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NEWS RELEASE

FOR IMMEDIATE RELEASE

Extendicare Announces Solid 2016 Second Quarter Results

MARKHAM, ONTARIO – August 11, 2016 – Extendicare Inc. ("Extendicare" or the "Company") (TSX: EXE) today reported results for the three and six months ended June 30, 2016. Results are presented in Canadian dollars unless otherwise noted.

Financial and Operational Highlights

- Q2 2016 financial results comparison over Q2 2015 *(from continuing operations unless otherwise noted)*:
  - AFFO from continuing operations up $8.2 million to $20.0 million ($0.227 per basic share), from $11.8 million ($0.135 per basic share).
  - Adjusted EBITDA of $26.6 million, up $4.2 million or 19.0%, representing 10.2% of revenue.
  - Net operating income of $34.7 million, up $3.6 million or 11.6%, representing 13.3% of revenue; same-store NOI up $1.8 million or 6.5%.
- Dividends declared of $21.2 million in the first six months of 2016, representing approximately 67% of AFFO of $31.4 million for the same period.
- Released US$3.1 million of reserves for U.S. self-insured liabilities; and post June, released US$5.0 million of our investments held for U.S. self-insured liabilities to cash available for operations.

"We are pleased with our performance for the six months ended June resulting from a strong second quarter," stated Tim Lukenda, President and CEO of Extendicare. "We continue to focus on assimilating and optimizing our core operations following significant acquisitions during the past year. We are confident that initiatives under way will yield further improvement in our same-store operations, while we continue to grow the Esprit Lifestyle Community division and invest in the redevelopment of our long-term care centres."

Conference Call and Webcast

On August 12, 2016, at 10:00 a.m. (ET), we will hold a conference call to discuss our 2016 second quarter. The call will be webcast live and archived on our website at www.extendicare.com under the "Investors/Events & Presentations" section. Alternatively, the call-in number is 1-866-696-5910 or 416-340-2217, followed by the passcode 3293611#. A replay of the call will be available until midnight on August 26, 2016. To access the rebroadcast, dial 1-800-408-3053 or 905-694-9451, followed by the passcode 8765015#. Slides accompanying remarks during the call will be posted to our website as part of the live webcast.

August 2016 Dividend Declared

The Board of Directors of Extendicare today declared a cash dividend of $0.04 per share for the month of August 2016, which is payable on September 15, 2016, to shareholders of record at the close of business on August 31, 2016. This dividend is designated as an "eligible dividend" within the meaning of the Income Tax Act (Canada).

Selected Financial Information

The following is a summary of selected financial information for the three and six months ended June 30, 2016 and 2015.

	Three months ended June 30		Six months ended June 30	
(thousands of dollars, unless otherwise noted)	**2016**	**2015**	**2016**	**2015**
CONTINUING OPERATIONS				
Revenue				
Long-term care	**149,960**	146,808	**298,720**	290,287
Retirement living	**3,687**	–	**7,038**	–
Home health care	**101,951**	83,117	**199,567**	128,744
Management, consulting and other	**5,827**	4,433	**10,483**	8,102
Total revenue	**261,425**	234,358	**515,808**	427,133
Operating expenses	**226,678**	203,219	**454,466**	372,629
Net operating income (NOI) (1)	**34,747**	31,139	**61,342**	54,504
NOI margin (1)	***13.3%***	*13.3%*	***11.9%***	*12.8%*
Administrative costs	**6,458**	7,247	**14,865**	14,117
Lease costs	**1,642**	1,508	**3,313**	2,646
Adjusted EBITDA (1)	**26,647**	22,384	**43,164**	37,741
Adjusted EBITDA margin (1)	***10.2%***	*9.6%*	***8.4%***	*8.8%*
AFFO (continuing operations) (1)	**20,012**	11,840	**32,356**	18,140
per basic share *($)*	**0.227**	0.135	**0.367**	0.207
per diluted share *($)*	**0.214**	0.135	**0.352**	0.207
AFFO (1)	**19,155**	5,834	**31,390**	27,677
per basic share *($)*	**0.217**	0.067	**0.356**	0.315
per diluted share *($)*	**0.206**	0.073	**0.343**	0.307
Maintenance capex (continuing operations)	**2,835**	2,295	**3,875**	3,110
Cash dividends declared per share	**0.120**	0.120	**0.240**	0.240
Payout ratio (1) (2)	**55%**	180%	**67%**	76%
Weighted average number of shares *(thousands)*				
Basic	**88,269**	87,557	**88,163**	87,779
Diluted	**99,513**	98,802	**99,408**	99,023

