from operating activities	**20,086**	29,378
Finance costs		
Interest expense	**15,689**	16,839
Interest income	**(1,182)**	(722)
Accretion costs	**828**	531
Fair value adjustments	**(1,610)**	(4,987)
Loss on foreign exchange and financial instruments	**518**	-
Net finance costs	**14,243**	11,661
Earnings before income taxes	**5,843**	17,717
Income tax expense (recovery)		
Current	**3,394**	2,853
Deferred	**(1,397)**	388
	1,997	3,241
Earnings from continuing operations	**3,846**	14,476
Discontinued operations	**-**	34,530
Net earnings	**3,846**	49,006
Earnings from continuing operations	**3,846**	14,476
Add (deduct):		
Fair value adjustment on convertible debentures, net of tax	**(1,610)**	(4,987)
Loss on foreign exchange and financial instruments, net of tax	**518**	-
Loss from asset impairment, disposals and other items, net of tax	**8**	423
Earnings from continuing operations before separately reported items	**2,762**	9,912

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

Extendicare Inc.
Consolidated Statements of Financial Position

(in thousands of Canadian dollars, unless otherwise noted)	**March 31 2013**	**December 31 2012**
Assets		
Current assets		
Cash and short-term investments	**70,621**	71,398
Restricted cash	**22,438**	28,680
Accounts receivable, less allowance	**214,080**	209,518
Income taxes recoverable	**5,379**	4,149
Other current assets	**32,922**	31,408
Total current assets	**345,440**	345,153
Non-current assets		
Property and equipment, *including construction-in-progress of $72,740 and $62,688, respectively*	**1,198,225**	1,181,596
Goodwill and other intangible assets	**82,753**	82,793
Other assets	**180,767**	176,457
Deferred tax assets	**21,304**	21,917
Total non-current assets	**1,483,049**	1,462,763
Total Assets	**1,828,489**	1,807,916
Liabilities and Equity		
Current liabilities		
Accounts payable	**32,851**	35,508
Accrued liabilities	**211,697**	202,913
Accrual for self-insured liabilities	**25,527**	21,888
Current portion of long-term debt	**98,115**	93,448
Income taxes payable	**9,576**	9,377
Total current liabilities	**377,766**	363,134
Non-current liabilities		
Provisions	**27,719**	26,851
Accrual for self-insured liabilities	**74,077**	74,042
Long-term debt	**1,045,545**	1,038,787
Other long-term liabilities	**48,059**	48,025
Deferred tax liabilities	**204,138**	202,417
Total non-current liabilities	**1,399,538**	1,390,122
Total liabilities	**1,777,304**	1,753,256
Shareholders' equity	**51,185**	54,660
Total Liabilities and Equity	**1,828,489**	1,807,916
Closing U.S./Cdn. dollar exchange rate	***1.0160***	*0.9949*

Extendicare Inc.
Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	**Three months ended March 31**	
	2013	**2012**
Operating Activities		
Net earnings	**3,846**	49,006
Adjustments for:		
Depreciation and amortization	**19,046**	19,355
Provision for self-insured liabilities	**9,520**	5,867
Payments for self-insured liabilities	**(7,822)**	(4,759)
Deferred taxes	**(1,397)**	286
Current taxes	**3,394**	24,183
Loss from asset impairment, disposals and other items	**11**	640
Gain from asset disposals from discontinued operations	**-**	(55,759)
Net finance costs	**14,243**	11,661
Interest capitalized	**(580)**	(56)
Other	**(328)**	350
	39,933	50,774
Net change in operating assets and liabilities		
Accounts receivable	**68**	8,699
Other current assets	**(1,109)**	(2,782)
Accounts payable and accrued liabilities	**3,225**	(21,027)
	42,117	35,664
Interest paid	**(14,752)**	(12,683)
Interest received	**1,190**	676
Income taxes paid	**(4,554)**	(6,189)
Net cash from operating activities	**24,001**	17,468
Investing Activities		
Purchase of property, equipment and software	**(16,208)**	(9,459)
Net proceeds from dispositions	**-**	56,323
Other assets	**(591)**	(3,496)
Net cash from investing activities	**(16,799)**	43,368
Financing Activities		
Issue of long-term debt, excluding line of credit	**9,256**	143,988
Repayment of long-term debt, excluding line of credit	**(8,657)**	(115,441)
Issue on line of credit	**-**	59,054
Repayment on line of credit	**-**	(95,094)
Decrease (increase) in restricted cash	**6,242**	(6,774)
Increase in investments held for self-insured liabilities	**(486)**	(14,846)
Dividends/distributions paid	**(14,701)**	(14,024)
Financing costs	**(372)**	(3,058)
Other	**34**	(14)
Net cash from financing activities	**(8,684)**	(46,209)
Increase (decrease) in cash and cash equivalents	**(1,482)**	14,627
Cash and cash equivalents at beginning of period	**71,398**	80,018
Foreign exchange gain (loss) on cash held in foreign currency	**705**	(1,101)
Cash and cash equivalents at end of period	**70,621**	93,544

