



Interim Condensed Consolidated Financial Statements

Q2 2024

Extendicare Inc.
Dated: August 12, 2024

Extendicare Inc.
Interim Condensed Consolidated Financial Statements

Three and six months ended June 30, 2024 and 2023

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Extendicare Inc.

Interim Condensed Consolidated Statements of Financial Position

(Unaudited)

<i>(thousands of dollars)</i>	<i>notes</i>	June 30, 2024	December 31, 2023
Assets			
Current assets			
Cash and cash equivalents		136,403	75,184
Restricted cash		992	729
Accounts receivable		81,674	88,370
Income taxes recoverable		627	2,656
Other assets		17,075	20,199
Total current assets		236,771	187,138
Non-current assets			
Property and equipment	3	279,131	295,897
Goodwill and other intangible assets	4	123,809	124,307
Other assets		35,163	34,977
Deferred tax assets		5,555	5,885
Investment in joint ventures	5	25,907	24,527
Total non-current assets		469,565	485,593
Total assets		706,336	672,731
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities		224,241	203,259
Income taxes payable		9,276	3,248
Current portion of long-term debt	6	162,581	19,879
Total current liabilities		396,098	226,386
Non-current liabilities			
Long-term debt	6	163,687	314,637
Provisions		9,453	10,343
Other long-term liabilities		23,607	23,351
Deferred tax liabilities		6,796	10,094
Total non-current liabilities		203,543	358,425
Total liabilities		599,641	584,811
Share capital	8	469,328	467,347
Equity portion of convertible debentures		7,085	7,085
Contributed surplus		11,171	13,087
Accumulated deficit		(375,012)	(393,471)
Accumulated other comprehensive loss		(5,877)	(6,128)
Shareholders' equity		106,695	87,920
Total liabilities and equity		706,336	672,731

See accompanying notes to the unaudited interim condensed consolidated financial statements.
Commitments and Contingencies (*Note 12*).

Extendicare Inc.
Interim Condensed Consolidated Statements of Earnings
(Unaudited)

		Three months ended June 30,		Six months ended June 30,	
<i>(thousands of dollars except for per share amounts)</i>	<i>notes</i>	2024	2023	2024	2023
Revenue		348,482	307,535	715,577	632,247
Operating expenses		295,675	279,065	618,027	559,213
Administrative costs		14,196	13,694	28,807	27,280
Total expenses	9	309,871	292,759	646,834	586,493
Earnings before depreciation, amortization, and other		38,611	14,776	68,743	45,754
Depreciation and amortization		8,049	7,173	16,204	14,524
Other (income) expense	10	(5,692)	1,402	(3,786)	5,020
Share of profit from investment in joint ventures	5	(265)	—	(1,395)	—
Earnings before net finance costs and income taxes		36,519	6,201	57,720	26,210
Net finance costs	11	3,627	3,096	7,235	7,339
Earnings before income taxes		32,892	3,105	50,485	18,871
Current income tax expense		8,785	506	14,558	4,352
Deferred income tax (recovery) expense		(1,783)	648	(3,059)	988
Total income tax expense		7,002	1,154	11,499	5,340
Net earnings		25,890	1,951	38,986	13,531
Basic Earnings per Share					
Net earnings		\$0.30	\$0.02	\$0.46	\$0.16
Diluted Earnings per Share					
Net earnings		\$0.29	\$0.02	\$0.44	\$0.16

See accompanying notes to the unaudited interim condensed consolidated financial statements.

Extendicare Inc.

Interim Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
<i>(thousands of dollars)</i>	2024	2023	2024	2023
Net earnings	25,890	1,951	38,986	13,531
Other Comprehensive Income, Net of Taxes				
Items that will not be reclassified to profit or loss:				
Defined benefit plan actuarial gains	62	1,501	342	789
Tax expense on changes in defined benefit plan	(17)	(398)	(91)	(209)
Other comprehensive income, net of taxes	45	1,103	251	580
Total comprehensive income	25,935	3,054	39,237	14,111

See accompanying notes to the unaudited interim condensed consolidated financial statements.

Extendicare Inc.

Interim Condensed Consolidated Statements of Changes in Equity

(Unaudited)

<i>(thousands of dollars, except for number of shares)</i>	<i>notes</i>	<i>Number of Shares</i>	<i>Share Capital</i>	<i>Equity Portion of Convertible Debentures</i>	<i>Contributed Surplus</i>	<i>Accumulated Deficit</i>	<i>Accumulated Other Comprehensive Loss</i>	<i>Shareholders' Equity</i>
Balance at January 1, 2023		84,728,744	475,415	7,085	10,619	(384,620)	(7,798)	100,701
Purchase of shares for cancellation	8	(627,500)	(3,526)	—	—	(601)	—	(4,127)
Share-based compensation	7	178,702	1,761	—	(75)	(656)	—	1,030
Net earnings		—	—	—	—	13,531	—	13,531
Dividends declared	8	—	—	—	—	(20,282)	—	(20,282)
Other comprehensive income		—	—	—	—	—	580	580
Balance at June 30, 2023		84,279,946	473,650	7,085	10,544	(392,628)	(7,218)	91,433

