EXTENDICARE®

NEWS RELEASE

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Extendicare Announces Productive 2015 Year End Results

Well Positioned for Continued Growth in 2016

MARKHAM, ONTARIO – February 25, 2016 – Extendicare Inc. ("Extendicare" or the "Company") (TSX: EXE) today reported results for the fourth quarter and year ended December 31, 2015. Results are presented in Canadian dollars unless otherwise noted.

Financial and Operational Highlights

- Financial results comparison over 2014 *(from continuing operations unless otherwise noted)*:
  - Revenue of $979.6 million, up $163.5 million or 20.0%; same-store growth of 3.8%.
  - Long-term care revenue of $594.2 million, up $10.5 million or 1.8%.
  - Retirement living revenue of $1.2 million from recent acquisitions.
  - Home health care revenue of $327.0 million, up $141.5 million or 76.2%, primarily from acquisition.
  - Net operating income of $128.2 million, up $20.2 million or 18.7%, representing 13.1% of revenue.
  - Adjusted EBITDA of $86.4 million, up $11.8 million or 15.8%, representing 8.8% of revenue.
  - AFFO from continuing operations was $44.6 million ($0.508 per basic share), compared to $34.4 million ($0.392 per basic share).
- Dividends declared of $42.1 million in 2015, representing approximately 83% of total AFFO of $50.8 million for the same period.
- Closed on acquisition of four retirement communities (348 suites) in 2015 fourth quarter for approximately $98.6 million.
- Subsequent to December 31, 2015, closed on purchase of two retirement communities (158 suites) for approximately $40.5 million.

"We continue to execute on our Canadian-focused strategy to grow across the continuum of seniors care and services," commented Tim Lukenda, President and CEO. "We are pleased with our progress in building AFFO through the strategic deployment of proceeds from the sale of our U.S. operations. We expect continued growth across all segments of our business as we integrate our recent acquisitions and build off the strong platform we have established. We are firmly focused on building shareholder value over the long term," Lukenda added.

Selected Financial Information

The following is a summary of selected financial information for the three months and years ended December 31, 2015 and 2014.

	Three months ended December 31		Years ended December 31	
(thousands of dollars, unless otherwise noted)	**2015**	**2014**	**2015**	**2014**
CONTINUING OPERATIONS				
Revenue				
Long-term care	**154,188**	152,066	**594,198**	583,678
Retirement living	**1,238**	–	**1,238**	–
Home health care	**99,981**	47,477	**326,964**	185,491
Health technology services	**8,263**	8,350	**36,330**	32,165
Management, consulting and other	**7,183**	4,943	**20,879**	14,785
Total revenue	**270,853**	212,836	**979,609**	816,119
Operating expenses	**236,569**	183,523	**851,351**	708,096
Net operating income (NOI) (1)	**34,284**	29,313	**128,258**	108,023
NOI margin (1)	***12.7%***	*13.8%*	***13.1%***	*13.2%*
Administrative costs	**9,327**	5,021	**35,066**	28,293
Lease costs	**1,890**	1,269	**6,746**	5,064
Adjusted EBITDA (1)	**23,067**	23,023	**86,446**	74,666
Adjusted EBITDA margin (1)	***8.5%***	*10.8%*	***8.8%***	*9.1%*
AFFO (continuing operations) (1)	**9,691**	10,604	**44,602**	34,357
per basic share *($)*	**0.110**	0.121	**0.508**	0.392
per diluted share *($)*	**0.112**	0.121	**0.505**	0.392
AFFO (1)	**9,611**	19,417	**50,828**	73,692
per basic share *($)*	**0.109**	0.221	**0.579**	0.840
per diluted share *($)*	**0.111**	0.185	**0.568**	0.799
Maintenance capex (continuing operations)	**7,493**	6,352	**14,945**	12,761
Cash dividends declared per share	**0.120**	0.120	**0.480**	0.480
Payout ratio (1) (2)			**83%**	57%
Weighted average number of shares *(thousands)*				
Basic	**87,852**	88,066	**87,768**	87,736
Diluted	**99,097**	99,311	**99,012**	98,980

(1) NOI, NOI margin, Adjusted EBITDA, Adjusted EBITDA margin, AFFO, AFFO per share and "payout ratio" are measures used by management in evaluating operating performance. Please refer to the cautionary statements under the heading "Non-GAAP Measures" in this press release.

(2) Payout ratio is calculated using dividends declared per share divided by the basic AFFO per share for the respective periods.

2015 Fourth Quarter Summary

For the 2015 fourth quarter, consolidated net operating income from continuing operations improved by $5.0 million, or 17.0%, to $34.3 million from $29.3 million in the same 2014 period, representing 12.7% and 13.8% of revenue, respectively. Net operating income of our Canadian operations improved by $3.7 million and the balance was from our U.S. operations.

Consolidated Adjusted EBITDA was relatively unchanged at $23.1 million this quarter compared to the 2014 fourth quarter, representing 8.5% and 10.8% of revenue, respectively. Excluding a $2.8 million reinsurance premium refund recognized in the 2014 fourth quarter, Adjusted EBITDA increased by approximately $2.9 million, reflecting growth in net operating income, partially offset by an increase in administrative and lease costs.

