EXTENDICARE®

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Extendicare Announces Solid 2015 Second Quarter Results

MARKHAM, ONTARIO – August 6, 2015 – Extendicare Inc. ("Extendicare" or the "Company") (TSX: EXE) today reported results for the three and six months ended June 30, 2015. Results are presented in Canadian dollars unless otherwise noted.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Second quarter financial results *(from continuing operations unless otherwise noted)*:
  - Revenue of $243.3 million, up $42.1 million or 20.9%; same-store revenue up 4.3%.
  - Long-term care revenue of $146.8 million, up $2.8 million or 2.0%.
  - Home health care revenue of $83.1 million, up $37.6 million or 82.7%, including $33.5 from home health acquisition.
  - Net operating income of $33.4 million, up $6.1 million or 22.3%, representing 13.7% of revenue.
  - Adjusted EBITDA of $23.2 million, up $5.0 million or 27.7%, representing 9.5% of revenue.
  - AFFO from continuing operations was $12.5 million ($0.143 per basic share) in Q2 2015 compared to $8.4 million ($0.096 per basic share) in Q2 2014.
- Acquired for cancellation 1,111,789 common shares at a cost of $8.0 million.
- Dividends declared of $21.1 million in first six months, representing approximately 76% of AFFO for the same period.
- Declared August 2015 dividend of $0.04 per share.

"We have achieved a major milestone with the completion of the sale of our U.S. operations, and are focussed on a disciplined approach to the redeployment of the sale proceeds," stated Tim Lukenda, President and CEO. "As a result, we have embarked on our strategic plan to grow Extendicare in the Canadian marketplace. Our vision to expand across the continuum of care is being realized in part through the integration of our recent home health care acquisition, which is proceeding successfully, as well as the start of the development of three private-pay retirement centres. In addition, we are working towards the redevelopment of two of our highest priority long-term care centres under the Ontario government's enhanced renewal strategy," he added.

HOME HEALTH CARE ACQUISITION

As previously announced, on April 30, 2015, the Company completed the acquisition of a competitor's home health business for $83.6 million in cash (the "Home Health Acquisition"), which included an estimated working capital adjustment of $0.6 million to the date of closing, subject to further adjustment.

The Home Health Acquisition was financed with a bridge loan of $80 million (the "Bridge Loan") and cash on hand. The Bridge Loan was outstanding from April 30, 2015 until July 2, 2015, and bore interest at an average rate of approximately 5.9%, incurring interest charges of approximately $0.8 million. In addition, financing fees of $1.4 million were incurred in connection with securing the Bridge Loan and have been fully amortized in the 2015 second quarter. The Bridge Loan was repaid in full on July 2, 2015, using a portion of the proceeds from the sale of the U.S. operations.

For the 2015 second quarter, the Home Health Acquisition contributed revenue of approximately $33.5 million, net operating income of approximately $3.4 million, and additional lease costs of approximately $0.3 million. The contribution to AFFO for the 2015 second quarter, after taking into account estimated current income taxes, was approximately $1.7 million, or $0.02 per basic share.

U.S. SALE TRANSACTION

As previously announced, effective July 1, 2015, the Company completed the sale of its U.S. business (the “U.S. Sale Transaction”) to a group of investors led by Formation Capital, LLC and an affiliate of Safanad (the “Purchaser”), for US$870 million ($1.1 billion using the illustrative closing U.S./Canadian dollar exchange rate of 1.249 as at June 30, 2015), partially settled through the assumption by the Purchaser of mortgage loans and other third-party indebtedness relating to the U.S. business of approximately US$655 million, and working capital and other specified adjustments. Including the dividend received by the Company from its wholly owned U.S. subsidiary, Extendicare Health Services, Inc. (EHSI) on June 30, 2015, as part of the pre-closing reorganization (the “Pre-closing Distribution”), the Company currently estimates aggregate net after-tax proceeds from the U.S. Sale Transaction of between US$235 million to US$240 million.

Prior to closing, we received advanced proceeds of US$6.0 million from the Purchaser at the end of 2014. On June 30, 2015, the Company received the Pre-closing Distribution of US$87.4 million, including cash of US$83.0 million and the transfer of US$4.4 million in net working capital associated with excluded assets. EHSI funded the Pre-closing Distribution with a US$60 million term loan and cash on hand.

On July 1, 2015, in connection with the closing of the U.S. Sale Transaction, the Company received US$119.0 million of cash and US$14.0 million of restricted cash to secure future obligations in connection with the ongoing cash stream described below. As well, the Company anticipates receiving approximately US$8 million by the end of 2015 in respect of an anticipated tax refund.

The balance of the estimated net after-tax proceeds of up to US$6 million represents the estimated net present value ascribed to an ongoing cash stream relating to certain U.S. skilled nursing centres that were leased prior to the closing, of which the estimated benefit net of upfront costs is anticipated to average US$5 million per annum (pre-tax) over 15 years. There are significant risks associated with the realization of this cash stream attributable to factors outside of our control that could materially negatively impact the amounts that are expected to be received by the Company.

In July, shortly after receiving the funds, US$190.0 million was exchanged for $239.2 million at an average rate of 1.259, of which $76.6 million was used to repay the Bridge Loan.

Not included in the U.S. Sale Transaction were 10 U.S. skilled nursing centres that the Company disposed of separately, either prior to or on June 30, 2015, for proceeds of $33.1 million (US$26.8 million), reduced by US$9.8 million for the assumption of debt, for net proceeds of US$17.0 million, or approximately US$11.1 million after tax. All of the net after-tax cash proceeds related to these 10 centres were distributed to the Company by the end of May in the form of intercompany cash dividends. In addition, net working capital of approximately $5.5 million (US$4.4 million) from these centres was retained by the Company, and included as part of the Pre-closing Distribution, discussed above.

