Interim Condensed Consolidated Financial Statements

Q3 2024

Extendicare Inc.
Dated: November 12, 2024

Extendicare Inc.
Interim Condensed Consolidated Financial Statements

Three and nine months ended September 30, 2024 and 2023

Extendicare Inc.

Interim Condensed Consolidated Statements of Financial Position

(Unaudited)

(thousands of dollars)	***notes***	**September 30, 2024**	**December 31, 2023**
Assets			
Current assets			
Cash and cash equivalents		**154,298**	75,184
Restricted cash		**1,125**	729
Accounts receivable		**84,260**	88,370
Income taxes recoverable		**71**	2,656
Other assets		**17,113**	20,199
Total current assets		**256,867**	187,138
Non-current assets			
Property and equipment	***3***	**281,852**	295,897
Goodwill and other intangible assets	***4***	**123,672**	124,307
Other assets		**33,739**	34,977
Deferred tax assets		**5,774**	5,885
Investment in joint ventures	***5***	**26,072**	24,527
Total non-current assets		**471,109**	485,593
Total assets		**727,976**	672,731
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities		**236,705**	203,259
Income taxes payable		**17,108**	3,248
Current portion of long-term debt	***6***	**163,010**	19,879
Total current liabilities		**416,823**	226,386
Non-current liabilities			
Long-term debt	***6***	**158,732**	314,637
Provisions		**9,453**	10,343
Other long-term liabilities		**23,838**	23,351
Deferred tax liabilities		**5,448**	10,094
Total non-current liabilities		**197,471**	358,425
Total liabilities		**614,294**	584,811
Share capital	***8***	**469,328**	467,347
Equity portion of convertible debentures		**7,085**	7,085
Contributed surplus		**12,710**	13,087
Accumulated deficit		**(369,190)**	(393,471)
Accumulated other comprehensive loss		**(6,251)**	(6,128)
Shareholders' equity		**113,682**	87,920
Total liabilities and equity		**727,976**	672,731

See accompanying notes to the unaudited interim condensed consolidated financial statements.
Commitments and Contingencies (*Note 12),* Subsequent Events *(Notes 6, 16).*

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

		Three months ended September 30,		Nine months ended September 30,	
(thousands of dollars except for per share amounts)	***notes***	**2024**	**2023**	**2024**	**2023**
Revenue		**359,061**	322,529	**1,074,638**	954,776
Operating expenses		**308,944**	287,319	**926,971**	846,532
Administrative costs		**14,010**	14,440	**42,817**	41,720
Total expenses	***9***	**322,954**	301,759	**969,788**	888,252
Earnings before depreciation, amortization, and other		**36,107**	20,770	**104,850**	66,524
Depreciation and amortization		**8,635**	9,023	**24,839**	23,547
Other expense (income)	***10***	**1,082**	(5,048)	**(2,704)**	(28)
Share of profit from investment in joint ventures	***5***	**(431)**	(598)	**(1,826)**	(598)
Earnings before net finance costs and income taxes		**26,821**	17,393	**84,541**	43,603
Net finance costs	***11***	**4,164**	3,725	**11,399**	11,064
Earnings before income taxes		**22,657**	13,668	**73,142**	32,539
Current income tax expense		**7,794**	1,035	**22,352**	5,387
Deferred income tax (recovery) expense		**(1,432)**	802	**(4,491)**	1,790
Total income tax expense		**6,362**	1,837	**17,861**	7,177
Net earnings		**16,295**	11,831	**55,281**	25,362
Basic Earnings per Share					
Net earnings		**$0.20**	$0.14	**$0.66**	$0.30
Diluted Earnings per Share					
Net earnings		**$0.19**	$0.14	**$0.63**	$0.30

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

Extendicare Inc.
Interim Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
(thousands of dollars)	**2024**	**2023**	**2024**	**2023**
Net earnings	**16,295**	11,831	**55,281**	25,362
Other Comprehensive (Loss) Income, Net of Taxes				
Items that will not be reclassified to profit or loss:				
Defined benefit plan actuarial (losses) gains	**(509)**	4,106	**(167)**	4,895
Tax recovery (expense) on changes in defined benefit plan	**135**	(1,088)	**44**	(1,297)
Other comprehensive (loss) income, net of taxes	**(374)**	3,018	**(123)**	3,598
Total comprehensive income	**15,921**	14,849	**55,158**	28,960

