Helping people live better

Extendicare

2024 Annual Report

OUR VALUES

We embrace every person for the individual they are.

We care for each person as we would our own family.

We collaborate with others because we achieve more together.

We are relentless in our efforts to improve.

We respect the resources entrusted to us.

March 28, 2025

Letter to Shareholders

Growth in Canada's seniors' population is accelerating, with those aged 85+ years increasing by over 4% annually.

Against this backdrop, we solidified our position as Canada's leader in high-quality, long-term care and home care services in 2024, completing a transformation we embarked on in 2022.

Over the last several years, we executed on our strategy by building on our deep expertise in providing long-term care and home health care services while divesting non-aligned and under-performing assets. The benefits of the transformation are clearly evident in our 2024 results. Our model is primed for capital-efficient long-term growth, and the results demonstrate its capacity to deliver sustainable value creation for shareholders.

Improved performance across all segments drove robust increases in net operating income ("NOI") and expanded margins, underpinned by strong growth in both the managed services and home health care segments. Our services segments now account for approximately 55% of our NOI, highlighting the prospects for continued value creation through service expansion and steady growth in demand for services.

Redevelopment gains momentum with capital-light strategy

Our capital-light, higher-margin strategy, supported by our partnership with Axium, is driving significant progress in our long-term care redevelopment. This structure results in our managed services segment earning development fees during construction and management fees once the homes are operational. It also allows us to recycle capital from the disposition of vacated Class C homes into new projects, which provides us with additional flexibility to meet our capital needs.

During the year, we opened two homes: Countryside in Sudbury (256 beds) and Limestone Ridge in Kingston (192 beds). Early in 2025, we opened Crossing Bridge in Stittsville (256 beds).

In 2024, we began construction on three homes supported by the Ontario government's enhanced construction funding subsidy. The new homes in St. Catharines, Port Stanley and London consist of 576 new beds to replace 382 Class C beds. All three projects are under agreement to be sold to the Axium joint venture, with Extendicare retaining a 15% managed interest.

We currently have six homes under construction, which will bring 1,408 new beds into operation to replace 1,097 Class C beds. Our team continues to advance 12 other projects to replace our remaining Class C homes, in anticipation of future capital funding subsidies being made available. The redevelopment pipeline would increase to 18 projects with the completion of the Revera acquisition announced in Q4.

These projects showcase our team's dedication to the enhancement of long-term care in Canada, and we are excited to welcome residents to their new homes and grow our care community.

Strengthened long-term care operations

Our long-term care operations strengthened in 2024, supported by funding increases, improved occupancy and normalized costs, leading to improved margins. The reduced use of agency staff has helped to reduce costs and improve the quality of care, leading to higher resident satisfaction.

Margins are returning to pre-pandemic levels, with higher funding levels making it possible to increase staff to resident ratios, improve compensation and lower staff turnover. We have also allocated significant resources to staff training focused on quality of care and improved customer service, which will be an area for continued investment in future years.

We appreciate the continued government support for additional staff and enhanced service delivery that is enabling us to address long-standing challenges in meeting the expectations of residents and families.

Our 24,000 dedicated team members across Canada are the driving force behind Extendicare, making it the vibrant community it is today.

New high of 11 million hours of home care delivered in 2024

Our home health care operations delivered a record 11 million hours of care in 2024, an increase of over 10% compared to 2023. Our recruitment, retention and training programs enhanced our ability to meet rising demand, driving consistent growth in average daily volume over the past two years. We deployed enhanced scheduling algorithms last year that substantially improved the efficiency and reliability of our home care services, reducing our missed care rate to less than one in a thousand visits. This is a remarkable achievement, given our services extend into many rural and northern communities.

Government rate increases for the home care sector in recent years have allowed us to enhance compensation, strengthen training programs, and invest in technology for innovative care. We welcome this recognition of the importance of home health care's vital role in enabling seniors to live independently at home.