DEVELOPMENT PROJECTS

Extendicare is in the process of developing three private-pay retirement centres that are located in Simcoe, Bolton, and Uxbridge, Ontario, with a total of 304 beds between them. The Simcoe and Bolton centres are anticipated to begin construction this year, for completion in 2016, while the Uxbridge centre is anticipated to begin construction in 2016 for completion in 2017. These projects are the start of our development pipeline and will serve as models for the continued development of state-of-the-art centres for retirement living.

The anticipated cost of these three development projects is approximately $71 million. We expect to be able to leverage up to 75% of the cost, with the balance to be paid from the U.S. sale proceeds.

2015 SECOND QUARTER FINANCIAL REVIEW

Consolidated Revenue

Consolidated continuing operations – revenue grew by $42.1 million, or 20.9%, to $243.2 million in the 2015 second quarter from $201.1 million in the same 2014 period. The Home Health Acquisition contributed $33.5 million of revenue for the months of May and June, with growth from same-store revenue of $8.6 million, or 4.3%.

Long-term care operations – revenue improved by $2.8 million, or 2.0%, to $146.8 million this quarter, primarily due to funding enhancements and was also impacted by the timing of recognition of revenue under the Ontario envelope system. Approximately $1.5 million of the revenue improvement related to our Ontario flow-through envelopes and was therefore directly offset by increased costs of resident care, and approximately $0.2 million of the increase was due to higher preferred accommodation revenue in Ontario. Our average occupancy improved to 98.0% this quarter compared to 97.6% in the same 2014 period. Our average daily revenue rate this quarter increased by 1.6% to $199.40 from $196.21 in the same 2014 period.

Home health care operations – revenue improved by $37.6 million to $83.1 million, of which $33.5 million was from the Home Health Acquisition. Same-store revenue grew by $4.1 million primarily due to enhanced funding to support an increase in government-funded wage increases for personal support workers (PSWs), estimated at approximately $3.8 million, and a 0.7% increase in daily hours of service provided to 14,179 this quarter from 14,084 in the 2014 second quarter.

Other operations – revenue from our Canadian management and group purchasing operations increased by $1.0 million to $4.2 million this quarter, primarily due to the addition of 17 senior care centres (approximately 1,700 beds) under contract with our Extendicare Assist division since the 2014 second quarter. Revenue from our U.S. operations increased by $0.7 million to $9.1 million this quarter, and included a $1.0 million positive effect of a weaker Canadian dollar.

Consolidated Operating Expenses

Consolidated continuing operations – operating expenses increased by $36.0 million, or 20.7%, to $209.8 million in the 2015 second quarter from $173.8 million in the same 2014 period. The Home Health Acquisition contributed $30.1 million to operating expenses for the months of May and June, with same-store operating expenses increasing by $5.9 million, or 3.4%. The majority of our operating expenses are labour related, which increased by $33.2 million over 2014, and represented 85.2% and 83.7% of operating expenses in the second quarters of 2015 and 2014, respectively, and as a percentage of revenue were 73.5% and 72.3%, respectively. On a same-store basis, excluding the impact of the Home

Health Acquisition, labour costs increased by $6.4 million over 2014, and represented 84.5% of operating expenses and 72.4% of revenue in the 2015 second quarter.

Long-term care operations – operating expenses increased by $1.5 million to $127.8 million in the 2015 second quarter, primarily due to higher labour costs of $2.1 million, or 2.0%, that were partially offset by a net decline in other costs that included lower staff training costs of approximately $0.2 million and lower utility costs of approximately $0.4 million.

Home health care operations – operating expenses increased by $34.0 million to $73.3 million, of which $30.1 million was from the Home Health Acquisition. Same-store operating expenses grew by $3.9 million, largely due to a $3.9 million, or 10.9%, increase in labour costs, of which approximately $3.8 million related to the government-funded wage increases, and the balance was primarily due to a 0.7% growth in volumes.

Other operations – operating expenses from our Canadian management and group purchasing operations were unchanged at $2.1 million each quarter. Operating expenses from our U.S. operations related to our health technologies services provided through VCPI, increased by $0.4 million over the 2014 second quarter, of which $0.7 million was due to the negative effect of a weaker Canadian dollar, partially offset by reduced labour costs.

Consolidated Net Operating Income

Consolidated net operating income from continuing operations improved by $6.1 million to $33.4 million in the 2015 second quarter from $27.3 million in the same 2014 period, representing 13.7% and 13.6% of revenue, respectively. As discussed above, revenue increased by $42.1 million and was partially offset by higher operating expenses of $36.0 million. On a same-store basis, excluding the Home Health Acquisition, net operating income improved by $2.7 million to $30.0 million from $27.3 million, representing 14.3% and 13.6% of revenue, respectively. Improvements in net operating income from same-store operations were realized in our long-term care operations primarily due to enhanced funding and the timing of recognition of funding and costs under the Ontario envelope system, and in our other Canadian operations due to increased volumes of business. The increase in net operating income from our U.S. operations of $0.3 million included a $0.3 million positive effect of the weaker Canadian dollar.

Administrative and Lease Costs

Administrative and lease costs totalled $10.2 million in the 2015 second quarter, representing $7.0 million from our Canadian operations and $3.2 million (US$2.6 million) from our U.S. operations. In comparison, the administrative and lease costs in the 2014 second quarter of $9.1 million represented $6.4 million from our Canadian operations and $2.7 million (US$2.5 million) from our U.S. operations. Approximately $0.4 million of the $1.1 million increase between quarters was due to the weaker Canadian dollar. The balance of the $0.7 million increase included additional lease costs of approximately $0.4 million, related primarily to the Home Health Acquisition, and an increase in administrative costs primarily due to an increase in professional fees.