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

Extendicare Inc.
Interim Condensed Consolidated Statements of Changes in Equity
(Unaudited)

(thousands of dollars, except for number of shares)	***notes***	***Number of Shares***	**Share Capital**	**Equity Portion of Convertible Debentures**	**Contributed Surplus**	**Accumulated Deficit**	**Accumulated Other Comprehensive Loss**	**Shareholders' Equity**
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*	*(875,800)*	(4,921)	—	—	(677)	—	(5,598)
Share-based compensation	*7*	*178,702*	1,761	—	924	(715)	—	1,970
Net earnings		—	—	—	—	25,362	—	25,362
Dividends declared	*8*	—	—	—	—	(30,404)	—	(30,404)
Other comprehensive income		—	—	—	—	—	3,598	3,598
Balance at September 30, 2023		*84,031,646*	472,255	7,085	11,543	(391,054)	(4,200)	95,629

(thousands of dollars, except for number of shares)	***notes***	***Number of Shares***	**Share Capital**	**Equity Portion of Convertible Debentures**	**Contributed Surplus**	**Accumulated Deficit**	**Accumulated Other Comprehensive Loss**	**Shareholders' Equity**
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**	**—**	**(377)**	**(983)**	**—**	**621**
Net earnings		**—**	**—**	**—**	**—**	**55,281**	**—**	**55,281**
Dividends declared	***8***	**—**	**—**	**—**	**—**	**(30,017)**	**—**	**(30,017)**
Other comprehensive loss		**—**	**—**	**—**	**—**	**—**	**(123)**	**(123)**
Balance at September 30, 2024		***83,466,978***	**469,328**	**7,085**	**12,710**	**(369,190)**	**(6,251)**	**113,682**

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

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

		Three months ended September 30,		Nine months ended September 30,	
(thousands of dollars)	***notes***	**2024**	**2023**	**2024**	**2023**
Operating Activities					
Net earnings		**16,295**	11,831	**55,281**	25,362
Adjustments for:					
Share-based compensation		**1,082**	940	**621**	1,970
Depreciation and amortization	***3, 4***	**8,635**	9,023	**24,839**	23,547
Net finance costs	***11***	**4,164**	3,725	**11,399**	11,064
Current taxes		**7,794**	635	**21,995**	4,987
Deferred taxes		**(1,432)**	802	**(4,491)**	1,790
Defined benefit plan expenses		**250**	312	**748**	934
Defined benefit plan contributions		**(85)**	—	**(1,087)**	(1,096)
Gain on sale of assets to joint venture, net of tax		**—**	(8,720)	**(2,707)**	(8,720)
Gain on sale of Class C LTC assets, net of tax		**—**	—	**(4,450)**	—
Share of profit from investment in joint ventures	***5***	**(431)**	(598)	**(1,826)**	(598)
		36,272	17,950	**100,322**	59,240
Net change in operating assets and liabilities					
Accounts receivable		**(2,586)**	(1,047)	**4,233**	(20,148)
Other assets		**289**	(4,800)	**2,538**	(4,718)
Accounts payable and accrued liabilities		**8,712**	(4,304)	**30,847**	(15,743)
		42,687	7,799	**137,940**	18,631
Interest paid, net		**(778)**	(1,478)	**(5,947)**	(7,122)
Income taxes received (paid), net		**609**	902	**(5,904)**	(7,265)
Net cash from operating activities		**42,518**	7,223	**126,089**	4,244
Investing Activities					
Purchase of property, equipment and other intangible assets	***3, 4***	**(9,691)**	(43,926)	**(28,482)**	(109,192)
Change in other assets		**396**	534	**1,255**	2,037
Proceeds from sale of assets to joint venture		**—**	66,927	**20,482**	66,927
Proceeds from sale of Class C LTC assets		**—**	—	**5,337**	—
Investment in joint ventures	***5***	**—**	(25,373)	**(435)**	(25,373)
Distributions from investment in joint ventures	***5***	**248**	342	**698**	342
Net cash used in investing activities		**(9,047)**	(1,496)	**(1,145)**	(65,259)
Financing Activities					
Issuance of long-term debt	***6***	**—**	15,306	**—**	38,962
Repayment of long-term debt and lease liabilities	***6***	**(5,180)**	(4,785)	**(14,884)**	(14,974)
Change in restricted cash		**(133)**	2,387	**(396)**	2,102
Purchase of shares for cancellation	***8***	**—**	(1,471)	**—**	(5,598)
Dividends paid	***8***	**(10,016)**	(10,114)	**(30,004)**	(30,432)
Financing costs	***6***	**(247)**	(71)	**(546)**	(74)
Net cash (used in) from financing activities		**(15,576)**	1,252	**(45,830)**	(10,014)
Increase (decrease) in cash and cash equivalents		**17,895**	6,979	**79,114**	(71,029)
Cash and cash equivalents at beginning of period		**136,403**	89,273	**75,184**	167,281
Cash and cash equivalents at end of period		**154,298**	96,252	**154,298**	96,252