Growth in this sector has exceeded demographic trends as home health care providers address significant gaps in care caused by undercapacity in hospitals, primary care and long-term care. Our investments in this segment are enabling us to meet growing demand and enhance our ability to address the complex needs in the community.

Axium transactions and SGP organic growth propel managed services segment

Our managed services segment is experiencing continued growth, driven by the momentum from the Axium and Revera transactions in 2023. Organic growth in beds serviced by SGP increased 7.4% year over year, reaching 146,300 beds, further contributing to strong revenue and margin growth, with margins in the managed services segment remaining within the 50-55% range.

The continued growth in our managed services segment is core to our strategic focus on expanding the service side of our business.

Home health care

11M

Home health care
hours delivered

ParaMed

Long-term care

51

Long-term care
homes owned

Extendicare

Management and consulting

71

Homes under contract

Extendicare ASSIST

Group purchasing

146K

Third-party & JV beds served

SGP PURCHASING NETWORK

Disciplined capital allocation and stronger cash flows

Over the past two years, our growth and expanding margins have resulted in steadily increasing free cash flow, driving the debt to Adjusted EBITDA ratio down to 2.0 and the payout ratio below 50% of AFFO. Combined with our prospects for continuing growth, this allowed us to increase our dividend for the first time in nearly two decades.

We also strengthened our balance sheet, securing a new $275.0 million senior secured credit facility, which we utilized for the early redemption of the $126.5 million convertible debentures due to mature in April 2025.

Accelerating growth

We continue to seek strategic acquisitions to achieve greater scale and synergy. With a healthy balance sheet and our joint venture with Axium in place to address the capital needs of redevelopment, we are well-positioned to pursue opportunities that supplement organic growth. We will be disciplined in pursuing projects that are accretive to earnings, leverage synergies from our industry-leading technology platform and unlock new opportunities for organic growth through new service offerings, expanded geographic reach, and additional redevelopment projects.

In the case of the Revera homes anticipated to be acquired in Q2 2025, we plan to redevelop the 361 long-term care beds housed in the mixed-use homes into six new long-term care homes, expanding our redevelopment pipeline by approximately 1,100 beds to meet increasing demand. We expect to recover most, if not all, of the acquisition cost when we sell the pure play retirement homes after the long-term care beds have been moved into the new developments.

Our strategic initiatives and disciplined approach to capital allocation have positioned us well to navigate the current market environment and balance returning value to shareholders with investing in growth opportunities. With an optimistic outlook for sustained growth and profitability, we are committed to delivering long-term value.

Governance renewal with the addition of two accomplished directors

We recently welcomed Donald Clow (former President and CEO of Crombie REIT) and Heather-Anne Irwin (Adjunct Professor of Finance at the Rotman School of Management, University of Toronto and a former capital markets senior executive) to our Board of Directors. Their extensive governance experience and deep expertise will be invaluable as we continue to navigate the complexities of our industry and advance our strategic goals.

We thank Al Mawani, who retired from our Board of Directors after seven years of dedicated service, for his meaningful contributions and the strategic counsel that he brought to the Board's deliberations.

Long-term care redevelopment projects

OPERATIONAL HOMES	# OF BEDS
Countryside (Sudbury)	256
Limestone Ridge (Kingston)	192
Crossing Bridge (Stittsville)	256

HOMES UNDER CONSTRUCTION	# OF BEDS
Peterborough	256
Orleans (Ottawa)	256
Carlingview Manor (Ottawa)	320
St. Catharines	256
Port Stanley	128
London	192

Building for the future

Thank you

2024 was an outstanding year at Extendicare, and we are starting 2025 from a position of strength and momentum. Our fourth quarter and full-year results give us confidence in the potential of our business model and in the leadership team that is making that potential a reality.

While we find ourselves in a time of increased political and economic uncertainty, one undeniable truth is that the demand for health care and services from the seniors' population will continue to grow for years to come. Canada as a country is challenged to deliver the highest standards of care and services to our aging population. Extendicare is committed to meeting that challenge.