Consolidated Adjusted EBITDA

Consolidated Adjusted EBITDA increased by $5.0 million to $23.2 million this quarter from $18.2 million in the 2014 second quarter, representing 9.5% and 9.0% of revenue, respectively. This improvement was realized from the growth in net operating income of $6.1 million, partially offset by the increase in administrative and lease costs of $1.1 million, previously discussed.

2015 SIX MONTH FINANCIAL REVIEW

Consolidated Revenue

Consolidated continuing operations – revenue grew by $50.0 million, or 12.7%, to $445.4 million in the first six months of 2015 from $395.4 million in the same 2014 period. The Home Health Acquisition contributed $33.5 million of revenue, with growth from same-store revenue of $16.5 million, or 4.2%.

Long-term care operations – revenue improved by $5.6 million, or 2.0%, to $290.3 million in the first six months of 2015, primarily due to funding enhancements and was also impacted by the timing of recognition of revenue under the Ontario envelope system. Approximately $2.8 million of the revenue improvement related to our Ontario flow-through envelopes and was therefore directly offset by increased costs of resident care, and approximately $0.4 million of the increase was due to higher preferred accommodation revenue in Ontario. Our average occupancy remained relatively unchanged at 97.7% in the first six months of 2015 compared to 97.4% in the same 2014 period. Our average daily revenue rate for the first six months of 2015 increased by 1.8% to $198.86 from $195.35 in the same 2014 period.

Home health care operations – revenue improved by $40.3 million to $128.7 million, of which $33.5 million was from the Home Health Acquisition. Same-store revenue grew by $6.8 million primarily due to enhanced funding to support an increase in government-funded wage increases for PSWs, estimated at approximately $5.6 million, and a 1.3% increase in daily hours of service provided to 13,969 in the first six months of 2015 from 13,786 in the same 2014 period.

Other Canadian operations – revenue from our management and group purchasing operations increased by $1.7 million to $7.8 million in the first six months of 2015, primarily due to the addition of 17 senior care centres (approximately 1,700 beds) under contract with our Extendicare Assist division since the first six months of 2014.

U.S. operations – revenue increased by $2.4 million to $18.6 million in the first six months of 2015, and included a $2.1 million positive effect of a weaker Canadian dollar. The balance of the improvement of $0.3 million related primarily to our health technology services, provided through VCPI.

Consolidated Operating Expenses

Consolidated continuing operations – operating expenses increased by $40.8 million, or 11.8%, to $386.2 million in the first six months of 2015 from $345.4 million in the same 2014 period. The Home Health Acquisition contributed $30.1 million to operating expenses, with same-store operating expenses increasing by $10.7 million, or 3.1%. The majority of our operating expenses are labour related, which increased by $37.9 million over 2014, and represented 84.5% and 83.5% of operating expenses in the first six months of 2015 and 2014, respectively, and as a percentage of revenue were 73.3% and 72.9%, respectively. On a same-store basis, excluding the impact of the Home Health Acquisition, labour costs increased by $11.1 million over 2014, and represented 84.1% of operating expenses and 72.7% of revenue in the first six months of 2015.

Long-term care operations – operating expenses increased by $2.7 million to $255.4 million in the first six months of 2015, primarily due to higher labour costs of $4.0 million, or 1.9%, that were partially offset by a net decline in other costs that included lower staff training costs of approximately $0.5 million, lower utility costs of approximately $0.4 million, and a reduction in repairs and maintenance cost of approximately $0.3 million.

Home health care operations – operating expenses increased by $36.4 million to $113.6 million, of which $30.1 million was from the Home Health Acquisition. Same-store operating expenses grew by $6.3 million, largely due to a $6.2 million, or 8.9%, increase in labour costs, of which approximately $5.6 million related to the government-funded wage increases, and the balance was primarily due to a 1.3% growth in volumes.

Other Canadian operations – operating expenses from our management and group purchasing operations increased by $0.3 million to $3.6 million in the first six months of 2015, primarily related to increased staffing to support the growth in clients served.

U.S. operations – operating expenses related to our health technologies services provided through VCPI, increased by $1.4 million in the first six months of 2015 over the same 2014 period, of which $1.5 million was due to the negative effect of a weaker Canadian dollar and was partially offset by lower labour costs.

Consolidated Net Operating Income

Consolidated net operating income from continuing operations improved by $9.2 million to $59.2 million in the first six months of 2015 from $50.0 million in the same 2014 period, representing 13.3% and 12.6% of revenue, respectively. As discussed above, revenue increased by $50.0 million and was partially offset by higher operating expenses of $40.8 million. On a same-store basis, excluding the Home Health Acquisition, net operating income improved by $5.8 million to $55.8 million from $50.0 million, representing 13.6% and 12.6% of revenue, respectively. Improvements in net operating income from same-store operations were largely realized in our long-term care operations primarily due to enhanced funding and the timing of recognition of funding and costs under the Ontario envelope system, and in our other Canadian operations due to increased volumes of business. The increase in net operating income from our U.S. operations of $1.0 million included a $0.6 million positive effect of the weaker Canadian dollar, with the balance due to an increase in services provided and lower labour costs.

Administrative and Lease Costs

Administrative and lease costs totalled $19.8 million in the first six months of 2015, representing $13.3 million from our Canadian operations and $6.5 million (US$5.3 million) from our U.S. operations. In comparison, the administrative and lease costs in the first six months of 2014 of $17.9 million represented $12.4 million from our Canadian operations and $5.5 million (US$5.0 million) from our U.S. operations. Approximately $0.7 million of the $1.9 million increase between periods was due to the weaker Canadian dollar. The balance of the $1.2 million increase included additional lease costs of approximately $0.4 million, related primarily to the Home Health Acquisition, and an increase in administrative costs primarily due to an increase in professional fees and labour costs.