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 Network ("SGP") brands and is committed to delivering quality care to meet the needs of a growing seniors' population, inspired by its mission to provide people with the care they need, wherever they call home. 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 ("IASB"), and were approved by the board of directors (the "Board") of the Company on November 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 nine months ended September 30, 2024, the Company adopted the following amendment to IFRS® Accounting Standards as issued by the IASB:

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 *(Note 5)*	—	—	—	—	(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	**—**	**222**	**529**	**231**	**11,198**	**11,063**	**23,243**
Derecognition	**—**	**—**	**(471)**	**—**	**—**	**—**	**(471)**
Write-offs	**—**	**—**	**—**	**—**	**(479)**	**—**	**(479)**
Sale of assets to joint venture (*Note 5*)	**—**	**—**	**—**	**—**	**(16,059)**	**(257)**	**(16,316)**
Sale of Class C LTC assets (*Note 10*)	**(415)**	**(4,041)**	**—**	**(1,406)**	**—**	**—**	**(5,862)**
Transfers	**50**	**8,002**	**—**	**3,321**	**2,521**	**(13,894)**	**—**
September 30, 2024	**38,399**	**348,484**	**106,498**	**80,984**	**30,224**	**4,329**	**608,918**

	Land & Land Improve-ments	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	**432**	**8,324**	**4,456**	**5,840**	**—**	**—**	**19,052**
Derecognition	**—**	**—**	**(256)**	**—**	**—**	**—**	**(256)**
Sale of Class C LTC assets (*Note 10*)	**(150)**	**(3,669)**	**—**	**(817)**	**—**	**—**	**(4,636)**
September 30, 2024	**6,894**	**214,717**	**57,773**	**47,682**	**—**	**—**	**327,066**
Carrying Amounts							
December 31, 2023	32,152	134,239	52,867	36,179	33,043	7,417	295,897
September 30, 2024	**31,505**	**133,767**	**48,725**	**33,302**	**30,224**	**4,329**	**281,852**

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	**—**	**—**	**5,584**	**5,584**
September 30, 2024	**45,850**	**20,809**	**105,046**	**171,705**

	Goodwill	Operational Entitlements	Software and Other Intangible Assets	Total
Accumulated Amortization				
January 1, 2023	—	—	35,228	35,228
Amortization	—	550	6,036	6,586
December 31, 2023	—	550	41,264	41,814
Amortization	**—**	**989**	**5,230**	**6,219**
September 30, 2024	**—**	**1,539**	**46,494**	**48,033**
Carrying Amounts				
December 31, 2023	45,850	20,259	58,198	124,307
September 30, 2024	**45,850**	**19,270**	**58,552**	**123,672**

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").

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:

	September 30, 2024	December 31, 2023
Interest in Axium JV II - 15% ownership	**17,888**	16,637
Interest in Axium JV - 15% ownership	**8,184**	7,890
Total	**26,072**	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:

	September 30, 2024	December 31, 2023
Current assets (including cash and cash equivalents - $52,923)	**64,653**	41,873
Non-current assets	**721,525**	607,142
Total assets	**786,178**	649,015
Current liabilities (Current portion of long-term debt - $129,872)	**270,621**	195,841
Long-term debt	**344,843**	292,362
Total liabilities	**615,464**	488,203
Total net assets (100%)	**170,714**	160,812
Company share of net assets (15%)	**25,579**	24,527
Difference between investment carrying amount and underlying equity in net assets(i)	**493**	—
Carrying amount of investment in joint ventures	**26,072**	24,527

(i)Relates primarily to provincial land transfer taxes.