The growth and improved performance we are experiencing today is made possible by our team, who are dedicated to helping people live better. We offer our congratulations to them on a successful year of outstanding care delivery and expanding access to care for tens of thousands of seniors who depend on us for a better quality of life. We are sincerely grateful to each person who helps make Extendicare the caring community that it is today.

We also extend our gratitude to our shareholders for your continued support. We look forward to building on our momentum in 2025 and beyond.

On behalf of the team,

Dr. Michael Guerriere
President & CEO

Alan Torrie
Chairman

Management's Discussion and Analysis

Year ended December 31, 2024

Extendicare Inc.
Dated: February 27, 2025

Management's Discussion and Analysis

Year ended December 31, 2024
Dated: February 27, 2025

TABLE OF CONTENTS

BASIS OF PRESENTATION

This Management's Discussion and Analysis ("MD&A") provides information on Extendicare Inc. and its subsidiaries, and unless the context otherwise requires, references to "Extendicare", the "Company", "we", "us" and "our" or similar terms refer to Extendicare Inc., either alone or together with its subsidiaries. The Company's common shares (the "Common Shares") are listed on the Toronto Stock Exchange ("TSX") under the symbol "EXE". The registered office of Extendicare is located at 3000 Steeles Avenue East, Suite 400, Markham, Ontario, Canada, L3R 4T9.

Extendicare is a recognized leader in the delivery of quality health care services to Canadians, inspired by its mission to provide people with the care they need, wherever they call home. In operation since 1968, it is the largest private-sector owner and operator of long-term care ("LTC") homes in Canada and one of the largest private-sector providers of publicly funded home health care services in Canada through its wholly owned subsidiary ParaMed Inc. ("ParaMed"). As well, the Company provides management, consulting and other services to LTC homes owned by third parties and joint ventures to which the Company is a party through its Extendicare Assist division and procurement services through its group purchasing division, SGP Purchasing Network ("SGP").

During Q3 2023, the Company completed the previously announced transactions (the "Revera Transactions") with Revera Inc. and its affiliates ("Revera") and Axium LTC Limited Partnership and its affiliates ("Axium") (together the "Revera and Axium Transactions"), resulting in Extendicare entering into two limited partnership joint ventures with Axium, in which the Company has a 15% managed interest in each. The limited partnership joint ventures, Axium Extendicare LTC LP ("Axium JV") and Axium Extendicare LTC II LP ("Axium JV II") (together, the "Joint Ventures"), are accounted for in the Company's consolidated financial statements as investments using the equity method. Refer to the discussion under "Business Overview – Joint Ventures" and *Notes 8 and 24* of the consolidated financial statements.

In This MD&A

This MD&A has been prepared to provide information to current and prospective investors of the Company to assist them to understand the Company's financial results for the year ended December 31, 2024. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2024 and 2023, and the notes thereto (the "consolidated financial statements"), prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB").

In this document, "Q1" refers to the three-month period ended March 31; "Q2" refers to the three-month period ended June 30; "Q3" refers to the three-month period ended September 30; and "Q4" refers to the three-month period ended December 31. Except as otherwise specified, references to years indicate the fiscal year ended December 31, 2024, or December 31 of the year referenced.

In this MD&A, the Company uses a number of performance measures and indicators to monitor and analyze the financial results that do not have standardized meanings prescribed by generally accepted accounting principles ("GAAP") and, therefore, may not be comparable to similar performance measures and indicators used by other issuers. Refer to the "Key Performance Indicators" and "Non-GAAP Measures" sections of this MD&A for details.

The annual and interim MD&A, financial statements and other materials are available on the Company's website at www.extendicare.com. All currencies are in Canadian dollars unless otherwise indicated.

This MD&A is dated as of February 27, 2025, the date this report was approved by the Company's board of directors (the "Board of Directors" or "Board"), and is based upon information available to management as of that date. This MD&A should not be considered all-inclusive, as it does not include all changes that may occur in general economic, political and environmental conditions. Additionally, other events may or may not occur, which could affect the Company in the future.