<i>(thousands of dollars, except for number of shares)</i>	<i>notes</i>	<i>Number of Shares</i>	<i>Share Capital</i>	<i>Equity Portion of Convertible Debentures</i>	<i>Contributed Surplus</i>	<i>Accumulated Deficit</i>	<i>Accumulated Other Comprehensive Loss</i>	<i>Shareholders' Equity</i>
Balance at January 1, 2024		83,158,315	467,347	7,085	13,087	(393,471)	(6,128)	87,920
Share-based compensation	7	308,663	1,981	—	(1,916)	(526)	—	(461)
Net earnings		—	—	—	—	38,986	—	38,986
Dividends declared	8	—	—	—	—	(20,001)	—	(20,001)
Other comprehensive income		—	—	—	—	—	251	251
Balance at June 30, 2024		83,466,978	469,328	7,085	11,171	(375,012)	(5,877)	106,695

See accompanying notes to the unaudited interim condensed consolidated financial statements.

Extendicare Inc.
Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)

		Three months ended June 30,		Six months ended June 30,	
(thousands of dollars)	notes	2024	2023	2024	2023
Operating Activities					
Net earnings		25,890	1,951	38,986	13,531
Adjustments for:					
Share-based compensation		509	1,154	(461)	1,030
Depreciation and amortization	3, 4	8,049	7,173	16,204	14,524
Net finance costs	11	3,627	3,096	7,235	7,339
Current taxes		8,428	506	14,201	4,352
Deferred taxes		(1,783)	648	(3,059)	988
Defined benefit plan expenses		249	311	498	622
Defined benefit plan contributions		(561)	—	(1,002)	(1,096)
Gain on sale of assets to joint venture, net of tax	10	(2,707)	—	(2,707)	—
Gain on sale of Class C LTC assets, net of tax	10	(4,450)	—	(4,450)	—
Share of profit from investment in joint venture	5	(265)	—	(1,395)	—
		36,986	14,839	64,050	41,290
Net change in operating assets and liabilities					
Accounts receivable		19,914	(6,637)	6,819	(19,101)
Other assets		1,388	(1,251)	2,249	82
Accounts payable and accrued liabilities		(8,345)	25,664	22,135	(11,439)
		49,943	32,615	95,253	10,832
Interest paid, net		(3,906)	(4,486)	(5,169)	(5,644)
Income taxes paid, net		(1,882)	(969)	(6,513)	(8,167)
Net cash from (used in) operating activities		44,155	27,160	83,571	(2,979)
Investing Activities					
Purchase of property, equipment and other intangible assets	3, 4	(9,432)	(31,799)	(18,791)	(65,266)
Change in other assets		391	661	859	1,503
Proceeds from sale of assets to joint venture	10	20,482	—	20,482	—
Proceeds from sale of Class C LTC assets	10	5,337	—	5,337	—
Investment in joint ventures	5	(435)	—	(435)	—
Distributions from investment in joint venture	5	225	—	450	—
Net cash from (used in) investing activities		16,568	(31,138)	7,902	(63,763)
Financing Activities					
Issuance of long-term debt	6	—	7,051	—	23,656
Repayment of long-term debt and lease liabilities	6	(4,558)	(4,818)	(9,704)	(10,189)
Change in restricted cash		(204)	(143)	(263)	(285)
Purchase of shares for cancellation	8	—	(4,127)	—	(4,127)
Dividends paid	8	(10,000)	(10,151)	(19,988)	(20,318)
Financing costs	6	(104)	—	(299)	(3)
Net cash used in financing activities		(14,866)	(12,188)	(30,254)	(11,266)
Increase (decrease) in cash and cash equivalents		45,857	(16,166)	61,219	(78,008)
Cash and cash equivalents at beginning of period		90,546	105,439	75,184	167,281
Cash and cash equivalents at end of period		136,403	89,273	136,403	89,273

See accompanying notes to the unaudited interim condensed consolidated financial statements.

1. GENERAL INFORMATION AND NATURE OF THE BUSINESS

The common shares (the "Common Shares") of Extendicare Inc. ("Extendicare" or the "Company") are listed on the Toronto Stock Exchange ("TSX") under the symbol "EXE". The Company and its predecessors have been in operation since 1968. The Company is a leading provider of care and services for seniors across Canada, operating under the Extendicare, ParaMed, Extendicare Assist and SGP Purchasing Partner Network ("SGP") brands and is committed to delivering quality care throughout the health continuum to meet the needs of a growing seniors population. The registered office of the Company is located at 3000 Steeles Avenue East, Suite 400, Markham, Ontario, Canada, L3R 4T9.

2. BASIS OF PREPARATION

a) Statement of Compliance

The unaudited interim condensed consolidated financial statements (the "consolidated financial statements") have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board, and were approved by the board of directors (the "Board") of the Company on August 12, 2024.