Consolidated Adjusted EBITDA

Consolidated Adjusted EBITDA increased by $7.3 million to $39.4 million in the first six months of 2015 from $32.1 million in the first six months of 2014, representing 8.8% and 8.1% of revenue, respectively. This improvement was realized from the growth in net operating income of $9.2 million, partially offset by the increase in administrative and lease costs of $1.9 million, previously discussed.

DISCONTINUED OPERATIONS

Discontinued operations reported earnings, net of tax, of $0.3 million in the first six months of 2015 compared to a loss, net of tax, of $22.0 million in the same 2014 period. On a pre-tax basis, results from discontinued operations improved by $31.8 million primarily due to: the non-recurring provision of $42.2 million for U.S. government investigations recorded in the 2014 second quarter; and the elimination of any depreciation and amortization expense since the reclassification of these operations to assets held for sale ($25.7 million recorded in the first six months of 2014); partially offset by a $21.2 million decline in Adjusted EBITDA, which included a $15.4 million increase in expense for self-insured liabilities; a $9.9 million increase in loss from asset impairment, disposals and other items, primarily related to U.S. sale transaction costs; and a $5.3 million increase in finance costs.

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

AFFO 2015 Second Quarter Financial Review

AFFO was $5.8 million ($0.067 per basic share) in the 2015 second quarter compared to $15.5 million ($0.177 per basic share) in the 2014 second quarter, representing a decline of $9.7 million, due to a reduction in AFFO from discontinued operations of $13.8 million, partially offset by an improvement of $4.1 million from continuing operations.

AFFO from continuing operations was $12.5 million ($0.143 per basic share) in the 2015 second quarter compared to $8.4 million in the 2014 second quarter ($0.096 per basic share). The improvement of $4.1 million was due to an increase in Adjusted EBITDA of $5.0 million, lower net finance costs of $1.0 million and lower maintenance capex of $0.1 million, partially offset by higher current taxes of $2.0 million. Current income taxes for the 2015 second quarter were $2.8 million compared to $0.8 million in the same 2014 period, representing 24.0% and 10.9% of pre-tax FFO from continuing operations, respectively. The variance in the effective current tax rates was primarily due to timing differences that had a favourable impact on the 2014 second quarter results.

AFFO Six Month Financial Review

AFFO was $27.7 million ($0.315 per basic share) in the first six months of 2015 compared to $37.0 million ($0.423 per basic share) in the same 2014 period, representing a decline of $9.3 million, due to a reduction in AFFO from discontinued operations of $14.2 million, partially offset by an improvement of $4.9 million from continuing operations.

AFFO from continuing operations was $19.6 million ($0.224 per basic share) in the first six months of 2015 compared to $14.7 million in the same 2014 period ($0.169 per basic share). The improvement of $4.9 million was due to an increase in Adjusted EBITDA of $7.3 million and lower net finance costs of $2.5 million, partially offset by higher current taxes of $4.8 million and an increase in maintenance capex of $0.3 million. Current income taxes for the first six months of 2015 were $6.0 million compared to $1.2 million in the same 2014 period, representing 32.5% and 11.6% of pre-tax FFO from continuing operations, respectively. Current income taxes in the first six months of 2014 were partially sheltered by non-capital loss carryforwards, which decreased current taxes by approximately $1.4 million, thereby reducing the effective current tax rate from 24.7% to 11.6%.

The decline in AFFO from discontinued operations of $14.2 million was due to a decrease in Adjusted EBITDA from discontinued operations of $21.2 million, higher net finance costs of $4.7 million and higher maintenance capex of $0.1 million, partially offset by a decline in current taxes of $11.8 million.

The determination of FFO includes a deduction for current income tax expense, and not deferred income tax expense. As a result, 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; cross-border dividends; and the ability to utilize loss carryforwards. The effective tax rate on FFO for the first six months of 2015, at 32.5%, was in excess of our anticipated rate for the 2015 year of between 20% and 25%, primarily due to timing differences.

Maintenance capex from continuing operations was $2.4 million in the 2015 second quarter, compared to $2.5 million in the 2014 second quarter and to $0.8 million in the 2015 first quarter, representing 1.0%, 1.2% and 0.4% of revenue from continuing operations, respectively. For the first six months of 2015, maintenance capex from continuing operations was $3.3 million compared to $3.0 million in the same 2014 period, representing 0.7% and 0.8% of revenue, respectively. For the 2014 year, maintenance capex from continuing operations was $12.8 million, representing 1.6% of revenue from continuing operations. 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 centres. In 2015, our continuing operations are expecting to spend in the range of $13 million to $16 million in maintenance capex and approximately $15 million in growth capex.

Dividends declared for the first six months of 2015 totalled $21.1 million, or $0.24 per share, representing approximately 76% of AFFO of $27.7 million, or $0.315 per basic share, compared to a payout ratio of approximately 57% in the same 2014 period.

SELF-INSURED LIABILITIES EXPENSE

Extendicare self-insured certain risks related to general and professional liability of its U.S. operations that were sold on July 1, 2015, through its wholly owned captive insurance company (the "Captive"). With the classification of the U.S. senior care operations as discontinued operations, the expense for self-insured liabilities incurred by the Captive has also been reclassified to discontinued operations. However, the obligation to settle any claims incurred prior to the closing of the U.S. Sale Transaction, including claims incurred but yet to be reported, remains with Extendicare and the Captive. With this segment of our business now considered to be in a runoff state, we believe that the provisions recorded this quarter establish a contingency margin sufficient to cover all remaining claim payments.