ADDITIONAL INFORMATION

Additional information about the Company, including its latest Annual Information Form, may be found on SEDAR+ at www.sedarplus.ca under the Company's issuer profile and on the Company's website at www.extendicare.com.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements within the meaning of applicable Canadian securities laws ("forward-looking statements" or "forward-looking information"). Statements other than statements of historical fact contained in this MD&A may be forward-looking statements, including, without limitation, management's expectations, intentions and beliefs concerning anticipated future events, results, circumstances, economic performance or expectations with respect to the Company, including, without limitation: statements regarding dividend levels, its business operations, business strategy, growth strategy, results of operations and financial condition, including anticipated timelines and costs in respect of development projects; statements relating to the agreements entered into with Revera, Axium and two limited partnership joint ventures with Axium in respect of the acquisition, disposition, ownership, operation and redevelopment of LTC homes in Ontario and Manitoba; and statements relating to expected future current income taxes and maintenance capex impacting AFFO. Forward-looking statements can often be identified by the expressions "anticipate", "believe", "estimate", "expect", "intend", "objective", "plan", "project", "will", "may", "should" or other similar expressions or the negative thereof. These forward-looking statements reflect the Company's current expectations regarding future results, performance or achievements and are based upon information currently available to the Company and on assumptions that the Company believes are reasonable. Actual results and developments may differ materially from results and developments discussed in the forward-looking statements, as they are subject to a number of risks and uncertainties.

Although forward-looking statements are based upon estimates and assumptions that the Company believes are reasonable based upon information currently available, these statements are not representations or guarantees of future results, performance or achievements of the Company and are inherently subject to significant business, economic and competitive uncertainties and contingencies. In addition to the assumptions and other factors referred to specifically in connection with these forward-looking statements, the risks, uncertainties and other factors that could cause the actual results, performance or achievements of the Company to differ materially from those expressed or implied by the forward-looking statements, include, without limitation, those described under "Risks and Uncertainties" in this MD&A and those other risks, uncertainties and other factors identified in the Company's other public filings with the Canadian securities regulators available on SEDAR+ at www.sedarplus.ca under the Company's issuer profile. These risks and uncertainties include the following: the occurrence of a pandemic, epidemic or outbreak of a contagious illness, such as COVID-19; changes in the overall health of the economy and changes in government, both domestic and foreign; the availability and ability of the Company to attract and retain qualified personnel; changes in the health care industry in general and the long-term care industry in particular because of political, legal and economic influences; inflationary pressures and supply chain interruptions, in particular as they impact redevelopment; changes in regulations governing the health care and long-term care industries and the compliance by the Company with such regulations; changes in government funding levels for health care services; the ability of the Company to comply with and renew its government licenses and customer and joint venture agreements; changes in labour relations, employee costs and pay equity; changes in tax laws; resident care and class action litigation, including the Company's exposure to punitive damage claims, increased insurance costs and other claims; the ability of the Company to maintain and increase resident occupancy levels and business volumes; changes in competition; changes in demographics; changes in interest rates; changes in the financial markets, which may affect the ability of the Company to refinance debt; and the availability and terms of capital to the Company to fund capital expenditures and acquisitions; changes in the anticipated outcome and benefits of proposed or actualized dispositions, acquisitions and development projects, including risks relating to the actual completion of proposed transactions.

The preceding reference to material factors or assumptions is not exhaustive. All forward-looking statements in this MD&A are qualified in their entirety by this forward-looking disclaimer. Although forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Accordingly, readers should not place undue reliance on such forward-looking statements and assumptions as management cannot provide assurance that actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. The forward-looking statements speak only as of the date of this MD&A. Except as required by applicable securities laws, the Company assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

SIGNIFICANT DEVELOPMENTS

Dividend Increase

Improved performance and growth in all three business segments has resulted in the dividend payout ratio dropping below 50%. Accordingly, the Company will increase its dividend by 5.0% to 4.2 cents per month effective with the dividend to be declared in March 2025. Continued strong performance will give the Company the opportunity to consider dividend increases on a regular basis. Refer to discussions under "Funds From Continuing Operations and Adjusted Funds From Operations – AFFO 2024 Financial Review", "Liquidity and Capital Resources" and "Risks and Uncertainties – Risks Related to the Common Shares – Cash Dividends are not Guaranteed".