The consolidated financial statements do not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the Company's 2023 annual audited consolidated financial statements. These consolidated financial statements follow the same accounting policies and methods of application as the consolidated financial statements for the year ended December 31, 2023.

b) Basis of Measurement

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in dollars has been rounded to the nearest thousand, unless otherwise noted.

c) Accounting Standards Adopted during the Period

During the six months ended June 30, 2024, the Company adopted the following amendment to IFRS Accounting Standards as issued by the International Accounting Standards Board:

CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

On January 1, 2024, the Company adopted IAS amendments to IAS 1 *Presentation of Financial Statements*, which clarified the criteria of classification of liabilities as current or non-current. The adoption of these amendments to IAS 1 did not have a material impact on the consolidated financial statements.

3. PROPERTY AND EQUIPMENT

	Land & Land Improve- ments	Buildings & Leasehold Improvements	Right-of- use Assets	Furniture & Equipment	Construction in Progress ("CIP")	Projects in Progress ("PIP")	Total
Cost							
January 1, 2023	37,188	335,268	105,992	66,413	120,665	11,083	676,609
Additions	628	2,252	1,251	5,969	62,951	10,600	83,651
Derecognition	—	(1)	(803)	(80)	—	—	(884)
Sale of assets to joint venture (<i>Note 5</i>)	—	—	—	—	(150,573)	—	(150,573)
Transfers	948	6,782	—	6,536	—	(14,266)	—
December 31, 2023	38,764	344,301	106,440	78,838	33,043	7,417	608,803
Additions	—	207	467	177	5,578	7,106	13,535
Derecognition	—	—	(467)	—	—	—	(467)
Sale of assets to joint venture (<i>Note 5</i>)	—	—	—	—	(16,059)	(257)	(16,316)
Sale of Class C LTC assets (<i>Note 10</i>)	(415)	(4,041)	—	(1,406)	—	—	(5,862)
Transfers	50	5,078	—	1,983	2,521	(9,632)	—
June 30, 2024	38,399	345,545	106,440	79,592	25,083	4,634	599,693

	Land & Land Improvements	Buildings & Leasehold Improvements	Right-of-use Assets	Furniture & Equipment	CIP	PIP	Total
Accumulated Depreciation and Impairment Losses							
January 1, 2023	6,081	198,910	48,218	34,681	—	—	287,890
Depreciation	531	11,153	5,932	8,023	—	—	25,639
Derecognition	—	(1)	(577)	(45)	—	—	(623)
December 31, 2023	6,612	210,062	53,573	42,659	—	—	312,906
Depreciation	290	5,367	3,002	3,889	—	—	12,548
Derecognition	—	—	(256)	—	—	—	(256)
Sale of Class C LTC assets (Note 10)	(150)	(3,669)	—	(817)	—	—	(4,636)
June 30, 2024	6,752	211,760	56,319	45,731	—	—	320,562
Carrying Amounts							
December 31, 2023	32,152	134,239	52,867	36,179	33,043	7,417	295,897
June 30, 2024	31,647	133,785	50,121	33,861	25,083	4,634	279,131

4. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Operational Entitlements	Software and Other Intangible Assets	Total
Cost				
January 1, 2023	45,850	—	86,442	132,292
Additions	—	20,809	13,020	33,829
December 31, 2023	45,850	20,809	99,462	166,121
Additions	—	—	3,590	3,590
June 30, 2024	45,850	20,809	103,052	169,711
Accumulated Amortization				
January 1, 2023	—	—	35,228	35,228
Amortization	—	550	6,036	6,586
December 31, 2023	—	550	41,264	41,814
Amortization	—	659	3,429	4,088
June 30, 2024	—	1,209	44,693	45,902
Carrying Amounts				
December 31, 2023	45,850	20,259	58,198	124,307
June 30, 2024	45,850	19,600	58,359	123,809

5. JOINT VENTURES

Axium Extendicare LTC II LP

Axium Extendicare LTC II LP ("Axium JV II") owns 19 Class A long-term care ("LTC") homes located in Ontario and six homes in Manitoba, consisting of approximately 3,000 funded LTC beds, and one LTC home under construction in Ontario. The Company has a 15% managed interest in the joint venture, with the remaining 85% interest owned by Axium LTC Limited Partnership (with its affiliates, "Axium"). Extendicare is operating the homes in consideration for a customary management fee.

Axium Extendicare LTC LP

Axium Extendicare LTC LP ("Axium JV") is jointly redeveloping certain of Extendicare's existing Ontario Class C homes. Axium owns an 85% interest and Extendicare has the remaining 15% managed interest. The Company has undertaken all development activities in respect of the joint venture homes and will operate the homes upon completion of construction. In 2023, Extendicare sold four of its redevelopment projects to Axium JV (the "Axium Transaction").

On April 22, 2024, the Company completed the sale to Axium JV of its 256-bed LTC home currently under construction in Orleans, Ontario (*Note 10*). Axium JV owns five LTC homes located in Ontario, one of which is operational and four of which are under construction.