The balance of our accrual for self-insured liabilities was $157.3 million (US$125.9 million) as at the end of June 2015, compared to $133.4 million (US$115.0 million) at the beginning of the year. Our investments held for self-insured liabilities were $178.9 million (US$143.2 million) as at June 30, 2015, compared to $154.2 million (US$132.9 million) as at December 31, 2014.

Our expense for self-insured liabilities, which is included in discontinued operations, was $34.5 million (US$27.9 million) in the first six months of 2015, and claim payments totalled $21.7 million (US$17.6 million). In comparison, our expense in the first six months of 2014 was $19.1 million (US$17.4 million) and claim payments totalled $17.1 million (US$15.6 million). Our last independent actuarial review was completed in the 2015 second quarter, and the next one will be completed in the 2015 third quarter.

NORMAL COURSE ISSUER BID

As previously announced, we initiated a normal course issuer bid (the "Bid") on December 31, 2014, for up to 8,630,000 of our common shares (the "Common Shares") through the facilities of the TSX, and on alternative Canadian trading platforms. To date in 2015, we have acquired for cancellation 1,111,789 Common Shares at an average share price of $7.20, for a total cost of $8.0 million, of which 1,046,889 Common Shares at a cost of $7.5 million had been acquired and cancelled as at June 30, 2015.

AUGUST 2015 DIVIDEND DECLARED

The Board of Directors of Extendicare today declared a cash dividend of $0.04 per share for the month of August 2015, which is payable on September 15, 2015, to shareholders of record at the close of business on August 31, 2015. This dividend is designated as an "eligible dividend" within the meaning of the Income Tax Act (Canada).

CONFERENCE CALL AND WEBCAST

On August 7, 2015, at 9:00 a.m. (ET), we will hold a conference call to discuss our 2015 second quarter results. The call will be webcast live and archived on our website at www.extendicare.com under the "Our Investors/Events & Presentations" section. Alternatively, the call-in number is 1-888-789-9572 or 416-695-7806, followed by the passcode 9868023#. A replay of the call will be available until midnight on August 21, 2015. To access the rebroadcast, dial 1-800-408-3053 or 905-694-9451, followed by the passcode 7705973#. 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 "Our Investors/Financial Reports" section.

ABOUT US

Extendicare is a leading provider of care and services for seniors throughout Canada. Through our network of 112 operated senior care centres (58 owned/54 managed), 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 22,700 individuals is dedicated to helping people live better through a commitment to quality service and a passion for what we do.

RECAST OF COMPARATIVE INFORMATION

During the first quarter of 2015, certain costs and transactions previously classified as part of continuing operations were classified as discontinued operations. This included a note payable and transaction costs incurred in the 2014 fourth quarter associated with the sale of the U.S. operations.

A note payable of $7.6 million (US$6.0 million) was reclassified in 2015 from long-term debt to liabilities held for sale as this liability will be settled upon the completion of the U.S. Sale Transaction. The comparative amount of $7.0 million (US$6.0 million) as at December 31, 2014, has been reclassified on the consolidated statement of financial position. The Company has also recast the transaction costs incurred in the 2014 fourth quarter associated with the sale of the U.S. operations totalling $7.8 million (pre-tax), $6.7 million (after-tax), from continuing operations to discontinued operations, to conform with the current year's presentation.

Non-GAAP Measures

Extendicare assesses and measures operating results and financial position based on performance measures referred to as "net operating income", "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 (loss) and/or from net cash from operations, where applicable, are provided in this press release on the Non-GAAP Reconciliations 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 (Loss)

(in thousands of Canadian dollars)	Three months ended June 30		Six months ended June 30	
	2015	**2014**	**2015**	**2014**
Revenue				
Nursing and assisted living centres	**146,808**	143,986	**290,287**	284,655
Home health care	**83,117**	45,487	**128,744**	88,424
Health technology services	**8,827**	8,039	**18,271**	15,809
Management, consulting and other	**4,433**	3,599	**8,102**	6,477
Total revenue	**243,185**	201,111	**445,404**	395,365
Operating expenses	**209,797**	173,821	**386,201**	345,373
Net operating income [(1)]	**33,388**	27,290	**59,203**	49,992
Administrative costs	**8,474**	7,840	**16,774**	15,382
Lease costs	**1,696**	1,266	**3,024**	2,539
Adjusted EBITDA [(1)]	**23,218**	18,184	**39,405**	32,071
Depreciation and amortization	**6,730**	5,710	**12,600**	11,415
Loss from asset impairment, disposals and other items	**1,590**	1,396	**2,489**	1,956
Earnings before net finance costs and income taxes	**14,898**	11,078	**24,316**	18,700
Finance costs				
Interest expense	**9,046**	8,610	**16,416**	17,767
Interest income	**(737)**	(738)	**(1,585)**	(1,920)
Accretion costs	**605**	537	**1,209**	1,077
Fair value adjustments	**-**	(854)	**-**	(296)
Net finance costs	**8,914**	7,555	**16,040**	16,628
Earnings from continuing operations before income taxes	**5,984**	3,523	**8,276**	2,072
Income tax expense (recovery)				
Current	**2,646**	814	**5,801**	1,219
Deferred	**(525)**	905	**(2,448)**	839
	2,121	1,719	**3,353**	2,058
Earnings from continuing operations	**3,863**	1,804	**4,923**	14
Earnings (loss) from discontinued operations	**(5,381)**	(22,696)	**314**	(21,964)
Net earnings (loss)	**(1,518)**	(20,892)	**5,237**	(21,950)
Average U.S./Cdn. dollar exchange rate	***1.2297***	*1.0904*	***1.2354***	*1.0968*