	September 30, 2024	December 31, 2023
Investment in joint ventures as at January 1	**24,527**	—
Investment in joint ventures	**417**	25,373
Distributions from investment in joint ventures	**(698)**	(866)
Share of profit from investment in joint ventures	**1,826**	20
Investment in joint ventures as at end of period	**26,072**	24,527

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	**2023**	**2024**	**2023**
Revenue	**99,627**	52,571	**289,793**	52,571
Operating expenses	**90,960**	45,276	**258,857**	45,276
Administrative costs	**47**	6	**283**	6
Earnings before depreciation, amortization, and net finance costs	**8,620**	7,289	**30,653**	7,289
Depreciation and amortization	**3,380**	1,829	**10,186**	1,829
Net finance costs	**2,372**	1,474	**8,302**	1,474
Net income (100%)	**2,868**	3,986	**12,165**	3,986
Company share of net income (15%)	**431**	598	**1,826**	598

6. LONG-TERM DEBT

	Interest Rate	Year of Maturity	September 30, 2024	December 31, 2023
Convertible unsecured subordinated debentures	5.00%	2025	**125,769**	124,867
CMHC mortgages, fixed rate	2.65% - 7.70%	2026 - 2037	**37,527**	39,878
CMHC mortgage, variable rate	Variable	2027	**20,047**	20,507
Non-CMHC mortgages and loans	3.49% - 5.64%	2025 - 2038	**96,359**	99,499
Lease liabilities	3.53% - 7.19%	2024 - 2029	**44,043**	52,447
Total debt			**323,745**	337,198
Deferred financing costs			**(2,003)**	(2,682)
Total debt, net of deferred financing costs			**321,742**	334,516
Less: current portion			**(163,010)**	(19,879)
Long-term debt			**158,732**	314,637

Principal Repayments

	Convertible	Mortgages and Loans		Lease	
	Debentures	Regular	Maturity	Liabilities	Total
2024 remaining	—	2,278	—	3,896	6,174
2025	126,500	7,489	17,109	15,123	166,221
2026	—	7,565	—	14,145	21,710
2027	—	5,500	44,058	7,284	56,842
2028	—	5,712	—	2,154	7,866
Thereafter	—	56,349	7,873	7,338	71,560
Total debt principal and lease liability repayments	126,500	84,893	69,040	49,940	330,373
Unamortized accretion of 2025 convertible debentures	(731)	—	—	—	(731)
Interest on lease liabilities	—	—	—	(5,897)	(5,897)
Principal and lease liabilities, after accretion and interest	125,769	84,893	69,040	44,043	323,745

Long-term Debt Continuity

	September 30, 2024	December 31, 2023
As at January 1	**334,516**	383,974
Issuance of long-term debt	**—**	38,962
New lease liabilities	**529**	1,251
Accretion and other	**902**	1,148
Repayments	**(5,951)**	(7,983)
Payment of lease liabilities	**(8,933)**	(12,306)
Increase in deferred financing costs	**(546)**	(85)
Amortization of deferred financing costs	**1,225**	1,805
Assumed debt related to the Axium Transaction	**—**	(72,250)
As at end of period	**321,742**	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.

Subsequent to the third quarter of 2024, the Company announced that it has exercised its option to redeem all of the outstanding 2025 Debentures on December 16, 2024 using funds from a new delayed draw facility (*Note 16*).

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.

Lease Liabilities

Subsequent to the third quarter of 2024, the Company used cash on hand to purchase for approximately $30.0 million, 9 Class A Ontario LTC homes that had been under long-term leases. The purchase price represents the balance of the remaining lease payments plus accrued interest and other costs, and fully satisfies the remaining lease liability (carrying interest rates from 6.4% to 7.2%) *(Note 16).*

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 September 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 $1.4 million was used in connection with obligations relating to LTC homes (December 31, 2023 – $6.1 million), leaving $76.8 million unutilized (December 31, 2023 – $70.9 million).

Subsequent to the third quarter of 2024, these two demand credit facilities were replaced with a new $145.0 million revolving credit facility as part of a new $275.0 million senior secured credit facility, thereby increasing the available undrawn credit by $32.7 million (*Note 16*).