The Company has accounted for its investments in the joint ventures above using the equity method:

	June 30, 2024	December 31, 2023
Interest in Axium JV II - 15% ownership	17,743	16,637
Interest in Axium JV - 15% ownership	8,164	7,890
Total	25,907	24,527

The assets and liabilities of the joint ventures for the periods below including fair value adjustments at acquisition and a reconciliation to the carrying amount of Extendicare's interest are as follows:

	June 30, 2024	December 31, 2023
Current assets (including cash and cash equivalents - \$50,655)	58,777	41,873
Non-current assets	692,018	607,142
Total assets	750,795	649,015
Current liabilities (Current portion of long-term debt - \$123,954)	264,441	195,841
Long-term debt	316,862	292,362
Total liabilities	581,303	488,203
Total net assets (100%)	169,492	160,812
Company share of net assets (15%)	25,396	24,527
Difference between investment carrying amount and underlying equity in net assets ⁽ⁱ⁾	511	—
Carrying amount of investment in joint ventures	25,907	24,527

⁽ⁱ⁾Relates primarily to provincial land transfer taxes.

	June 30, 2024	December 31, 2023
Investment in joint ventures as at January 1	24,527	—
Investment in joint ventures	435	25,373
Distributions from investment in joint ventures	(450)	(866)
Share of profit from investment in joint ventures	1,395	20
Investment in joint ventures as at end of period	25,907	24,527

Financial information of the joint ventures for the period are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Revenue	93,930	—	190,166	—
Operating expenses	84,848	—	167,897	—
Administrative costs	167	—	236	—
Earnings before depreciation, amortization, and net finance costs	8,915	—	22,033	—
Depreciation and amortization	3,662	—	6,806	—
Net finance costs	3,487	—	5,930	—
Net income (100%)	1,766	—	9,297	—
Company share of net income (15%)	265	—	1,395	—

6. LONG-TERM DEBT

	Interest Rate	Year of Maturity	June 30, 2024	December 31, 2023
Convertible unsecured subordinated debentures	5.00%	2025	125,463	124,867
CMHC mortgages, fixed rate	2.65% - 7.70%	2026 - 2037	38,276	39,878
CMHC mortgage, variable rate	Variable	2027	20,204	20,507
Non-CMHC mortgages and loans	3.49% - 5.64%	2025 - 2038	97,420	99,499
Lease liabilities	3.53% - 5.50%	2024 - 2029	47,194	52,447
Total debt			328,557	337,198
Deferred financing costs			(2,289)	(2,682)
Total debt, net of deferred financing costs			326,268	334,516
Less: current portion			(162,581)	(19,879)
Long-term debt			163,687	314,637

Principal Repayments

	Convertible Debentures	Mortgages and Loans Regular	Maturity	Lease Liabilities	Total
2024 remaining	—	4,245	—	7,781	12,026
2025	126,500	7,489	17,109	15,083	166,181
2026	—	7,565	—	14,130	21,695
2027	—	5,500	44,058	7,272	56,830
2028	—	5,712	—	2,133	7,845
Thereafter	—	56,349	7,873	7,392	71,614
Total debt principal and lease liability repayments	126,500	86,860	69,040	53,791	336,191
Unamortized accretion of 2025 convertible debentures	(1,037)	—	—	—	(1,037)
Interest on lease liabilities	—	—	—	(6,597)	(6,597)
Principal and lease liabilities, after accretion and interest	125,463	86,860	69,040	47,194	328,557

Long-term Debt Continuity

	June 30, 2024	December 31, 2023
As at January 1	334,516	383,974
Issuance of long-term debt	—	38,962
New lease liabilities	467	1,251
Accretion and other	596	1,148
Repayments	(3,984)	(7,983)
Payment of lease liabilities	(5,720)	(12,306)
Increase in deferred financing costs	(299)	(85)
Amortization of deferred financing costs	692	1,805
Assumed debt related to the Axium Transaction	—	(72,250)
As at end of period	326,268	334,516

Convertible Unsecured Subordinated Debentures

In April 2018, the Company issued \$126.5 million aggregate principal amount of 5.00% convertible unsecured subordinated debentures due April 30, 2025 (the "2025 Debentures"), with a conversion price of \$12.25 per Common Share. The initial offering for \$110.0 million of the 2025 Debentures closed on April 17, 2018, and the exercise of the over-allotment option for \$16.5 million debentures closed on April 25, 2018. The debt and equity components of the 2025 Debentures were bifurcated as the financial instrument is considered a compound instrument with \$119.2 million classified as a liability and the residual \$7.3 million classified as equity attributable to the conversion option. The liability portion of the 2025 Debentures is recorded at amortized cost. The fees and transaction costs allocated to the debt component are amortized

over the term of the 2025 Debentures using the effective interest rate method and are recognized as part of net finance costs.

Interest on the 2025 Debentures is payable semi-annually in April and October. On and after May 1, 2023, these debentures may be redeemed by the Company in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest, on a notice of not more than 60 days and not less than 30 days prior.

Upon the occurrence of a change of control, whereby more than 66.67% of the Common Shares are acquired by any person, or group of persons acting jointly, each holder of the 2025 Debentures may require the Company to purchase their debentures at 101% of the principal plus accrued and unpaid interest. If 90% or more of the debenture holders do so, the Company has the right, but not the obligation, to redeem all the remaining outstanding 2025 Debentures.

Construction Facilities

	June 30, 2024	December 31, 2023
Construction facilities	—	92,500
Amount drawn down, end of period	—	—
Construction facilities available	—	92,500

In December 2023, the Company secured a \$92.5 million construction facility in connection with its 256-bed LTC redevelopment project in Orleans, Ontario. During the second quarter of 2024, the Company sold this redevelopment project to, and had the related construction facility assumed by, Axiom JV.