(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 2015**	**December 31 2014**
Assets		
Current assets		
Cash and short-term investments	**143,209**	35,495
Restricted cash	**4,501**	1,085
Accounts receivable, less allowance	**63,020**	41,036
Income taxes recoverable	**235**	65
Assets held for sale	**1,263,822**	1,254,535
Other current assets	**18,678**	10,409
Total current assets	**1,493,465**	1,342,625
Non-current assets		
Property and equipment, net of accumulated depreciation *of $188,772 and $182,180, respectively*	**327,155**	331,134
Goodwill and other intangible assets	**98,656**	16,227
Investments held for self-insured liabilities	**178,868**	154,178
Other assets	**60,938**	63,187
Deferred tax assets	**8,409**	7,935
Total non-current assets	**674,026**	572,661
Total Assets	**2,167,491**	1,915,286
Liabilities and Deficiency		
Current liabilities		
Accounts payable	**7,640**	4,998
Accrued liabilities	**134,827**	103,907
Liabilities held for sale	**1,273,486**	1,137,774
Accrual for self-insured liabilities	**24,978**	25,984
Current portion of long-term debt	**95,723**	18,828
Income taxes payable	**4,461**	4,043
Total current liabilities	**1,541,115**	1,295,534
Non-current liabilities		
Provisions	**7,705**	7,535
Accrual for self-insured liabilities	**132,283**	107,460
Long-term debt	**443,915**	453,200
Other long-term liabilities	**37,179**	38,014
Deferred tax liabilities	**16,112**	16,047
Total non-current liabilities	**637,194**	622,256
Total liabilities	**2,178,309**	1,917,790
Deficiency	**(10,818)**	(2,504)
Total Liabilities and Deficiency	**2,167,491**	1,915,286
Closing U.S./Cdn. dollar exchange rate	***1.2490***	*1.1601*

Extendicare Inc.
Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	**Three months ended June 30**		**Six months ended June 30**	
	2015	**2014**	**2015**	**2014**
Operating Activities				
Net earnings (loss)	**(1,518)**	(20,892)	**5,237**	(21,950)
Adjustments for:				
Depreciation and amortization	**6,730**	18,460	**12,600**	37,091
Expense for self-insured liabilities	**25,649**	11,733	**34,495**	19,123
Payments for self-insured liabilities	**(12,855)**	(7,956)	**(21,705)**	(17,062)
Deferred taxes	**(10,166)**	(7,143)	**(8,736)**	(7,376)
Current taxes	**7,888**	(2,096)	**10,077**	(2,069)
Loss from asset impairment, disposals and other items				
Continuing operations	**1,590**	1,396	**2,489**	1,956
Discontinued operations	**10,170**	1,214	**11,112**	1,164
Loss (gain) from derivative financial instruments and foreign exchange				
Continuing operations	**-**	(854)	**-**	(296)
Discontinued operations	**(104)**	-	**535**	-
Net finance costs	**19,012**	16,290	**36,225**	32,378
Other	**(14)**	-	**(14)**	-
	46,382	10,152	**82,315**	42,959
Net change in operating assets and liabilities				
Accounts receivable	**(10,769)**	1,762	**19,336**	22,454
Other current assets	**3,166**	(2,348)	**(5,153)**	(4,184)
Provision for U.S. government investigations	**-**	42,240	**-**	42,240
Accounts payable and accrued liabilities	**9,491**	(10,152)	**(4,692)**	(11,003)
	48,270	41,654	**91,806**	92,466
Interest paid	**(13,834)**	(14,591)	**(31,880)**	(30,426)
Interest received	**773**	820	**1,694**	2,134
Income taxes paid	**(8,263)**	(6,441)	**(13,603)**	(6,695)
Net cash from operating activities	**26,946**	21,442	**48,017**	57,479
Investing Activities				
Purchase of property, equipment and software - growth	**(815)**	(427)	**(890)**	(1,832)
Purchase of property, equipment and software - maintenance	**(7,640)**	(5,927)	**(10,999)**	(10,677)
Purchase of home health business	**(83,638)**	-	**(83,638)**	-
Net proceeds from dispositions	**27,777**	-	**33,145**	-
Increase in investments held for self-insured liabilities	**(15,657)**	(3,083)	**(12,453)**	(10,775)
Other assets	**1,401**	1,498	**(599)**	4,634
Net cash from investing activities	**(78,572)**	(7,939)	**(75,434)**	(18,650)
Financing Activities				
Issue of long-term debt, excluding line of credit	**163,341**	109,680	**163,341**	109,680
Repayment of long-term debt, excluding line of credit	**(24,475)**	(121,749)	**(33,777)**	(130,040)
Repayment on line of credit	**-**	(2,303)	**-**	(2,303)
Decrease (increase) in restricted cash	**(3,127)**	(3,721)	**(3,946)**	3,249
Purchase of securities for cancellation	**(512)**	-	**(7,512)**	-
Dividends paid	**(8,886)**	(8,897)	**(17,862)**	(17,738)
Financing costs	**(2,326)**	(2,988)	**(2,947)**	(3,172)
Net cash from financing activities	**124,015**	(29,978)	**97,297**	(40,324)
Increase (decrease) in cash and cash equivalents	**72,389**	(16,475)	**69,880**	(1,495)
Cash and cash equivalents at beginning of period	**102,035**	112,607	**98,799**	95,999
Foreign exchange gain (loss) on cash held in foreign currency	**(1,212)**	(1,843)	**4,533**	(215)
Cash and cash equivalents at end of period	**173,212**	94,289	**173,212**	94,289
Less: cash from discontinued operations	(30,003)	-	(30,003)	-
Cash and cash equivalents at end of period, continuing operations	**143,209**	94,289	**143,209**	94,289