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 September 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	
	Nine months ended September 30,	
(number of units)	**2024**	**2023**
Settled in Common Shares issued from treasury	**308,663**	178,702
Settled in cash	**346,655**	164,650
DSUs and PSUs settled during the period	**655,318**	343,352

During the three and nine months ended September 30, 2024, the Company's DSUs and PSUs were an expense of $1.1 million and $3.2 million, respectively (September 30, 2023 – $0.9 million and $3.0 million, respectively), 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:

	September 30, 2024	December 31, 2023
Contributed surplus – DSUs	**5,838**	6,240
Contributed surplus – PSUs	**6,872**	6,847
Total	**12,710**	13,087

As at September 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	
(number of units)	**Nine months ended September 30, 2024**	**Year ended December 31, 2023**	**Nine months ended September 30, 2024**	**Year ended December 31, 2023**
Units outstanding, beginning of period	**857,813**	670,671	**1,486,841**	1,302,586
Granted	**78,262**	133,874	**526,913**	541,178
Reinvested dividend equivalents	**39,480**	53,268	**72,821**	102,286
Change due to performance and forfeiture	**—**	—	**(43,690)**	(100,194)
Settled	**(179,214)**	—	**(476,104)**	(359,015)
Units outstanding, end of period	**796,341**	857,813	**1,566,781**	1,486,841
Weighted average fair value of units granted during the period at grant date	**$8.01**	$6.64	**$7.96**	$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:

	Nine months ended September 30, 2024		Year ended December 31, 2023		
Grant date	**August 22, 2024**	**March 19, 2024**	November 21, 2023	August 22, 2023	March 14, 2023
Vesting date	**March 19, 2027**	**March 19, 2027**	March 14, 2026	March 14, 2026	March 14, 2026
PSUs granted	**28,065**	**498,848**	9,288	2,088	529,802
Fair value of AFFO component	**$4.20**	**$3.81**	$3.25	$3.30	$3.16
Fair value of TSR component	**$4.75**	**$4.09**	$3.34	$3.25	$3.19
Grant date fair value	**$8.95**	**$7.90**	$6.59	$6.55	$6.35
Expected volatility of the Company's Common Shares	**20.66 %**	**18.43 %**	18.48 %	17.79 %	19.18 %
Expected volatility of the Index	**16.17 %**	**15.85 %**	16.94 %	16.06 %	16.43 %
Risk-free rate	**3.24 %**	**3.94 %**	4.32 %	4.68 %	3.50 %
Dividend yield	**nil**	**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 nine months ended September 30, 2024 and 2023, the Company declared cash dividends of $0.12 per share and $0.36 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 nine months ended September 30, 2024.

9. EXPENSES BY NATURE

	Three months ended September 30,		Nine months ended September 30,	
	2024	**2023**[(i)]	**2024**	**2023**[(i)]
Employee wages and benefits	**282,623**	260,578	**847,817**	760,743
Food, drugs, supplies and other variable costs	**15,099**	17,645	**44,911**	48,201
Property based and leases	**11,109**	10,833	**35,316**	38,953
Other	**14,123**	12,703	**41,744**	40,355
Total operating expenses and administrative costs	**322,954**	301,759	**969,788**	888,252

[(i)]Certain comparative information has been reclassified to conform to the current year presentation.

10. OTHER INCOME AND EXPENSE

	Three months ended September 30,		Nine months ended September 30,	
	2024	**2023**	**2024**	**2023**
Strategic transformation costs	**1,082**	4,072	**4,810**	9,092
Gain on sale of assets to joint venture	**—**	(9,120)	**(2,862)**	(9,120)
Gain on sale of Class C LTC assets	**—**	—	**(4,652)**	—
Total other expense (income)	**1,082**	(5,048)	**(2,704)**	(28)

Strategic Transformation Costs

During the three and nine months ended September 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 $1.1 million and $4.8 million, respectively (September 30, 2023 – $4.1 million and $9.1 million, respectively).

Gain on Sale of Assets to Joint Venture

In the second quarter of 2024, the Company completed the sale to Axium JV of its 256-bed LTC home currently under construction in Orleans, Ontario, which resulted in a gain of $2.9 million.

Gain on Sale of Class C LTC Assets

In the second quarter of 2024, the Company completed the sale of the land and building associated with its vacated Sudbury (Falconbridge) Class C LTC home, which resulted in a gain of $4.7 million.