CMHC Mortgages

The Company has one variable rate mortgage, insured through the Canada Mortgage and Housing Corporation ("CMHC") program, that is secured by a Canadian financial institution at a variable rate based on the lender's cost of funds plus 225 basis points. In the first quarter of 2024, the Company extended the maturity date of the mortgage to July 1, 2027.

Credit Facilities

The Company has two demand credit facilities totalling \$112.3 million. One is secured by 14 Class C LTC homes in Ontario and the other is secured by the assets of the home health care business. Neither of these facilities has financial covenants but do contain normal and customary terms. As at June 30, 2024, \$23.2 million of the facilities secure the Company's defined benefit pension plan obligations (December 31, 2023 – \$27.3 million), \$10.9 million secures the Company's obligation to fund capital contributions to the joint ventures in connection with construction of LTC redevelopment projects within the joint ventures (December 31, 2023 – \$8.0 million), and \$6.0 million was used in connection with obligations relating to LTC homes (December 31, 2023 – \$6.1 million), leaving \$72.2 million unutilized (December 31, 2023 – \$70.9 million).

Financial Covenants

The Company is subject to debt service coverage covenants on certain of its mortgages and loans. The Company was in compliance with all of these covenants as at June 30, 2024.

7. SHARE-BASED COMPENSATION

Equity-settled Long-term Incentive Plan

The Company's long-term incentive plan ("LTIP") provides for a share-based component of executive and director compensation designed to encourage a greater alignment of the interests of the Company's executives and directors with its shareholders, in the form of deferred share units ("DSUs") for non-employee directors and preferred share units ("PSUs") for employees.

DSUs and PSUs granted under the LTIP do not carry any voting rights. DSUs vest immediately upon grant and PSUs vest with a term of not less than 24 months and not more than 36 months from the date of grant. The Company settled DSUs and PSUs as follows:

	DSUs and PSUs	
	Six months ended June 30,	
(number of units)	2024	2023
Settled in Common Shares issued from treasury	308,663	178,702
Settled in cash	346,656	164,650
DSUs and PSUs settled during the period	655,319	343,352

The Company's DSUs and PSUs were an expense of \$1.3 million for the three months ended June 30, 2024 (three months ended June 30, 2023 – \$1.2 million), and \$2.1 million for the six months ended June 30, 2024 (six months ended June 30, 2023 – \$2.1 million), recorded in administrative costs.

The carrying amounts of the Company's DSUs and PSUs are recorded in the consolidated statements of financial position as follows:

	June 30, 2024	December 31, 2023
Contributed surplus – DSUs	5,553	6,240
Contributed surplus – PSUs	5,618	6,847
Total	11,171	13,087

As at June 30, 2024, an aggregate of 3,575,948 (December 31, 2023 – 3,884,611) Common Shares were reserved and available for issuance pursuant to the LTIP.

DSU and PSU activity was as follows:

	DSUs		PSUs	
	Six months ended June 30, 2024	Year ended December 31, 2023	Six months ended June 30, 2024	Year ended December 31, 2023
<i>(number of units)</i>				
Units outstanding, beginning of period	857,813	670,671	1,486,841	1,302,586
Granted	57,678	133,874	498,848	541,178
Reinvested dividend equivalents	28,078	53,268	49,288	102,286
Change due to performance and forfeiture	—	—	10,482	(100,194)
Settled	(179,214)	—	(476,104)	(359,015)
Units outstanding, end of period	764,355	857,813	1,569,355	1,486,841
Weighted average fair value of units granted during the period at grant date	\$7.52	\$6.64	\$7.90	\$6.35

DSUs are fair valued at the date of grant using the previous day's closing trading price of the Common Shares. The grant date values of PSUs awarded were based on the fair values of one award comprised of two equal components being the adjusted funds from operations ("AFFO") and total shareholder return ("TSR"). The fair values of the AFFO component were measured using the previous day's closing trading price of the Common Shares. The fair values of the TSR component were measured using the Monte Carlo simulation method.

PSUs granted and the assumptions used to determine the grant date values are as follows:

	Six months ended June 30, 2024	Year ended December 31, 2023		
Grant date	March 19, 2024	November 21, 2023	August 22, 2023	March 14, 2023
Vesting date	March 19, 2027	March 14, 2026	March 14, 2026	March 14, 2026
PSUs granted	498,848	9,288	2,088	529,802
Fair value of AFFO component	\$3.81	\$3.25	\$3.30	\$3.16
Fair value of TSR component	\$4.09	\$3.34	\$3.25	\$3.19
Grant date fair value	\$7.90	\$6.59	\$6.55	\$6.35
Expected volatility of the Company's Common Shares	18.43 %	18.48 %	17.79 %	19.18 %
Expected volatility of the Index	15.85 %	16.94 %	16.06 %	16.43 %
Risk-free rate	3.94 %	4.32 %	4.68 %	3.50 %
Dividend yield	nil	nil	nil	nil

8. SHARE CAPITAL

Common Shares

Each Common Share is transferable, represents an equal and undivided beneficial interest in the assets of the Company and entitles the holder to one vote at all meetings of shareholders of the Company. Shareholders are entitled to receive dividends from the Company when declared by the Board. During the three and six months ended June 30, 2024 and 2023, the Company declared cash dividends of \$0.12 per share and \$0.24 per share, respectively.

