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NEWS RELEASE

FOR IMMEDIATE RELEASE

Extendicare Announces Solid 2016 Third Quarter Results

MARKHAM, ONTARIO – November 10, 2016 – Extendicare Inc. ("Extendicare" or the "Company") (TSX: EXE) today reported results for the three and nine months ended September 30, 2016. Results are presented in Canadian dollars unless otherwise noted.

Financial and Operational Highlights

- Q3 2016 financial results comparison over Q3 2015 *(from continuing operations unless otherwise noted)*:
  - AFFO from continuing operations up $5.8 million to $20.8 million ($0.236 per basic share), from $15.0 million ($0.171 per basic share).
  - Adjusted EBITDA of $25.5 million, up $2.6 million or 11.3%, representing 9.5% of revenue.
  - Net operating income of $35.0 million, up $2.6 million or 8.0%, representing 13.1% of revenue; same-store NOI up $1.9 million or 6.7%.
- Dividends declared of $31.8 million in the first nine months of 2016, representing approximately 61% of AFFO of $51.7 million for the same period.
- Entered into definitive agreement to dispose of the operations of VCPI by the end of 2016.

"We are pleased with our results for the quarter," stated Tim Lukenda, President and CEO of Extendicare. "Initiatives currently under way are expected to drive further growth and operational outperformance across our operating units. We continue to deliver solid growth in AFFO per share by focusing on meeting the needs of Canadian seniors through the provision of quality care and services," he added.

Conference Call and Webcast

On November 11, 2016, at 10:00 a.m. (ET), we will hold a conference call to discuss our 2016 third 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 3301824#. A replay of the call will be available until midnight on November 25, 2016. To access the rebroadcast, dial 1-800-408-3053 or 905-694-9451, followed by the passcode 7767555#. Slides accompanying remarks during the call will be posted to our website as part of the live webcast.

November 2016 Dividend Declared

The Board of Directors of Extendicare today declared a cash dividend of $0.04 per share for the month of November 2016, which is payable on December 15, 2016, to shareholders of record at the close of business on November 30, 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 nine months ended September 30, 2016 and 2015.

	Three months ended September 30		Nine months ended September 30	
(thousands of dollars, unless otherwise noted)	**2016**	**2015**	**2016**	**2015**
CONTINUING OPERATIONS				
Revenue				
Long-term care	**152,473**	149,723	**451,193**	440,010
Retirement living	**3,996**	–	**11,034**	–
Home health care	**106,167**	98,239	**305,734**	226,983
Management, consulting and other	**5,460**	5,594	**15,943**	13,696
Total revenue	**268,096**	253,556	**783,904**	680,689
Operating expenses	**233,056**	221,100	**687,522**	593,729
Net operating income (NOI) (1)	**35,040**	32,456	**96,382**	86,960
NOI margin (1)	***13.1%***	*12.8%*	***12.3%***	*12.8%*
Administrative costs	**7,843**	7,891	**22,708**	22,008
Lease costs	**1,672**	1,627	**4,985**	4,273
Adjusted EBITDA (1)	**25,525**	22,938	**68,689**	60,679
Adjusted EBITDA margin (1)	***9.5%***	*9.0%*	***8.8%***	*8.9%*
AFFO (continuing operations) (1)	**20,832**	15,027	**53,188**	33,167
per basic share *($)*	**0.236**	0.171	**0.603**	0.378
per diluted share *($)*	**0.223**	0.169	**0.575**	0.376
AFFO (1)	**20,300**	13,540	**51,690**	41,217
per basic share *($)*	**0.230**	0.155	**0.586**	0.470
per diluted share *($)*	**0.217**	0.150	**0.560**	0.457
Maintenance capex (continuing operations)	**2,825**	3,423	**6,700**	6,533
Cash dividends declared per share	**0.120**	0.120	**0.360**	0.360
Payout ratio (1) (2)	**52%**	77%	**61%**	77%
Weighted average number of shares *(thousands)*				
Basic	**88,495**	87,663	**88,274**	87,740
Diluted	**99,739**	98,907	**99,519**	98,984

(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 AFFO per basic share for the respective periods.

2016 Third Quarter Summary

Consolidated net operating income from continuing operations improved by $2.6 million, or 8.0%, to $35.0 million in the 2016 third quarter from $32.4 million in the same 2015 period, representing 13.1% and 12.8% of revenue, respectively. On a same-store basis, excluding acquisitions, net operating income improved by $1.9 million to $29.5 million, representing 14.0% of revenue this quarter compared to 13.5% in the same 2015 period. Same-store net operating income from our Canadian operations improved by $2.5 million this period and was favourably impacted by labour cost accrual adjustments recorded this quarter of $1.0 million. The remaining improvement was 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 change in same-store net operating income related to lower investment income of $0.6 million from our captive insurance subsidiary (the "Captive").

Consolidated Adjusted EBITDA improved by $2.6 million, or 11.3%, to $25.5 million this quarter from $22.9 million in the same 2015 period, representing 9.5% and 9.0% of revenue, respectively. Adjusted EBITDA from our Canadian operations improved by $2.0 million, reflecting growth in net operating income of $3.2 million, partially offset by an increase in administrative and lease costs that included higher labour costs to support acquisitions and growth in operations over the past year and an increase in share-based executive compensation. Adjusted EBITDA from the U.S. continuing operations improved by $0.6 million due to a reduction in administrative costs to manage the run off of the self-insured liabilities partially offset by a reduction in investment income.

