

Extendicare Announces Completion of Conversion to Corporate Structure effective July 1, 2012, and Declares July 2012 Dividend of C\$0.07 per share

U.S. Subsidiary Secures New U.S. Credit Facility, and Closes on Lease of 19 Kentucky Centers

MARKHAM, ONTARIO – Extendicare Inc. (TSX: EXE) (“Extendicare” or the “Company”) today announced the successful completion of the previously announced conversion of Extendicare Real Estate Investment Trust (the “REIT”) from an income trust structure to a corporate structure pursuant to a plan of arrangement (the “Arrangement”) effective July 1, 2012. The former trustees and senior management of the REIT are now the directors and senior management of the Company.

Under the Arrangement, holders of units of the REIT (“REIT Units”) had their REIT Units exchanged for common shares of Extendicare (the “Common Shares”) on the basis of one Common Share for each REIT Unit. In addition, Extendicare assumed all of the obligations of the REIT in respect of its outstanding 5.70% convertible unsecured subordinated debentures due June 30, 2014 and 7.25% convertible unsecured subordinated debentures due June 30, 2013 (collectively, the “Convertible Debentures”). The Common Shares are expected to commence trading on the Toronto Stock Exchange (the “TSX”) on or about Thursday, July 5, 2012 under the trading symbol “EXE” and the REIT Units will be de-listed concurrently. The Convertible Debentures due June 30, 2014 and June 30, 2013 assumed by Extendicare will continue to trade on the TSX under the trading symbols “EXE.DB” and “EXE.DB.A”, respectively.

Former registered holders of REIT Units are encouraged to complete, execute and deliver a Letter of Transmittal, in the form sent with the REIT's Management Information and Proxy Circular dated April 2, 2012, together with the certificates representing their REIT Units, to Computershare Investor Services Inc. (the “Depositary”), in the manner specified therein, if they have not already done so. In the case of former unitholders whose REIT Units were registered in the name of a broker or other nominee, such nominee will assist in arranging for the exchange of REIT Units and the completion of the required documentation. Former registered unitholders will not receive a DRS Advice evidencing their ownership of Common Shares (or any dividends declared on the Common Shares) until they submit the certificates for their REIT Units to the Depositary along with a duly completed Letter of Transmittal. A copy of the Letter of Transmittal is available on Extendicare’s website at www.extendicare.com.

Declaration of July 2012 Dividend, Unchanged at C\$0.07 per share

In addition, Extendicare today announced that it has declared a cash dividend of C\$0.07 per Common Share for the month of July 2012, which is payable on August 15, 2012 to shareholders of record at the close of business on July 31, 2012. This dividend is designated as an “eligible dividend” within the meaning of the Income Tax Act (Canada).

Extendicare has a Dividend Reinvestment Plan (the “Plan”), which provides Canadian resident holders of Common Shares with the opportunity to increase their respective investments at a 3% discount to the volume weighted average trading price of the Common Shares on the TSX for the five trading days immediately preceding the dividend payment date. A copy of the Plan package is available under the investors section of Extendicare’s website.

U.S. Subsidiary Secures New U.S. Credit Facility

Extendicare’s wholly owned U.S. subsidiary, Extendicare Health Services, Inc. (EHSI), has entered into a new US\$80.0 million senior secured revolving credit facility (the “Credit Facility”) with a three-year term to June 2015 and floating-rate interest based on a pricing grid, to replace its US\$70.0 million

credit facility that matured in June 2012. The amount available to be borrowed under the Credit Facility is the lesser of: (i) 50% of the appraised values of the 20 skilled nursing centers collateralizing the Credit Facility; or (ii) an amount based on the actual net cash flow of these centers for the last 12 months. At EHSI's option, the interest rate is either the eurodollar rate, with a floor set at 1%, plus a margin from 4% to 4.50%, or the U.S. prime rate plus a margin from 3% to 3.50%, with the specific margin based on EHSI's consolidated leverage ratio as defined in the Credit Facility.

U.S. Subsidiary Closes on Lease of 19 of 21 Kentucky Centers

As previously announced, EHSI entered into an agreement to lease all 21 of its Kentucky skilled nursing centers (1,762 beds) to a third-party long-term care operator. Effective July 1, 2012, EHSI has closed on 19 of the centers (1,545 beds), and anticipates closing on the remaining two centers upon the receipt of third-party approvals in September 2012. The lease is for a 10-year term with two 5-year extensions at the option of the operator. In addition, the operator has the option to purchase all of the centers during the initial term of the lease. As a result of this transaction, EHSI will no longer operate skilled nursing centers in the Kentucky marketplace. The decision to exit the State of Kentucky is consistent with Extencicare's continuing strategy for achieving ongoing performance improvements that involves the divestiture of operations that impede growth or create undue risk exposure.

For the six months ended March 31, 2012, following the October 2011 Medicare funding reductions, the 21 Kentucky skilled nursing centers generated annualized revenue of US\$135.4 million and earnings from operations before interest, income taxes, depreciation, amortization, and accretion (EBITDA) of US\$17.5 million, including an allocation of US\$12.0 million in provisions made for self-insured liabilities. Based on these annualized results, the operating lease transaction is anticipated to reduce Extencicare's EBITDA by \$2.5 million annually. The reduction to our adjusted funds from operations, or AFFO, had been previously estimated at \$1.3 million, or \$0.015 per share per annum. We are revising this estimate to be a reduction in AFFO of approximately \$0.5 million, or \$0.006 per share per annum.

About Us

Extencicare 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 244 senior care centers in North America have capacity to care for approximately 26,600 residents.

Forward-looking Statements

Information provided by Extencicare 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 Extencicare 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 Extencicare 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 Extencicare 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 Extencicare's forward-looking statements. Further information can be found in the disclosure documents filed by Extencicare with the securities regulatory authorities, available at www.sedar.com and on Extencicare's website at www.extencicare.com.

For further information, contact:

Douglas J. Harris

Senior Vice President and Chief Financial Officer

Phone: (414) 908-8855; Fax: (905) 470-4003

Email: djharris@extencicare.com

www.extencicare.com