In June 2024, the Company received approval from the TSX to renew its normal course issuer bid ("NCIB") to purchase for cancellation up to 7,159,997 Common Shares, representing 10% of its public float, through the facilities of the TSX and/or through alternative Canadian trading systems, in accordance with TSX rules. The NCIB commenced on July 2, 2024, and provides the Company with flexibility to purchase Common Shares for cancellation until July 1, 2025, or on such earlier date

as the NCIB is complete. The actual number of Common Shares purchased under the NCIB and the timing of any such purchases will be at the Company's discretion. Subject to the TSX's block purchase exception, daily purchases will be limited to 33,143 Common Shares.

Under its prior NCIB that commenced on June 30, 2023 and ended on June 29, 2024, the Company purchased 1,121,631 Common Shares at a cost of \$7.0 million, representing a weighted average price per share of \$6.23. There were no purchases under this NCIB during the three and six months ended June 30, 2024.

9. EXPENSES BY NATURE

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023 ⁽¹⁾
Employee wages and benefits	271,652	253,702	565,194	500,165
Food, drugs, supplies and other variable costs	14,899	15,376	29,812	30,556
Property based and leases	12,610	13,478	27,425	31,250
Other	10,710	10,203	24,403	24,522
Total operating expenses and administrative costs	309,871	292,759	646,834	586,493

⁽¹⁾Certain comparative information has been reclassified to conform to the current year presentation.

10. OTHER INCOME AND EXPENSE

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Strategic transformation costs	1,822	1,402	3,728	5,020
Gain on sale of assets to joint venture	(2,862)	—	(2,862)	—
Gain on sale of Class C LTC assets	(4,652)	—	(4,652)	—
Total other (income) expense	(5,692)	1,402	(3,786)	5,020

Strategic Transformation Costs

During the three and six months ended June 30, 2024, the Company incurred costs related to the strategic transformation of the Company. Costs incurred include transaction, legal, regulatory, IT integration and management transition costs of \$1.8 million and \$3.7 million, respectively (June 30, 2023 – \$1.4 million and \$5.0 million, respectively).

Gain on Sale of Assets to Joint Venture

On April 22, 2024, the Company completed the sale to Axiom JV of its 256-bed LTC home currently under construction in Orleans, Ontario for cash proceeds of \$20.1 million, net of Extendicare's 15% retained managed interest, holdbacks and closing costs. The net book value of the project was \$15.5 million, resulting in a gain, net of taxes, certain closing and other costs of \$2.3 million. The gain is also net of \$0.4 million related to the Company's 15% managed interest in the joint venture, and \$0.6 million of gain eliminated related to the Company's 15% interest in the joint venture.

Gain on Sale of Class C LTC Assets

On April 30, 2024, the Company completed the sale of the land and building associated with its vacated Sudbury (Falconbridge) Class C LTC home for proceeds of \$5.3 million. The net book value of the net assets was \$0.4 million, resulting in a gain, net of taxes, certain closing and other costs of \$4.4 million.

11. NET FINANCE COSTS

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Interest expense	5,228	5,149	10,216	10,503
Interest revenue	(1,922)	(1,619)	(3,375)	(3,428)
Accretion	205	377	598	747
Other	116	(811)	(204)	(483)
Net finance costs	3,627	3,096	7,235	7,339

12. COMMITMENTS AND CONTINGENCIES

Commitments

As at June 30, 2024, the Company has outstanding commitments in connection with various IT service and licence agreements to support the transition of key IT platforms to cloud-based solutions in support of the Company's growth initiatives. The expected payments towards those obligations are due as follows:

	Amount
2024	10,807
2025	7,317
2026 and thereafter	2,119
Total	20,243

On October 10, 2023, the Company entered into a \$71.7 million fixed-price construction agreement in connection with the construction of a new 256-bed LTC home in Orleans, Ontario. The fixed-price construction agreement was assumed by Axiom JV upon sale of the redevelopment project on April 22, 2024 by the Company to Axiom JV.

In December 2023, the Company entered into agreements to sell the land and buildings associated with its Sudbury (Falconbridge) and Kingston Class C LTC homes, (collectively, the "Dispositions"). The Sudbury (Countryside) redevelopment project in Axiom JV opened in the first quarter of 2024; the sale of the Sudbury (Falconbridge) assets closed on April 30, 2024 (*Note 10*). The Kingston (Limestone Ridge) redevelopment project in Axiom JV is expected to open in the fourth quarter of 2024; the sale is expected to close shortly thereafter. The Dispositions are subject to certain conditions. Proceeds from the Dispositions, before transaction costs and taxes, are expected to be \$3.8 million in respect of Kingston.