AFFO from continuing operations improved by $5.8 million to $20.8 million this quarter reflecting the improvement in Adjusted EBITDA of $2.6 million, income support on the retirement acquisitions of $1.8 million, and lower current income taxes of $1.8 million, partially offset by higher net finance costs of $0.7 million. The 2016 third quarter included the reversal of a $1.9 million current tax provision, as a result of a favourable book-to-file adjustment, of which $1.0 million had been recorded in 2015 and the balance in the first half of 2016.

2016 Nine Month Summary

Consolidated net operating income from continuing operations improved by $9.4 million, or 10.8%, to $96.4 million in the first nine months of 2016 compared to $87.0 million in the same 2015 period, representing 12.3% and 12.8% of revenue, respectively. On a same-store basis, excluding acquisitions, net operating income improved by $3.1 million to $82.0 million this period from $78.9 million in the same 2015 period, representing 13.2% of revenue in each of the respective periods. Same-store net operating income from our Canadian operations improved by $2.8 million this period and was favourably impacted by labour cost accrual adjustments recorded this period of $1.0 million. The remaining improvement was 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 cost increases in our home health care operations, as previously discussed under the review of the third quarter results. The balance of the improvement in same-store net operating income of $0.3 million related to higher investment income from our Captive.

Consolidated Adjusted EBITDA improved by $8.0 million, or 13.2% to $68.7 million in the first nine months of 2016 from $60.7 million in the same 2015 period, representing 8.8% and 8.9% of revenue, respectively. Adjusted EBITDA from the Canadian operations improved by $4.4 million, reflecting growth in net operating income of $9.1 million, partially offset by a $4.7 million increase in administrative and lease costs, of which $0.7 million represented additional leases costs in respect of acquisitions, $2.1 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 $3.6 million due to a reduction in administrative costs to manage the run off of the self-insured liabilities and the increase in investment income from our Captive.

AFFO from continuing operations improved by $20.0 million to $53.2 million in the first nine months of 2016, reflecting the improvement in Adjusted EBITDA of $8.0 million, income support on the retirement acquisitions of $4.9 million, lower net finance costs of $4.8 million, lower current income taxes of

$1.4 million, and an increase in government capital funding of $1.3 million that included $1.0 million of retroactive funding. Net finance costs included $5.7 million of interest income realized this period in connection with deferred consideration from the disposed U.S. operations compared to $1.8 million in the same 2015 period.

Disposal Group Held for Sale

On October 31, 2016, the Company entered into a definitive agreement with a third party (the "Purchaser") to dispose of substantially all of the assets used in the operation of our U.S. information technology hosting and professional services business, Virtual Care Provider, Inc. (VCPI) for cash proceeds of US$8.5 million, prior to working capital adjustments and transaction costs. The Purchaser will continue the operation of the business following the close of the transaction, which is anticipated to occur by the end of 2016, subject to the satisfaction of certain closing conditions.

VCPI's operations were reclassified as discontinued in the 2016 second quarter following the Company's decision to actively market the sale of the operations. The impairment assessment of VCPI using the expected proceeds, resulted in a pre-tax impairment loss of $9.2 million (US$7.1 million) during the nine months ended September 30, 2016, of which $2.1 million was recognized in the 2016 third quarter and the balance in the 2016 second quarter. As at September 30, 2016, the carrying value of these net assets held for sale was $9.7 million.

Discontinued Operations

In the 2016 third quarter, we reported a loss, net of tax, from discontinued operations of $0.6 million that included the VCPI impairment charge of $2.1 million, and a net loss of $0.3 million from VCPI's operations, partially offset by a reduction of $1.8 million in indemnification provisions in respect of the U.S. operations disposed of in 2015.

In the first nine months of 2016, we reported a loss, net of tax, of $7.4 million that included the VCPI impairment charge of $9.2 million and a net loss of $2.3 million from VCPI's operations, partially offset by a release of reserves for our U.S. self-insured liabilities of $4.0 million and other items of $0.1 million.

Financial Position

As at September 30, 2016, Extendicare's consolidated cash on hand totalled $88.4 million, of which $83.1 million was held by our Canadian operations, and $5.3 million was held by our U.S. operations.

The Company has acquired six retirement communities since October 2015, for cash of approximately $139 million. In August 2016, the Company secured variable-rate financing in the aggregate of $56.3 million on three of the retirement communities, representing approximately 71% of their acquisition costs. The Company has entered into interest rate swap contracts to lock in the variable interest rates at 3.11% for the full term. These interest rate swap contracts are designated at fair value through profit or loss, and as at September 30, 2016, were valued as a liability of $0.8 million.

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 $4.4 million was drawn as at September 30. These financings represent 63% of the estimated costs, and similar financing arrangements are anticipated for the fourth project. The Company has spent approximately $22.9 million of the anticipated $113.5 million cost to develop these four retirement communities, which cost includes all amounts through the lease-up period until stabilized NOI is achieved, as well as an implied cost of capital.

Our long-term debt totalled $500.2 million as at September 30, 2016 (December 31, 2015 – $454.1 million), representing approximately 43% of our gross book value, including convertible debentures.

Our consolidated interest coverage ratio for the trailing twelve months ended September 30, 2016, was 5.2 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 119 operated senior care and living centres (64 owned/55 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 23,800 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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