Extendicare Inc.
Financial and Operating Statistics

(amounts in Canadian dollars, unless otherwise noted)	Three months ended March 31 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)	**32.0 %**	32.1 %
Managed Care	**10.9**	10.9
Skilled mix	**42.9**	43.0
Private/other	**8.9**	8.9
Quality mix	**51.8**	51.9
Medicaid	**48.2**	48.1
	100.0	100.0
Average Daily Census by Payor Source (same-facility basis)		
Medicare	**2,055**	2,037
Managed Care	**821**	825
Skilled mix	**2,876**	2,862
Private/other	**1,209**	1,224
Quality mix	**4,085**	4,086
Medicaid	**8,169**	8,370
	12,254	12,456
Average Revenue per Resident Day by Payor Source (excluding prior period settlement adjustments) (US$)		
Medicare Part A only	**$ 476.08**	$ 456.29
Medicare (Parts A and B)	**516.86**	504.91
Managed Care	**439.44**	426.07
Private/other	**245.04**	232.15
Medicaid	**195.39**	185.00
Weighted average	**270.56**	256.19
Average Occupancy (excluding managed centers) (same-facility basis)		
U.S. skilled nursing centers	**84.6 %**	85.2 %
U.S. assisted living centers	**79.0**	64.5
Canadian centers	**97.5**	97.2
Purchase of Property, Equipment and Software *(thousands)*		
Growth expenditures	**$12,069**	$4,735
Facility maintenance	**4,719**	4,780
Deduct: capitalized interest	**(580)**	(56)
	$16,208	$9,459
Average U.S./Cdn. dollar exchange rate	***1.0083***	*1.0011*

Extendicare Inc.
Supplemental Information – FFO and AFFO

The following table provides a reconciliation of EBITDA to Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO) for the periods ended March 31, 2013 and 2012.[1]

(in thousands of Canadian dollars unless otherwise noted)	**Three months ended March 31**	
	2013	**2012**
EBITDA from continuing operations	**39,143**	49,373
Depreciation for furniture, fixtures, equipment and computers	**(5,597)**	(5,797)
Accretion costs	**(828)**	(531)
Interest expense, net	**(14,507)**	(16,117)
	18,211	26,928
Current income tax expense [2]	**(3,394)**	(2,862)
FFO (continuing operations)	**14,817**	24,066
Amortization of financing costs	**1,798**	1,370
Principal portion of government capital funding payments	**730**	690
Additional maintenance capital expenditures [3]	**878**	1,017
AFFO (continuing operations)	**18,223**	27,143
AFFO (discontinued operations)	**-**	-
AFFO	**18,223**	27,143
Per Basic Share/Unit ($)		
FFO (continuing operations)	**0.172**	0.285
AFFO (continuing operations)	**0.211**	0.322
AFFO	**0.211**	0.322
Per Diluted Share/Unit ($)		
FFO (continuing operations)	**0.172**	0.267
AFFO (continuing operations)	**0.203**	0.298
AFFO	**0.203**	0.298
Distributions declared	**18,122**	17,729
Distributions declared per share/unit ($)	**0.2100**	0.2100
Basic weighted average number of shares/units *(thousands)*	**86,221**	84,347
Diluted weighted average number of shares/units *(thousands)*	**103,192**	98,358

(1) "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 March 31**	
(in thousands of Canadian dollars)	**2013**	**2012**
Cash provided by operating activities	**24,001**	17,468
Add (Deduct):		
Net change in operating assets and liabilities, including interest and taxes	**(419)**	(6,099)
Current tax on fair value adjustments, gain/loss on foreign exchange, financial instruments, asset impairment, disposals and other items	**-**	21,322
Net provisions and payments for self-insured liabilities	**(1,698)**	(1,108)
Depreciation for furniture, fixtures, equipment and computers	**(5,597)**	(5,797)
Principal portion of government capital funding payments	**730**	690
Other	**328**	(350)
Additional maintenance capital expenditures	**878**	1,017
AFFO	**18,223**	27,143