(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. Detailed descriptions of these terms can be found in the Company's disclosure documents, including its Management's Discussion and Analysis, filed with the securities regulatory authorities; these documents are available at www.sedar.com and on Extendicare's website at www.extendicare.com.

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

2016 Second Quarter Summary

Consolidated net operating income from continuing operations improved by $3.6 million, or 11.6%, to $34.7 million in the 2016 second quarter from $31.1 million in the same 2015 period, representing 13.3% of revenue in each of the respective periods. On a same-store basis, excluding acquisitions, net operating income improved by $1.8 million to $29.6 million, representing 14.3% of revenue this quarter compared to 13.8% in the same 2015 period. Same-store net operating income from our Canadian operations improved by $1.1 million primarily from funding enhancements in our long-term care operations, higher preferred accommodation revenue, timing of recognition of funding to match costs under the Ontario envelope system, and increased business volumes in our management services and group purchasing operations, partially offset by unfunded cost increases in our home health care operations. Home health care funding increases from the Ontario government have been limited to a level to compensate operators to cover mandatory wage increases for personal support workers. Management initiatives are under way with a specific focus to improve efficiency and reduce costs in our core home health care operations. The balance of the improvement in same-store net operating income of $0.7 million related to higher investment income from our captive insurance subsidiary (the "Captive").

Consolidated Adjusted EBITDA improved by $4.2 million, or 19.0%, to $26.6 million this quarter from $22.4 million in the same 2015 period, representing 10.2% and 9.6% of revenue, respectively. Adjusted EBITDA from the Canadian operations improved by $2.3 million, reflecting growth in net operating income of $2.9 million, partially offset by an increase in administrative and lease costs related primarily to acquisitions over the past year. Adjusted EBITDA from the U.S. continuing operations improved by $1.9 million due to the increase in investment income from our Captive and a reduction in administrative costs to manage the run off of the self-insured liabilities.

AFFO from continuing operations improved by $8.2 million to $20.0 million this quarter reflecting the improvement in Adjusted EBITDA of $4.2 million, income support on the retirement acquisitions of $1.9 million, lower net finance costs of $3.2 million, partially offset by an increase in maintenance capex of $0.5 million and current income taxes of $0.7 million. Net finance costs included $1.8 million of interest income realized this quarter in connection with deferred consideration from the disposed U.S. operations.

2016 Six Month Summary

Consolidated net operating income from continuing operations improved by $6.8 million, or 12.5%, to $61.3 million in the first six months of 2016 compared to $54.5 million in the same 2015 period, representing 11.9% and 12.8% of revenue, respectively. On a same-store basis, excluding acquisitions, net operating income improved by $1.2 million to $52.4 million, representing 12.8% of revenue this period compared to 13.0% in the same 2015 period. Same-store net operating income from our Canadian operations improved by $0.3 million this period primarily from funding enhancements in our long-term care operations, higher preferred accommodation revenue, and increased business volumes in our management services and group purchasing operations, partially offset by unfunded costs increases in our home health care operations, as previously discussed under the review of the second quarter results. The balance of the improvement in same-store net operating income of $0.9 million related to higher investment income from our Captive.

Consolidated Adjusted EBITDA improved by $5.4 million, or 14.4% to $43.1 million in the first six months of 2016 from $37.7 million in the same 2015 period, representing 8.4% and 8.8% of revenue, respectively. Adjusted EBITDA from the Canadian operations improved by $2.4 million, reflecting growth in net operating income of $5.9 million, partially offset by a $3.5 million increase in administrative and lease costs, of which $0.6 million represented additional leases costs in respect of acquisitions, $1.2 million was due to increased labour costs primarily in connection with acquisitions, and the balance was largely due to higher professional fees in support of services related to the sold U.S. operations, recent acquisitions, an executive compensation review and the implementation of a new long-term incentive plan. Adjusted EBITDA from the U.S. continuing operations improved by $3.0 million due to the increase in investment income from our Captive and a reduction in administrative costs to manage the run off of the self-insured liabilities.