Guarantees

The Company provides unsecured guarantees related to certain credit facilities held by its joint ventures; namely, construction loans and letter of credit facilities in support of ongoing construction of joint venture LTC redevelopment projects and term loans and lease-up credit facilities for operating joint venture LTC homes. As at June 30, 2024, 25 LTC homes within the joint ventures have existing credit facilities available of up to \$703.2 million. The guarantees provided by the Company vary depending upon the joint venture and the project, but are typically either on a joint and several basis for 50% of the loan amount or on a several basis for 15% of the loan amount or some lesser portion thereof. The amount of the guarantees will vary as borrowings increase on projects under construction and reduce as homes move into operations when guarantee requirements are generally lower. As at June 30, 2024, the Company has provided unsecured guarantees of \$135.0 million in support of the credit facilities held by its joint ventures.

Axiom JV II is subject to debt service coverage covenants on certain of its credit facilities. The joint venture was in compliance with the covenants as at June 30, 2024.

Legal Proceedings and Regulatory Actions

In the ordinary course of business, the Company is involved in and potentially subject to legal proceedings brought against it from time to time in connection with its operations. The COVID-19 pandemic has increased the risk that litigation or other legal proceedings, regardless of merit, will be commenced against the Company.

In April 2021, the Company was served with a statement of claim filed in the Court of Queen's Bench for Saskatchewan alleging negligence, breach of fiduciary duty, breach of contract and breach of the required standard of care by the Company and certain unnamed defendants in respect of all residents of Company LTC homes and retirement communities located in Saskatchewan as well as their family members. The claim seeks an order certifying the action as a class action and unspecified damages.

In January 2022, four active class actions against the Company in Ontario were consolidated into one action pursuant to the *Class Proceedings Act* (Ontario). The consolidated claim is in respect of all Ontario LTC homes owned, operated, licensed and/or managed by the Company and its affiliates and names as defendants the Company, certain of its affiliates and the owners of any such managed LTC homes and alleges negligence, gross negligence, breach of fiduciary duty, breach of contract, unjust enrichment, wrongful death in respect of all persons who contracted COVID-19 at the residence or subsequently contracted COVID-19 from such persons and breach of section 7 of the *Canadian Charter of Rights and Freedoms*. The consolidated claim seeks damages in the aggregate of \$110.0 million. On March 7, 2024, the consolidated claim was certified against the Company, but only in respect of the Ontario LTC homes it owns and with a gross negligence cause of action. The Company has appealed certain aspects of the decision.

The Company is vigorously defending itself against these claims, and these claims are subject to insurance coverage maintained by the Company. However, given the status of the proceedings, the Company is unable to assess their potential outcome and they could have a materially adverse impact on the Company's business, results of operations and financial condition.

In December 2020, the Government of Ontario passed Bill 218, *Supporting Ontario's Recovery Act* (Ontario), which provides targeted liability protection against COVID-19 exposure-related claims against any individual, corporation, or other entity that made a "good faith" or "honest" effort to act in accordance with public health guidance and laws relating to COVID-19 and did not otherwise act with "gross negligence". The protection under Bill 218 is retroactive to March 17, 2020, when

Ontario first implemented emergency measures as part of its response to the COVID-19 pandemic. Similar legislation has been passed in other provincial jurisdictions, including Saskatchewan.

In October 2021, the Supreme Court of Canada dismissed an application for leave to appeal by the Attorney General of Ontario which sought to challenge the decision issued by the previous presiding court that ruled in favour of certain unions in respect of a legal challenge to a 2016 Pay Equity Tribunal decision. The unions argued that new pay equity adjustments were required in order to maintain pay equity with municipal LTC homes where personal support workers and other direct care workers in other industries are included in determining pay equity. The matter has now been referred back to the Pay Equity Tribunal to settle the matter between the participating LTC homes, unions and the Government and establish a framework for pay equity suitable for the sector. The Company, along with other participants in the LTC sector, including the Government of Ontario, are working to resolve the matter. Given the uncertainty of the matter and the various stakeholders involved, and as a result the wide range of possible settlement outcomes and related funding changes the Company is unable to determine a reliable estimate of the potential outcome. Therefore, the Company did not record a provision with respect to this matter as at June 30, 2024. This matter could have a materially adverse impact on the Company's business, results of operations and financial condition.

13. FINANCIAL INSTRUMENTS

Fair Values of Financial Instruments

The following table presents the fair value and fair value hierarchy of the Company's financial instruments and excludes financial instruments measured at amortized cost that are short-term in nature. The carrying amounts of the Company's financial instruments approximate their fair values except for items presented below.

As at June 30, 2024	Carrying Amount	Fair Value	Fair Value Hierarchy
Financial assets			
Construction funding subsidy receivable ⁽ⁱ⁾	28,743	27,245	Level 2
	28,743	27,245	
Financial liabilities			
Long-term debt ⁽ⁱ⁾⁽ⁱⁱ⁾	155,900	152,565	Level 2
Convertible unsecured subordinated debentures	125,463	124,919	Level 1
	281,363	277,484	
As at December 31, 2023			
Financial assets			
Construction funding subsidy receivable ⁽ⁱ⁾	29,602	28,268	Level 2
	29,602	28,268	
Financial liabilities			
Long-term debt ⁽ⁱ⁾⁽ⁱⁱ⁾	159,884	157,679	Level 2
Convertible unsecured subordinated debentures	124,867	123,970	Level 1
	284,751	281,649	

⁽ⁱ⁾ Includes current portion.