$275 Million Senior Secured Credit Facility

In November 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. The Senior Secured Credit Facility is secured by 21 LTC homes in Ontario and is subject to customary financial and non-financial covenants and other terms. The Senior Secured Credit Facility consists of a revolving credit facility for up to $145.0 million (the "Revolving Facility"), which replaces the Company's former demand credit facilities of $112.3 million, and a delayed draw term loan facility in an amount up to $130.0 million (the "Delayed Draw Facility"). The Revolving Facility is available for working capital and general corporate purposes, including capital expenditures and acquisitions. Refer to "Liquidity and Capital Resources – Long-term Debt – Senior Secured Credit Facilities" and *Note 10* of the consolidated financial statements.

EXERCISE OF BUY-OUT UNDER LONG-TERM LEASE ARRANGEMENT

In November 2024 and in connection with entering into the Senior Secured Credit Facility, the Company used $29.9 million of cash on hand to exercise its option to acquire nine Ontario LTC homes built between 2001 and 2003 that it had been operating under 25-year lease arrangements. The purchase price fully satisfied the balance of the remaining lease payments plus accrued interest and other costs. Refer to *Notes 5* and *10* of the consolidated financial statements.

Early Redemption of 2025 Debentures

In December 2024, the Company exercised its option to redeem all of the outstanding 5.00% convertible unsecured subordinate debentures maturing in April 2025 (the "2025 Debentures") using funds from the Delayed Draw Facility (see "– $275 Million Senior Secured Credit Facility"). The 2025 Debentures were 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 ceased from and after the redemption date and the 2025 Debentures were delisted from the facilities of the TSX at the close of markets on December 16, 2024. Refer to "Liquidity and Capital Resources – Long-term Debt – Senior Secured Credit Facilities" and *Note 10* of the consolidated financial statements.

Agreement to Acquire Nine LTC Homes From Revera and Related Transactions

In November 2024, the Company entered into an agreement with Revera to acquire nine LTC homes (the "Acquired Homes"), eight of which are located in Ontario and the other in Manitoba, and one parcel of vacant land located in Ontario (the "LTC Acquisition").

The aggregate cash consideration for the LTC Acquisition is approximately $60.3 million, subject to customary and other adjustments, and is expected to be funded from cash on hand and the Revolving Facility. The LTC Acquisition is anticipated to close in Q2 2025, subject to customary closing conditions, including receipt of regulatory approvals from the Ontario Ministry of Long-Term Care (the "MLTC"), the Ontario Retirement Homes Regulatory Authority, Manitoba Health and the Winnipeg Regional Health Authority, and is not conditional on financing or due diligence.

Relatedly, Revera advised Extendicare that it had entered into a sale agreement with a third party pursuant to which that party will acquire 21 of Revera's Class C LTC homes located in Ontario that are currently managed by Extendicare (the "Third-Party Sale"), subject to regulatory approval.

Upon closing of the two transactions, Extendicare's existing management agreements with Revera in respect of the 30 homes, as well as related development arrangement agreements, will terminate in accordance with their terms. As a result, the Company recorded an impairment charge of $2.7 million in Q4 2024 in respect of the termination of these operational entitlements. In accordance with the management agreements to be terminated on completion of the Third-Party Sale, Revera is required to repay Extendicare a portion of the consideration paid to Revera in respect of the management agreements. Assuming completion of the Third-Party Sale at the end of Q2 2025, Extendicare expects the repayment to be approximately $1.5 million.

