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NEWS RELEASE

FOR IMMEDIATE RELEASE

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Extendicare Announces Significant Acquisition to Expand its Canadian Home Health Care Business

MARKHAM, ONTARIO – Extendicare Inc. (“Extendicare” or the “Company”) (TSX: EXE) announced today that the Company has entered into a definitive agreement to acquire the Revera Home Health business from Revera Inc. (the “Vendor”), for \$83 million in cash, before working capital adjustments (the “Transaction”). The completion of the Transaction is subject to customary closing conditions and regulatory approvals, including assignment of government contracts, and is expected to close following receipt of regulatory approvals.

The Transaction is expected to be temporarily financed with a fully committed bridge loan of up to \$80 million (the “Bridge”) and cash on hand. Any Bridge, if utilized, will be repaid from the proceeds of the previously announced sale of substantially all of Extendicare’s U.S. operations, which is expected to close in the second quarter of 2015. The purchase price of \$83 million represents a multiple of approximately 6.5 times estimated 2015 EBITDA. Extendicare management estimates that this acquisition will add approximately \$0.10 (annualized) to Extendicare’s AFFO per share in the first year, excluding any temporary financing costs.

Revera Home Health is a leading private-sector home health care provider in Canada, serving 31 communities across six provinces (Ontario, British Columbia, Alberta, Quebec, Manitoba and Nova Scotia) and employing approximately 5,700 people.

Extendicare, through its ParaMed Home Health Care division (ParaMed), is currently the largest private-sector home health care provider in Ontario, with approximately 98% of its revenue generated from government contracts. Through close to 5,200 dedicated individuals serving 21 communities, ParaMed provided 5.1 million hours of service during the trailing twelve month period ended September 30, 2014, generating revenue of \$182.7 million. We anticipate that the acquisition will initially generate revenue of approximately \$189 million.

The Transaction brings together two leading Canadian private-sector home health care providers focused on quality, person-centred care and employee satisfaction. Extendicare plans to rebrand Revera Home Health under ParaMed. Tim Lukenda, President and CEO of Extendicare, said that “We are excited to welcome over 5,700 highly qualified and dedicated employees from Revera Home Health to join ParaMed and its approximately 5,200 caregivers to provide a seamless integration and continuity of care for our home care clients. Together, we believe that we will have an unparalleled ability to meet the needs of Canada’s seniors’ population.”

Revera Home Health and ParaMed both have an exceptional reputation for service and quality, having each been awarded Accreditation Canada's highest level of accreditation, *Accredited with Exemplary Standing*. "We are very proud of the Revera Home Health team and pleased they will continue to provide leadership in the sector under new ownership that shares our commitment to quality care," said Thomas G. Wellner, President and CEO of Revera.

Lukenda stated, "This acquisition of the Revera Home Health business is an important and timely part of the transformation of Extendicare back into a leading provider of care and services for seniors focused solely on Canada. It is a first and important step toward the re-investment into Canada of proceeds from the pending and previously announced sale of our U.S. business. By making this investment, we are pleased to be able to demonstrate that there are significant and attractive near-term opportunities for Extendicare to invest in and grow its existing Canadian business. This acquisition enables Extendicare to quickly expand its home health care presence into five additional provinces and broadens our already robust home health care platform.

"The acquisition, combined with our existing ParaMed business, will provide an expanded platform for further growth. With both federal and provincial governments, as well as private individuals, increasingly looking to home health care to deliver efficient health care to a growing seniors' population, many of whom prefer to remain in their homes, the growth prospects for home health care in Canada are strong. With over 95% of expanded ParaMed's initial revenue coming from government contracts, the home health care business provides Extendicare with a high quality revenue stream, with relatively low capital requirements, along with an opportunity to expand the private-pay segment of this business," continued Lukenda.

"Extendicare is experienced and well-positioned to be the leading home health care provider in Canada, and believes this business line is highly complementary to its health centre-based care and services." Lukenda added "We want to ensure that Extendicare can deliver the right care, at the right time, in the right place for Canada's growing seniors' population."

RBC Capital Markets acted as financial advisor and Bridge financing provider, and Bennett Jones LLP acted as legal advisor to Extendicare in connection with the Transaction.

TD Securities Inc. acted as financial advisor and Goodmans LLP acted as legal advisor to Revera in connection with the Transaction.

COMPLETES FIRST STAGE OF PENNSYLVANIA LEASE TRANSACTION

Extendicare is also pleased to announce the completion of the first stage of its previously announced transaction to lease out its Pennsylvania, Delaware and West Virginia operations to a third party. On January 8, 2015, we completed the transfer of operations of 10 of the Pennsylvania centres (1,256 beds). The balance of the 12 centres, composed of 10 in Pennsylvania (1,246 beds), one in Delaware (120 beds) and one in West Virginia (120 beds), is subject to further approvals on the transfer of mortgages, and is anticipated to close in the second quarter of 2015.

ABOUT EXTENDICARE

Extendicare is a leading provider of care and services for seniors throughout Canada. Through our network of 104 owned and operated health care centres as well as our home health care operations, we are committed to delivering care throughout the health care continuum to meet the needs of a growing seniors' population in Canada. Our qualified and highly trained workforce of 17,000 individuals is dedicated to helping people live better through a commitment to quality service and a passion for what we do.

Non-GAAP Measures

Extendicare assesses and measures operating results and financial position based on performance measures referred to as "net operating income", "Adjusted EBITDA", and "Adjusted Funds from Operations, or AFFO". 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. 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: the expected timing of the closing of the Transaction; the Company's intention to initially finance the Transaction with the Bridge and cash on hand; the expected timing of closing of the previously announced sale of substantially all of the Company's U.S. operations; the Company's expectations with respect to the refinancing of the Bridge; the anticipated impact of the Transaction on the Company's AFFO; the expected accretion and growth opportunities resulting from the Transaction; the expectation that the home health care business will provide the Company with a high quality revenue stream, with relatively low capital requirements, along with an opportunity to expand the private-pay segment of this business; the Company's beliefs regarding the future growth prospects and demographic opportunities of the home health business; and the Company's business operations, business strategy, and financial condition. Forward-looking statements can be identified because they generally contain the words "anticipate", "believe", "estimate", "expect", "intend", "objective", "plan", "project", "will" 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, including, without limitation, the following: the Company's and the Vendor's ability to close the Transaction in the time period anticipated, if at all, which is dependent upon the parties' ability to comply with the closing conditions to the Transaction, some of which are beyond the control of the parties; the approval of the transaction by provincial regulators; purchase price adjustments and indemnification rights under the sale and purchase agreement that could affect the purchase price for the Transaction; the Company's ability to realize the anticipated benefits of the Transaction; and other risks relating to the business and industry of the Company that are detailed from time to time in the Company's filings with the Canadian provincial securities regulators. 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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