⁽ⁱⁱ⁾ Excludes leases, convertible debentures and netting of deferred financing costs.

14. RELATED PARTY TRANSACTIONS

Transactions with Joint Ventures

Related party transactions occur between the Company and its joint ventures. These related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to between the related parties. Except as disclosed elsewhere in these consolidated financial statements, the related party balances are included in accounts receivable and accounts payable, revenue, and other income, as applicable.

On April 22, 2024, the Company completed the sale to Axiom JV of its 256-bed LTC home currently under construction in Orleans, Ontario (*Note 10*).

As at June 30, 2024, \$2.1 million (June 30, 2023 – nil) of the Company's accounts receivable related to its joint ventures, and \$3.4 million (June 30, 2023 – nil) of the Company's other long-term liabilities related to unrealized gain. For the three and six months ended June 30, 2024, \$3.9 million and \$7.0 million, respectively (June 30, 2023 – nil) of its revenue related to the joint ventures.

There were \$0.2 million and \$0.4 million, respectively, of distributions from the joint ventures to the Company for the three and six months ended June 30, 2024 (June 30, 2023 – nil).

15. SEGMENTED INFORMATION

The Company reports on the following segments: i) long-term care; ii) home health care; iii) managed services, composed of our Extencicare Assist and SGP divisions; and iv) the corporate functions, including the Company's joint venture interests, and any intersegment eliminations as "corporate".

The long-term care segment represents the 52 long-term care homes that the Company owns and operates in Canada. Through the Company's wholly owned subsidiary ParaMed, ParaMed's home health care operations provide complex nursing care, occupational, physical and speech therapy, and assistance with daily activities to accommodate those living at home.

The Company's managed services are composed of its management, consulting and group purchasing divisions. Through the Extencicare Assist division, the Company provides management, consulting and other services to third parties and joint ventures to which the Company is a party; and through the SGP division, the Company offers cost-effective purchasing contracts to other senior care providers for food, capital equipment, furnishings, cleaning and nursing supplies, and office products.

	Three months ended June 30, 2024				
	Long-term Care	Home Health Care	Managed Services	Corporate	Total
Revenue	194,203	136,299	17,980	—	348,482
Operating expenses	168,593	119,180	7,902	—	295,675
Net operating income	25,610	17,119	10,078	—	52,807
Administrative costs				14,196	14,196
Earnings before depreciation, amortization, and other					38,611
Depreciation and amortization				8,049	8,049
Other income				(5,692)	(5,692)
Share of profit from investment in joint ventures				(265)	(265)
Earnings before net finance costs and income taxes					36,519
Net finance costs				3,627	3,627
Earnings before income taxes					32,892
Current income tax expense				8,785	8,785
Deferred income tax recovery				(1,783)	(1,783)
Total income tax expense				7,002	7,002
Net earnings					25,890

	Three months ended June 30, 2023				
	Long-term Care	Home Health Care	Managed Services	Corporate	Total
Revenue	182,377	116,327	8,831	—	307,535
Operating expenses	168,504	106,274	4,287	—	279,065
Net operating income	13,873	10,053	4,544	—	28,470
Administrative costs				13,694	13,694
Earnings before depreciation, amortization, and other					14,776
Depreciation and amortization				7,173	7,173
Other expense				1,402	1,402
Earnings before net finance costs and income taxes					6,201
Net finance costs				3,096	3,096
Earnings before income taxes					3,105
Current income tax expense				506	506
Deferred income tax expense				648	648
Total income tax expense				1,154	1,154
Net earnings					1,951

	Six months ended June 30, 2024				
	Long-term Care	Home Health Care	Managed Services	Corporate	Total
Revenue	400,692	279,830	35,055	—	715,577
Operating expenses	349,753	251,958	16,316	—	618,027
Net operating income	50,939	27,872	18,739	—	97,550
Administrative costs				28,807	28,807
Earnings before depreciation, amortization, and other					68,743
Depreciation and amortization				16,204	16,204
Other income				(3,786)	(3,786)
Share of profit from investment in joint ventures				(1,395)	(1,395)
Earnings before net finance costs and income taxes					57,720
Net finance costs				7,235	7,235
Earnings before income taxes					50,485
Current income tax expense				14,558	14,558
Deferred income tax recovery				(3,059)	(3,059)
Total income tax expense				11,499	11,499
Net earnings					38,986

	Six months ended June 30, 2023				
	Long-term Care	Home Health Care	Managed Services	Corporate	Total
Revenue	389,988	223,754	18,505	—	632,247
Operating expenses	342,361	207,268	9,584	—	559,213
Net operating income	47,627	16,486	8,921	—	73,034
Administrative costs				27,280	27,280
Earnings before depreciation, amortization, and other					45,754
Depreciation and amortization				14,524	14,524
Other expense				5,020	5,020
Earnings before net finance costs and income taxes					26,210
Net finance costs				7,339	7,339
Earnings before income taxes					18,871
Current income tax expense				4,352	4,352
Deferred income tax expense				988	988
Total income tax expense				5,340	5,340
Net earnings					13,531