Extendicare Inc.
Canadian Operations - Operating Statistics

(amounts in Canadian dollars, unless otherwise noted)	Three months ended June 30		Six months ended June 30	
	2015	**2014**	**2015**	**2014**
Canadian Senior Care Centres				
Number of Centres Operated at Period End				
Owned/leased	**58**	58	**58**	58
Managed	**54**	37	**54**	37
	112	95	**112**	95
Operational Resident Capacity at Period End				
Owned/leased	**8,116**	8,119	**8,116**	8,119
Managed	**6,195**	4,484	**6,195**	4,484
	14,311	12,603	**14,311**	12,603
Average Daily Revenue Rate (owned/leased centres)				
Total Canadian operations	**$199.40**	$196.21	**$198.86**	$195.35
Average Occupancy (owned/leased centres)				
Total Canadian operations	**98.0 %**	97.6 %	**97.7 %**	97.4 %
Ontario LTC total average occupancy	**98.3**	97.8	**97.9**	97.5
Ontario LTC preferred accommodation (1)				
"New" centres – private (2)	**93.5**	88.3	**92.4**	86.8
"C" centres – private	**97.7**	97.1	**97.6**	96.9
"C" centres - semi-private	**60.6**	59.5	**60.6**	59.5
Home Health Care – hours of service				
Total operations				
Hours of service (000's)	**2,252.4**	1,281.6	**3,490.6**	2,495.3
Hours per day	**29,951.0**	14,083.7	**29,741.4**	13,786.1
Same-store basis				
Hours of service (000's)	**1,290.3**	1,281.6	**2,528.5**	2,495.3
Hours per day	**14,179.1**	14,083.7	**13,969.5**	13,786.1

(1) Average occupancy reported for the available private and semi-private rooms reflects the percentage of residents occupying those beds and paying the respective premiums.

(2) The occupancy percentages for 2014 have been restated from what was previously reported at the end of 2014 to conform with the methodology described in note 1 above.

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, 2015 and 2014.(1)

(in thousands of Canadian dollars unless otherwise noted)	**Three months ended June 30**		**Six months ended June 30**	
	2015	**2014**	**2015**	**2014**
Adjusted EBITDA	**23,218**	18,184	**39,405**	32,071
Depreciation for FFEC (maintenance capex) (2)	**(2,498)**	(2,302)	**(4,914)**	(4,596)
Accretion costs	**(605)**	(537)	**(1,209)**	(1,077)
Interest expense	**(9,046)**	(8,610)	**(16,416)**	(17,767)
Interest income	**737**	738	**1,585**	1,920
	11,806	7,473	**18,451**	10,551
Current income tax recovery (expense) (3)	**(2,834)**	(814)	**(5,989)**	(1,219)
FFO (continuing operations)	**8,972**	6,659	**12,462**	9,332
Amortization of financing costs	**1,818**	361	**2,174**	722
Accretion costs	**605**	537	**1,209**	1,077
Principal portion of government capital funding payments	**1,064**	1,011	**2,128**	2,019
Additional maintenance capex (2)	**71**	(197)	**1,648**	1,601
AFFO (continuing operations)	**12,530**	8,371	**19,621**	14,751
AFFO (discontinued operations)	**(6,696)**	7,161	**8,056**	22,252
AFFO	**5,834**	15,532	**27,677**	37,003
Per Basic Share ($)				
FFO (continuing operations)	**0.102**	0.076	**0.142**	0.107
FFO (total operations)	**0.076**	0.150	**0.301**	0.354
AFFO (continuing operations)	**0.143**	0.096	**0.224**	0.169
AFFO (total operations)	**0.067**	0.177	**0.315**	0.423
Per Diluted Share ($)				
FFO (continuing operations)	**0.102**	0.076	**0.142**	0.107
FFO (total operations)	**0.084**	0.155	**0.301**	0.354
AFFO (continuing operations)	**0.143**	0.096	**0.224**	0.169
AFFO (total operations)	**0.073**	0.191	**0.307**	0.423
Dividends declared	**10,510**	10,520	**21,056**	21,011
Dividends declared per share ($)	**0.120**	0.120	**0.240**	0.240
Basic weighted average number of shares *(thousands)*	**87,557**	87,628	**87,779**	87,507
Diluted weighted average number of shares *(thousands)*	**98,802**	98,872	**99,023**	98,752

(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) These two line items combined represent the total of our maintenance capex incurred in the period. An amount equivalent to our depreciation for FFEC, or furniture, fixtures, equipment and computers, is deducted in determining FFO, and the difference in total maintenance capex incurred is adjusted for in determining AFFO.

(3) 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.