11. NET FINANCE COSTS

	Three months ended September 30,		Nine months ended September 30,	
	2024	**2023**	**2024**	**2023**
Interest expense	**5,020**	5,099	**15,236**	15,602
Interest revenue	**(1,863)**	(1,266)	**(5,238)**	(4,694)
Accretion	**306**	381	**904**	1,128
Other	**701**	(489)	**497**	(972)
Net finance costs	**4,164**	3,725	**11,399**	11,064

12. COMMITMENTS AND CONTINGENCIES

Commitments

As at September 30, 2024, the Company has outstanding commitments in connection with construction contracts for its LTC redevelopment projects. The Company also 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:

	Construction Commitments	Technology Commitments	Total
2024	8,974	6,006	14,980
2025	37,471	6,571	44,042
2026 and thereafter	37,719	2,523	40,242
Total	84,164	15,100	99,264

On September 16, 2024, the Company entered into a $72.3 million fixed-price construction agreement in connection with the construction of a new 256-bed LTC home in St. Catharines, Ontario.

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 Axium 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 Axium 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 $3.7 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 September 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 September 30, 2024, the Company has provided unsecured guarantees of $153.6 million in support of the credit facilities held by its joint ventures.

The joint ventures are subject to debt service coverage covenants on certain of its credit facilities. The joint ventures were in compliance with the covenants as at September 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 with a gross negligence cause of action.

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 September 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 September 30, 2024	**Carrying Amount**	**Fair Value**	**Fair Value Hierarchy**
Financial assets			
Construction funding subsidy receivable(i)	**28,347**	**27,535**	Level 2
	28,347	**27,535**	
Financial liabilities			
Long-term debt(i)(ii)	**153,933**	**153,729**	Level 2
Convertible unsecured subordinated debentures	**125,769**	**126,184**	Level 1
	279,702	**279,913**	

As at December 31, 2023	**Carrying Amount**	**Fair Value**	**Fair Value Hierarchy**
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.

In the second quarter of 2024, the Company completed the sale to Axium JV of its 256-bed LTC home currently under construction in Orleans, Ontario (*Note 10*).

As at September 30, 2024, $2.4 million (September 30, 2023 – $1.9 million) of the Company's accounts receivable is related to its joint ventures, and $3.4 million (September 30, 2023 – $2.7 million) of the Company's other long-term liabilities is related to unrealized gain. For the three and nine months ended September 30, 2024, $4.7 million and $13.0 million, respectively (September 30, 2023 – $2.3 million) of its revenue related to the joint ventures.

There were $0.3 million and $0.7 million, respectively, of distributions from the joint ventures to the Company for the three and nine months ended September 30, 2024 (September 30, 2023 – $0.3 million).

15. SEGMENTED INFORMATION

The Company reports on the following segments: i) long-term care; ii) home health care; iii) managed services, composed of our Extendicare 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 Extendicare 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 September 30, 2024				
	Long-term Care	**Home Health Care**	**Managed Services**	**Corporate**	**Total**
Revenue	**201,810**	**138,426**	**18,825**	**—**	**359,061**
Operating expenses	**177,182**	**122,844**	**8,918**	**—**	**308,944**
Net operating income	**24,628**	**15,582**	**9,907**	**—**	**50,117**
Administrative costs				**14,010**	**14,010**
Earnings before depreciation, amortization, and other					**36,107**
Depreciation and amortization				**8,635**	**8,635**
Other expense				**1,082**	**1,082**
Share of profit from investment in joint ventures				**(431)**	**(431)**
Earnings before net finance costs and income taxes					**26,821**
Net finance costs				**4,164**	**4,164**
Earnings before income taxes					**22,657**
Current income tax expense				**7,794**	**7,794**
Deferred income tax recovery				**(1,432)**	**(1,432)**
Total income tax expense				**6,362**	**6,362**
Net earnings					**16,295**

	Three months ended September 30, 2023				
	Long-term Care	Home Health Care	Managed Services	Corporate	Total
Revenue	191,679	118,132	12,718	—	322,529
Operating expenses	175,086	106,535	5,698	—	287,319
Net operating income	16,593	11,597	7,020	—	35,210
Administrative costs				14,440	14,440
Earnings before depreciation, amortization, and other					20,770
Depreciation and amortization				9,023	9,023
Other income				(5,048)	(5,048)
Share of profit from investment in joint ventures				(598)	(598)
Earnings before net finance costs and income taxes					17,393
Net finance costs				3,725	3,725
Earnings before income taxes					13,668
Current income tax expense				1,035	1,035
Deferred income tax expense				802	802
Total income tax expense				1,837	1,837
Net earnings					11,831