AFFO from continuing operations was $9.7 million in the 2015 fourth quarter compared to $10.6 million in the 2014 fourth quarter. However, excluding the reinsurance premium refund, AFFO from continuing operations increased by $1.8 million, reflecting an improvement in Adjusted EBITDA and lower net finance costs, partially offset by higher maintenance capex, and an increase in current income taxes.

2015 Year Summary

For the year ended December 31, 2015, consolidated net operating income from continuing operations improved by $20.2 million, or 18.7%, to $128.2 million from $108.0 million in the prior year, representing 13.1% and 13.2% of revenue, respectively. On a same-store basis, excluding the acquisition of a home health care business and four retirement communities during 2015, net operating income improved by $6.7 million to $114.7 million, representing 13.6% of revenue compared to 13.2% in 2014. Same-store net operating income from our Canadian operations improved by $2.7 million, primarily due to increased business volumes in our management services and group purchasing operations, and higher preferred accommodation revenue and enhanced funding in our Ontario long-term care operations, partially offset by cost increases in excess of government funding in our home health care operations. Net operating income from our U.S. operations improved by $4.0 million and included a $1.8 million positive effect of the weaker Canadian dollar, with the balance due to higher investment income of $2.6 million, partially offset by a decline in net operating income of $0.4 million from our health technology services.

Consolidated Adjusted EBITDA increased by $11.8 million to $86.4 million in 2015 from $74.6 million in 2014, representing 8.8% and 9.1% of revenue, respectively. Excluding the $2.8 million reinsurance premium refund recognized in 2014, the Adjusted EBITDA margins remained unchanged at 8.8%, and Adjusted EBITDA improved by $14.6 million as a result of growth in net operating income, partially offset by an increase in administrative and lease costs.

AFFO from continuing operations increased by $10.2 million to $44.6 million in 2015, and excluding the impact of the reinsurance premium refund in 2014, improved by $13.0 million. This reflected the improvement in Adjusted EBITDA and lower net finance costs, partially offset by higher current income taxes and an increase in maintenance capex. Net finance costs included $3.6 million of interest income realized in 2015 in connection with deferred consideration from the disposed U.S. operations, and lower interest expense due to the redemption of convertible debentures in 2014.

Accrual for U.S. Self-insured Liabilities

Our accrual for U.S. self-insured liabilities in connection with the disposed U.S. operations was $148.4 million (US$107.2 million) as at December 31, 2015, compared to $133.4 million (US$115.0 million) at the beginning of the year. Our investments held for self-insured liabilities were $176.8 million (US$127.7 million) as at December 31, 2015, compared to $154.2 million (US$132.9 million) as at December 31, 2014. We completed our annual independent actuarial review, which confirmed the adequacy of the reserves.

Our expense for U.S. self-insured liabilities is included in discontinued operations, and totalled a net of $29.3 million (US$24.1 million) for the year 2015. All provisions were recorded in the period prior to the sale of our U.S. operations, and in the 2015 fourth quarter we reflected a release of reserves of $5.2 million (US$3.8 million). Claim payments in 2015 totalled $42.1 million (US$32.9 million).

Financial Position

As at December 31, 2015, Extendicare's consolidated cash on hand totalled $103.6 million, of which $94.6 million was held by our Canadian operations, and $9.0 million was held by our continuing U.S. operations.

Subsequent to year end, the Company acquired two retirement communities for approximately $40.5 million in cash, of which $2.0 million had been paid as a deposit at December 31, 2015. This is in addition to the four retirement communities acquired during the 2015 fourth quarter for approximately $98.6 million. The purchase price for each of these acquisitions was initially paid in cash with an intention to finance up to 65% as stabilized occupancy is achieved.

Our long-term debt totalled $454.1 million as at December 31, 2015, compared with $472.0 million as at December 31, 2014, representing a decline of $17.9 million primarily due to scheduled debt repayments. The weighted average interest rate of our long-term debt was 5.5% as at December 31, 2015, with a weighted average term to maturity of 9.0 years.

In addition, the consolidated interest coverage ratio for the trailing twelve months ended December 31, 2015, was 3.7 times, and was 4.1 times after excluding the bridge loan finance costs of $2.2 million in connection with the acquisition of the home health care business in April 2015. Interest coverage is defined as Adjusted EBITDA divided by net interest, which represents interest expense net of interest revenue.

Extendicare's financial statements, including its Management's Discussion and Analysis are available on our website at www.extendicare.com under the "Our Investors/Financial Reports" section. Also, a supplemental information package containing historical quarterly financial results and operating statistics and a list of our senior care centres can be found on the website under the same section.

CONFERENCE CALL AND WEBCAST

On February 26, 2016, at 9:00 a.m. (ET), we will hold a conference call to discuss our 2015 fourth quarter and year end 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 5796403#. A replay of the call will be available until midnight on March 11, 2016. To access the rebroadcast, dial 1-800-408-3053 or 905-694-9451, followed by the passcode 2014595#. Slides accompanying remarks during the call will be posted to our website as part of the live webcast.

ABOUT EXTENDICARE

Extendicare is a leading provider of care and services for seniors throughout Canada. Through our network of 118 operated senior care centres (64 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 23,100 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”, “NOI”, “NOI margin”, “Adjusted EBITDA”, “Adjusted EBITDA margin”, “AFFO”, “AFFO per share”, and “payout ratio”. 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 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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