

**Extendicare Announces 2017 First Quarter Results
Reflecting a 19% Increase in NOI**

MARKHAM, ONTARIO – May 9, 2017 – Extendicare Inc. (“Extendicare” or the “Company”) (TSX: EXE) today reported results for the first quarter ended March 31, 2017. Results are presented in Canadian dollars unless otherwise noted.

Financial and Operational Highlights

- Q1 2017 financial results comparison over Q1 2016 (*from continuing operations unless otherwise noted*):
 - Net operating income of \$31.6 million up \$5.0 million or 18.8%, representing 11.8% of revenue.
 - Earnings (loss) from continuing operations of \$4.9 million (\$0.06 per basic share) up \$6.4 million.
 - AFFO from continuing operations up \$0.4 million to \$12.7 million (\$0.143 per basic share), from \$12.3 million (\$0.140 per basic share).
 - Adjusted EBITDA of \$21.4 million, up \$4.9 million or 29.7%.
 - Home health care daily hours of service grew by 8.5% to 31,285 this quarter from 28,847 in Q1 2016.
- Dividends declared of \$10.6 million in the first three months of 2017, representing approximately 84% of AFFO of \$12.7 million for the same period.

“We are pleased with our operating results this quarter, which reflected continued growth in home health care volumes and steady progress from our Esprit Lifestyle Communities,” stated Tim Lukenda, President and CEO of Extendicare. “We continue to drive margin improvement and resulting net operating income across all business lines. As we work towards the opening of Douglas Crossing retirement community in Uxbridge, Ontario later this year, we are pleased to see very robust pre-lease activity in this underserved market.”

Conference Call and Webcast

On May 10, 2017, at 10:30 a.m. (ET), we will hold a conference call to discuss our 2017 first quarter results. 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 1020659#. A replay of the call will be available until midnight on May 26, 2017. To access the rebroadcast, dial 1-800-408-3053 or 905-694-9451, followed by the passcode 9696498#. Slides accompanying remarks during the call will be posted to our website as part of the live webcast.

Selected Financial Information

The following is a summary of selected financial information for the three months ended March 31, 2017 and 2016.

	Three months ended	
	March 31	
<i>(thousands of dollars, unless otherwise noted)</i>	2017	2016
CONTINUING OPERATIONS		
Revenue		
Long-term care	150,610	148,760
Retirement living	4,630	3,351
Home health care	107,794	97,616
Management, consulting and other	5,824	4,656
Total revenue	268,858	254,383
Operating expenses	237,254	227,788
Net operating income (NOI) ⁽¹⁾	31,604	26,595
<i>NOI margin ⁽¹⁾</i>	<i>11.8%</i>	<i>10.5%</i>
Administrative costs	8,513	8,407
Lease costs	1,662	1,671
Adjusted EBITDA ⁽¹⁾	21,429	16,517
<i>Adjusted EBITDA margin ⁽¹⁾</i>	<i>8.0%</i>	<i>6.5%</i>
Earnings (loss) from continuing operations	4,947	(1,483)
per basic share (\$)	0.06	(0.02)
AFFO (continuing operations) ⁽¹⁾	12,688	12,344
per basic share (\$)	0.143	0.140
per diluted share (\$)	0.141	0.138
AFFO ⁽¹⁾	12,688	12,235
per basic share (\$)	0.143	0.139
per diluted share (\$)	0.141	0.137
Maintenance capex (continuing operations)	907	1,040
Cash dividends declared per share	0.120	0.120
Payout ratio ^{(1) (2)}	84%	86%
Weighted average number of shares (thousands)		
Basic	88,807	88,057
Diluted	100,086	99,302

(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 Extencare’s website at www.extencare.com.

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

2017 First Quarter Summary

Consolidated net operating income from continuing operations improved by \$5.0 million or 18.8% to \$31.6 million in the 2017 first quarter compared to \$26.6 million in the same 2016 period, representing 11.8% and 10.5% of revenue, respectively. This quarter’s NOI reflected growth from home health care business volumes, LTC funding enhancements, a \$1.2 million increase in investment income from our captive insurance subsidiary (the “Captive”), and a favourable prior period revenue adjustment of \$0.8 million, partially offset by one less day this quarter.

Consolidated Adjusted EBITDA from continuing operations improved by \$4.9 million or 29.7% to \$21.4 million this quarter from \$16.5 million in the same 2016 period, representing 8.0% and 6.5% of revenue, respectively. Adjusted EBITDA from the U.S. operations improved by \$1.6 million due to the increase in investment income and reduction in administrative costs. Adjusted EBITDA from the Canadian operations improved by \$3.3 million to \$20.4 million, representing 7.7% of revenue this quarter compared to 6.7% in the same 2016 period, reflecting growth in net operating income of \$3.8 million, partially offset by an increase in administrative costs that included an increase in share-based compensation, wages and consulting fees in respect of the home health care operations improvement initiative.

Earnings (loss) from continuing operations improved by \$6.4 million in the 2017 first quarter, reflecting the improvement in Adjusted EBITDA, a decline in other expenses in respect of proxy contest, integration and acquisition costs incurred in the 2016 first quarter, and a positive change in foreign exchange losses, partially offset by lower interest revenue.

AFFO increased by \$0.5 million to \$12.7 million in the 2017 first quarter, reflecting an improvement from continuing operations and a reduction in losses from discontinued operations. The improvement in AFFO from continuing operations included a net increase in Adjusted EBITDA of \$2.8 million after adjusting AFFO for income support, non-cash share-based compensation and the elimination of earnings of the Captive, and included lower current income taxes and maintenance capex of \$0.2 million, partially offset by higher net finance costs of \$1.8 million and a decrease in government capital funding of \$0.9 million due to retroactive funding of \$1.0 million received in the 2016 first quarter. The increase in net financing costs was due to lower interest revenue of \$1.9 million as a result of deferral of consideration in connection with the U.S. Sale Transaction.

Financial Position

As at March 31, 2017, Extencicare's consolidated cash on hand was \$98.6 million, which excludes investments held by our Captive of \$131.8 million to support the accrual for U.S. self-insured liabilities of \$90.0 million. Subsequent to March 31, 2017, the Captive transferred US\$10.0 million of its funds held for investment to the Company for general corporate use.

Our long-term debt totalled \$501.2 million as at March 31, 2017 (December 31, 2016 – \$503.6 million), representing approximately 43% of our gross book value, including convertible debentures.

Our consolidated net interest coverage ratio for the trailing twelve months ended March 31, 2017, was 5.1 times. Net interest coverage is defined as Adjusted EBITDA divided by net interest, which represents interest expense, with capitalized interest added back, net of interest revenue. Excluding interest revenue, our interest coverage ratio was 3.5 times.

Extencicare's financial reports, including its Management's Discussion and Analysis are available on our website at www.extencicare.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.

May 2017 Dividend Declared

The Board of Directors of Extendicare today declared a cash dividend of \$0.04 per share for the month of May 2017, which is payable on June 15, 2017, to shareholders of record at the close of business on May 31, 2017. This dividend is designated as an “eligible dividend” within the meaning of the Income Tax Act (Canada).

ABOUT EXTENDICARE

Extendicare is a leading provider of care and services for seniors throughout Canada. Through our network of 111 operated senior care and living centres (65 owned/46 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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