AFFO from continuing operations improved by $14.2 million to $32.3 million in the first six months of 2016, reflecting the improvement in Adjusted EBITDA of $5.4 million, income support on the retirement acquisitions of $3.1 million, lower net finance costs of $5.5 million, and an increase in government capital funding of $1.2 million that included retroactive funding on two redeveloped long-term care centers, partially offset by higher maintenance capex of $0.8 million and current income taxes of $0.4 million. Net finance costs included $3.8 million of interest income realized this period in connection with deferred consideration from the disposed U.S. operations.

Disposal Group Held for Sale

In the 2016 second quarter, the Company commenced actively marketing the sale of the operations of its non-strategic wholly owned U.S. information technology hosting and professional services business, Virtual Care Provider, Inc. (VCPI), and is committed to a plan to dispose of VCPI within the next twelve months. As a result, the Company has classified VCPI's assets and liabilities as held for sale as at June 30, 2016, has reclassified its operations as discontinued, and has restated the consolidated statement of earnings (loss) on a comparative basis. A pre-tax impairment loss of $7.1 million was recognized in the 2016 second quarter, resulting in a carrying value for these net assets held for sale of $11.4 million as at June 30, 2016.

Discontinued Operations

In the 2016 second quarter, we reported a loss, net of tax, from discontinued operations of $4.9 million that included the VCPI impairment charge of $7.1 million, a net loss of $0.9 million from VCPI's operations, and an increase in indemnification provisions in respect of the U.S. operations disposed of in 2015 of $0.9 million, partially offset by a release of reserves for our U.S. self-insured liabilities of $4.0 million (US$3.1 million).

In the first six months of 2016, we reported a loss, net of tax, of $6.7 million, which in addition to the impairment charge and release of reserves recorded in the second quarter as outlined above, included a net loss of $1.9 million from VCPI's operations for the six months, and a total increase in indemnification provisions in respect of the U.S. operations disposed of in 2015 of $1.7 million.

Financial Position

As at June 30, 2016, Extendicare's consolidated cash on hand totalled $38.6 million, of which $35.8 million was held by our Canadian operations, and $2.8 million was held by our U.S. operations. Subsequent to June 30, 2016, US$5.0 million of the Captive's funds were released from investments held for self-insured liabilities to cash available for operations.

The Company has acquired six retirement communities since October 2015, for cash of approximately $139 million. Subsequent to June 30, 2016, the Company secured financing in the aggregate of $56.3 million on three of the retirement communities, representing approximately 70% of their acquisition costs.

In addition, construction financings of up to $51.4 million in the aggregate have been secured on the first three retirement projects under development, of which $2.3 million was drawn as at June 30. These financings represent 63% of the estimated costs, and similar financing arrangements are anticipated for the fourth project. The anticipated cost to develop these retirement communities of approximately $113.5 million, includes all amounts through the lease-up period until stabilized NOI is achieved, as well as an implied cost of capital. As at June 30, 2016, approximately $16.9 million in capital expenditures had been incurred on the development projects, of which approximately $2.3 million was financed from the construction loans.

Our long-term debt totalled $446.5 million as at June 30, 2016 (December 31, 2015 – $454.1 million), representing approximately 40% of our gross book value, including convertible debentures. With the recent financing secured on the acquisitions of $56.3 million, our debt to gross book value would be approximately 45%.

Our consolidated interest coverage ratio for the trailing twelve months ended June 30, 2016, was 5.4 times. Interest coverage is defined as Adjusted EBITDA divided by net interest, which represents interest expense, with capitalized interest added back, 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 "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.

ABOUT EXTENDICARE

Extendicare is a leading provider of care and services for seniors throughout Canada. Through our network of 118 operated senior care and living 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 23,700 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 Extendicare's disclosure documents, including its Management's Discussion and Analysis, filed with the securities regulatory authorities; these documents are 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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