	Nine months ended September 30, 2024				
	Long-term Care	Home Health Care	Managed Services	Corporate	Total
Revenue	**602,502**	**418,256**	**53,880**	**—**	**1,074,638**
Operating expenses	**526,935**	**374,802**	**25,234**	**—**	**926,971**
Net operating income	**75,567**	**43,454**	**28,646**	**—**	**147,667**
Administrative costs				**42,817**	**42,817**
Earnings before depreciation, amortization, and other					**104,850**
Depreciation and amortization				**24,839**	**24,839**
Other income				**(2,704)**	**(2,704)**
Share of profit from investment in joint ventures				**(1,826)**	**(1,826)**
Earnings before net finance costs and income taxes					**84,541**
Net finance costs				**11,399**	**11,399**
Earnings before income taxes					**73,142**
Current income tax expense				**22,352**	**22,352**
Deferred income tax recovery				**(4,491)**	**(4,491)**
Total income tax expense				**17,861**	**17,861**
Net earnings					**55,281**

	Nine months ended September 30, 2023				
	Long-term Care	Home Health Care	Managed Services	Corporate	Total
Revenue	581,667	341,886	31,223	—	954,776
Operating expenses	517,447	313,803	15,282	—	846,532
Net operating income	64,220	28,083	15,941	—	108,244
Administrative costs				41,720	41,720
Earnings before depreciation, amortization, and other					66,524
Depreciation and amortization				23,547	23,547
Other income				(28)	(28)
Share of profit from investment in joint ventures				(598)	(598)
Earnings before net finance costs and income taxes					43,603
Net finance costs				11,064	11,064
Earnings before income taxes					32,539
Current income tax expense				5,387	5,387
Deferred income tax expense				1,790	1,790
Total income tax expense				7,177	7,177
Net earnings					25,362

16. SUBSEQUENT EVENTS

New Senior Secured Credit Facility and Repayment of Lease Liabilities

On November 8, 2024, the Company entered into a new senior secured credit facility for $275.0 million (the "Senior Secured Credit Facility") with a syndicate of Canadian chartered banks, for a term of three years, consisting of a revolving credit facility for up to $145.0 million (the "Revolving Facility") and a delayed draw term loan facility in an amount up to $130.0 million (the "Delayed Draw Facility"). The Senior Secured Credit Facility is secured by 21 LTC homes in Ontario and is subject to certain customary financial and non-financial covenants and other terms. The Revolving Facility is available for working capital and general corporate purposes, including capital expenditures and acquisitions. The Senior Secured Credit Facility includes provisions for consecutive one-year extensions of the initial three-year term, and the ability to increase the Revolving Facility by up to $50.0 million, subject in each case to satisfying certain conditions and lender approval. The Delayed Draw Facility is available until April 30, 2025 to repay the 2025 Debentures. Borrowings under the Senior Secured Credit Facility can take place by way of direct borrowings at either the prime rate plus an applicable margin ranging from 0.70% to 1.95%, or the Canadian Overnight Repo Rate Average ("CORRA") plus an applicable margin ranging from 1.70% to 2.95%, or through letters of credit.

Additionally, the Company used cash on hand to purchase for approximately $30.0 million, 9 Class A Ontario LTC homes that had been under long-term leases. The purchase price represents the balance of the remaining lease payments plus accrued interest and other costs, and fully satisfies the remaining lease liability (carrying interest rates from 6.4% to 7.2%).

Early Redemption of 2025 Debentures

On November 12, 2024, the Company announced that it has exercised its option to redeem all of the outstanding 2025 Debentures on December 16, 2024 (the "Redemption Date") using funds from the Delayed Draw Facility. The 2025 Debentures will be redeemed at par, plus accrued and unpaid interest up to but excluding the Redemption Date, for a total of approximately $127.3 million. All interest on the 2025 Debentures will cease from and after the Redemption Date and the 2025 Debentures will be delisted from the facilities of the TSX at the close of markets on December 16, 2024.