Extendicare Inc.
Segmented Information

(in thousands of Canadian dollars)	Long-term Care	Home Health Care	Other Canadian Operations	Corporate Canada	Total Canada	Total U.S.	Total
Q2 2015							
Revenue	**146,808**	**83,117**	**4,183**	**23**	**234,131**	**9,054**	**243,185**
Operating expenses	**127,816**	**73,318**	**2,085**	**-**	**203,219**	**6,578**	**209,797**
Net operating income	**18,992**	**9,799**	**2,098**	**23**	**30,912**	**2,476**	**33,388**
Net operating income margin (% of revenue)	***12.9%***	***11.8%***	***50.2%***	***100.0%***	***13.2%***	***27.3%***	***13.7%***
Q2 2014							
Revenue	143,986	45,487	3,253	23	192,749	8,362	201,111
Operating expenses	126,308	39,285	2,085	-	167,678	6,143	173,821
Net operating income	17,678	6,202	1,168	23	25,071	2,219	27,290
Net operating income margin (% of revenue)	*12.3%*	*13.6%*	*35.9%*	*100.0%*	*13.0%*	*26.5%*	*13.6%*
Change - Q2 2015 over 2014							
Revenue	2,822	37,630	930	-	41,382	692	42,074
Operating expenses	1,508	34,033	-	-	35,541	435	35,976
Net operating income	1,314	3,597	930	-	5,841	257	6,098
Six months ended June 30, 2015							
Revenue	**290,287**	**128,744**	**7,728**	**30**	**426,789**	**18,615**	**445,404**
Operating expenses	**255,350**	**113,635**	**3,644**	**-**	**372,629**	**13,572**	**386,201**
Net operating income	**34,937**	**15,109**	**4,084**	**30**	**54,160**	**5,043**	**59,203**
Net operating income margin (% of revenue)	***12.0%***	***11.7%***	***52.8%***	***100.0%***	***12.7%***	***27.1%***	***13.3%***
Six months ended June 30, 2014							
Revenue	284,655	88,424	6,084	34	379,197	16,168	395,365
Operating expenses	252,596	77,201	3,392	-	333,189	12,184	345,373
Net operating income	32,059	11,223	2,692	34	46,008	3,984	49,992
Net operating income margin (% of revenue)	*11.3%*	*12.7%*	*44.2%*	*100.0%*	*12.1%*	*24.6%*	*12.6%*
Change - Six Months 2015 over 2014							
Revenue	5,632	40,320	1,644	(4)	47,592	2,447	50,039
Operating expenses	2,754	36,434	252	-	39,440	1,388	40,828
Net operating income	2,878	3,886	1,392	(4)	8,152	1,059	9,211

	Q2 2015			**Q2 2014**			**Total**
(in thousands of Canadian dollars)	**Canada**	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**	**Change**
AFFO (continuing operations)	**13,292**	**(762)**	**12,530**	9,878	(1,507)	8,371	4,159
Discontinued operations	**-**	**(6,696)**	**(6,696)**	-	7,161	7,161	(13,857)
AFFO	**13,292**	**(7,458)**	**5,834**	9,878	5,654	15,532	(9,698)
Maintenance capex (continuing operations)	**2,295**	**132**	**2,427**	1,429	1,070	2,499	(72)
Discontinued operations	**-**	**5,213**	**5,213**	-	3,428	3,428	1,785
Maintenance capex	**2,295**	**5,345**	**7,640**	1,429	4,498	5,927	1,713

	Six Months 2015			**Six Months 2014**			**Total**
(in thousands of Canadian dollars)	**Canada**	**U.S.**	**Total**	**Canada**	**U.S.**	Total	**Change**
AFFO (continuing operations)	**21,164**	**(1,543)**	**19,621**	17,415	(2,664)	14,751	4,870
Discontinued operations	**-**	**8,056**	**8,056**	-	22,252	22,252	(14,196)
AFFO	**21,164**	**6,513**	**27,677**	17,415	19,588	37,003	(9,326)
Maintenance capex (continuing operations)	**3,110**	**156**	**3,266**	1,790	1,205	2,995	271
Discontinued operations	**-**	**7,733**	**7,733**	-	7,682	7,682	51
Maintenance capex	**3,110**	**7,889**	**10,999**	1,790	8,887	10,677	322

Extendicare Inc.
Non-GAAP Reconciliations

(in thousands of Canadian dollars unless otherwise noted)	Three months ended June 30		Six months ended June 30	
	2015	**2014**	**2015**	**2014**
Reconciliation of Cash Provided by Operating Activities to AFFO:				
Net cash from operating activities	**26,946**	21,442	**48,017**	57,479
Add (Deduct):				
Net change in operating assets and liabilities, including interest and taxes	**(4,129)**	(23,663)	**(6,781)**	(41,186)
Current income taxes on items excluded from AFFO (1)	**5,442**	(13,063)	**2,879**	(16,291)
Net provisions and payments for self-insured liabilities	**(12,794)**	(3,777)	**(12,790)**	(2,061)
Depreciation for FFEC (maintenance capex) (2)	**(2,498)**	(5,500)	**(4,914)**	(11,058)
Principal portion of government capital funding payments	**1,064**	1,011	**2,128**	2,019
Additional maintenance capex	**(5,142)**	(427)	**(6,085)**	381
Provision for U.S. government investigations	**-**	42,240	**-**	42,240
Property taxes accounted for under IFRIC 21	**(3,069)**	(2,731)	**5,209**	5,480
Other	**14**	-	**14**	-
AFFO (2)	**5,834**	15,532	**27,677**	37,003
Reconciliation of Earnings before Income Taxes to Adjusted EBITDA and Net Operating Income:				
Earnings (loss) from continuing operations before income taxes	**5,984**	3,523	**8,276**	2,072
Add (Deduct):				
Depreciation and amortization	**6,730**	5,710	**12,600**	11,415
Net finance costs	**8,914**	7,555	**16,040**	16,628
Loss from asset impairment, disposals and other items	**1,590**	1,396	**2,489**	1,956
Adjusted EBITDA (2)	**23,218**	18,184	**39,405**	32,071
Add (Deduct):				
Administrative costs	**8,474**	**7,840**	**16,774**	**15,382**
Lease costs	**1,696**	**1,266**	**3,024**	**2,539**
Net operating income (2)	**33,388**	27,290	**59,203**	49,992

(1) Represents current income tax with respect to the property taxes accounted for under IFRIC 21, provision for U.S. government investigations, gains or losses from derivative financial instruments, foreign exchange, asset impairment, disposals and other items that are excluded from the computation of AFFO.

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