ACQUISITION OVERVIEW

The Acquired Homes encompass 1,396 beds in nine homes, including the 250-bed Class C Carlingview Manor home in Ontario that will soon be replaced by a new LTC home owned by Axium JV II that is currently under construction. The remaining seven homes in Ontario consist of a mix of 574 private pay retirement beds and 361 funded LTC Class C beds that the Company intends to redevelop. The LTC Acquisition will give the Company control of the redevelopment process for these seven Class C homes, adding six projects comprising a proposed 1,088 LTC beds to the Company's redevelopment pipeline. In addition, the Company believes it has the potential to recover most if not all of the purchase price for the LTC Acquisition from the eventual sale of the seven operational retirement homes once the LTC redevelopment is complete.

ESTIMATED EARNINGS IMPACT

The LTC Acquisition would add approximately $124.0 million and $13.0 million in annual revenue and NOI, respectively, to the Company's long-term care segment, based on the actual revenue and NOI generated from the Acquired Homes, adjusted for one-time items, for the nine months ended September 30, 2024. Also, the loss of management fees resulting from the LTC Acquisition and the Third-Party Sale would reduce the Company's managed services segment annual revenue and NOI by approximately $14.7 million and $6.2 million, respectively, based on actual revenue and NOI, adjusted for one-time impacts, for the nine months ended September 30, 2024. On a combined basis, the LTC Acquisition and Third-Party Sale would increase the Company's consolidated revenue and NOI of approximately $109.3 million and $6.8 million, respectively.

On the same basis, the annual impact on AFFO, assuming the LTC Acquisition is funded from cash on hand, would add approximately $1.4 million increasing AFFO/basic share by $0.02.

Ontario LTC Redevelopment Activities

As at February 27, 2025, the Company has six LTC redevelopment projects under construction in Ontario, comprising 1,408 new beds to replace 1,097 Class C beds. Five of the projects are replacing homes owned by Extendicare and the sixth is replacing a Revera home that Extendicare is managing. The homes are being constructed with private and semi-private rooms, with substantial improvements in common areas used by the residents. For more information refer to "Key Performance Indicators – LTC Projects Under Construction".

On November 30, 2024, the time-limited supplemental construction funding subsidy ("CFS") to support redevelopment introduced by the MLTC in March 2024, expired. Similar to the initial supplemental CFS that expired in August 2023, the second supplement provided an additional $35.00 per bed per day to the existing base CFS and was available to eligible applicants.

The Company continues to progress its remaining 12 redevelopment projects in Ontario, consisting of 2,456 beds that would replace 1,841 Class C beds, in anticipation of any future enhancements to the MLTC's capital funding program that may be made available. We are working collaboratively with industry partners and the government to make as many of the remaining projects as possible economically feasible, including the need to address the particular challenges faced by projects in the Greater Toronto Area and in smaller rural markets.

EXTENSION OF CLASS C LICENSES

While the MLTC continues to demonstrate its commitment to building new LTC homes in Ontario, it has acknowledged that delays in redevelopment of Class C LTC homes require that their operating licenses remain in effect beyond their current expiration date of June 2025. In April 2024, the MLTC requested that all Class C home operators submit notice of their intentions regarding their Class C homes in order to qualify for license extensions of up to five years. The Company applied for and has received license extensions until June 2030 for all of its remaining Class C homes.

OPENING OF THREE LTC HOMES (704 BEDS) IN AXIUM JV AND CAPITAL RECYCLED FROM VACATED CLASS C HOMES

In February 2025, the Company opened Axium JV's new 256-bed Crossing Bridge LTC home in Stittsville, Ontario, replacing Extendicare West End Villa's 240 operational Class C beds in Ottawa and 16 Class C beds from other nearby homes, 8 of which were out-of-service ward-style beds. The Company is initiating the sale process for the vacated West End Villa property.

In December 2024, the Company opened Axium JV's new 192-bed Limestone Ridge LTC home in Kingston, Ontario. The new home replaced Extendicare Kingston, a 150-bed Class C home that included 28 out-of-service ward-style beds. The Company completed the sale of the vacated Kingston home in December 2024, for proceeds of $3.7 million, resulting in a gain of $3.6 million (before taxes, certain closing and other costs of $0.3 million).

