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NEWS RELEASE

**FOR IMMEDIATE RELEASE
September 4, 2012**

**Extendicare Announces Public Offering of
\$100 million of Convertible Debentures and
Intention to Redeem its 7.25% Convertible Debentures**

NOT FOR DISTRIBUTION IN THE UNITED STATES OR OVER UNITED STATES WIRE SERVICES

MARKHAM, ONTARIO – Extendicare Inc. (“Extendicare” or the “Company”) (TSX: EXE) announced today that it has reached an agreement with a syndicate of underwriters led by RBC Capital Markets (the “Underwriters”) to issue to the public, subject to regulatory approval, on a bought deal basis, \$100 million aggregate principal amount of 6.00% convertible unsecured subordinated debentures due September 30, 2019 (the “Debentures”) with a conversion price of \$11.25 (the “Offering”). Extendicare has granted an over-allotment option exercisable at any time up to 30 days after the closing date, to acquire additional Debentures equal to the lesser of \$15 million aggregate principal amount of Debentures and the Underwriters’ “Over-Allocation Position” as at the closing date.

The net proceeds from the Offering (after deducting the Underwriters’ fee and expenses of the Offering) will be used primarily to redeem the Company’s outstanding 7.25% convertible unsecured subordinated debentures due on June 30, 2013 (the “2013 Debentures”), with an aggregate principal amount outstanding of \$91,794,000, trading on the TSX under the trading symbol “EXE.DB.A”. The balance of the net proceeds will be used by the Company for general corporate purposes, which may include reducing indebtedness, funding internal growth expenditures or purchasing common shares of the Company under its normal course issuer bid.

Extendicare will, by September 10, 2012, file with the securities commissions and other similar regulatory authorities in each of the provinces of Canada a preliminary short form prospectus relating to the issuance of the Debentures. Closing of the Offering is expected to take place on or about September 25, 2012.

Early Redemption of the 2013 Debentures

Extendicare intends to, upon closing of the Offering, deliver a notice to Computershare Trust Company of Canada, as trustee for the 2013 Debentures, with respect to the redemption of all of the issued and outstanding 2013 Debentures, such notice to be delivered in accordance with the terms of the trust indenture dated June 21, 2007 between Extendicare and Computershare Trust Company of Canada, as supplemented, governing the terms of the 2013 Debentures (the “Indenture”). Extendicare intends to redeem in full the 2013 Debentures with cash in accordance with the Indenture. Any accrued and unpaid interest will be paid in cash on the redemption date.

This press release shall not constitute an offer to sell, or the solicitation of an offer to buy, any securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. The securities being offered have not been and will not be registered under the U.S. Securities Act of 1933 as amended and may not be offered or sold in the United States absent registration or pursuant to applicable exemption from registration.

About Us

Extendicare is a leading North American provider of post-acute and long-term senior care services. Through our network of owned and operated health care centers, our qualified and experienced workforce of 36,100 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 26,900 residents.

Forward-looking Statements

Information provided by Extendicare from time to time, including this release, contains or may contain forward-looking statements concerning anticipated financial events, results, circumstances, economic performance or expectations with respect to Extendicare and its subsidiaries, including 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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