In March 2024, the Company opened Axium JV's new 256-bed Countryside LTC home in Sudbury, Ontario. The new home replaced Extendicare Falconbridge's 186 operational beds and 58 out-of-service ward-style beds nearby. The Company completed the sale of the vacated Falconbridge home on April 30, 2024, for proceeds of $5.3 million, resulting in a gain of $4.7 million (before taxes, certain closing and other costs of $0.3 million).

For further details on the sale of the legacy Class C LTC homes, refer to *Note 16* of the consolidated financial statements.

COMPLETION OF SALE OF 256-BED LTC REDEVELOPMENT TO AXIUM JV

In April 2024, the Company completed the sale of its 256-bed LTC redevelopment project in Orleans, Ontario to Axium JV, for cash proceeds of $20.1 million, net of Extendicare's 15% retained interest of $0.4 million, holdbacks and closing costs. The net book value of the project was $15.5 million, resulting in a gain of $2.9 million (before taxes of $0.2 million) (refer to *Note 8* of the consolidated financial statements). The Company posted a $2.9 million letter of credit in support of its commitment to fund its 15% equity share in Axium JV in connection with the sale.

COMMENCEMENT OF CONSTRUCTION ON THREE LTC HOMES (576 BEDS) AND ENTERED AGREEMENT TO SELL NEW PROJECTS INTO AXIUM JV

In November 2024, the Company commenced construction on two LTC homes under the time-limited enhanced CFS: a 128-bed LTC home in Port Stanley and a 192-bed LTC home in London, Ontario. The two homes are anticipated to open in the first half of 2027 and will replace 230 Class C beds in existing Extendicare homes in the same cities. The Company entered into fixed-price construction contracts of $41.1 million for the Port Stanley project and $60.2 million for the London project, and estimates development costs for each to be $52.7 million and $77.7 million, respectively.

In September 2024, the Company commenced construction on a new 256-bed LTC home in St. Catharines, Ontario, under the time limited enhanced CFS. The home is anticipated to open in Q1 2027 and will replace an existing Extendicare home with 152 Class C beds in St. Catharines. The Company entered into a $81.7 million fixed-price construction contract and estimates the total development costs for the project to be $106.4 million.

In January 2025, the Company entered into an agreement to sell its LTC redevelopment projects in St. Catharines, Port Stanley and London to Axium JV, with Extendicare retaining a 15% managed interest. Closing is anticipated in Q2 2025, subject to customary closing conditions, including receipt of regulatory approvals from the MLTC.

Home Health Care Funding Increases Support Service Expansion

In November 2024, Ontario Health atHome ("OHH") confirmed a 4.0% bill rate increase to the sector retroactive to April 1, 2024. Similar to the rate increase received in Q4 2023, the government prescribed that the increase be directed towards eligible costs to support staff and delivery of services, of which 3.0% is to be directed towards wages and benefits for eligible staff, and the balance for eligible general costs, including training, recruitment and retention, technology investments and other operational costs. The 4.0% increase allowed the Company to recognize $4.4 million in revenue in Q4 2024, reflecting a recovery of eligible costs that were previously made by ParaMed retroactive to April 1, 2024. Further enhancements to ParaMed's compensation programs and ongoing investments in recruiting, retention and technology will be made in Q1 2025 that will result in a one-time revenue and expense with minimal impact on NOI.

In Q4 2023, OHH confirmed a 6.7% bill rate increase to the sector, retroactive to April 1, 2023, in an effort to stabilize and expand the home and community care sector. The 6.7% increase allowed the Company to recognize $5.4 million in revenue in Q4 2023, reflecting a recovery of eligible costs that were previously made by ParaMed retroactive to April 1, 2023. In Q1 2024, the Company made a number of investments enabled by the 6.7% rate increase, consisting of enhancements to ParaMed's wage and benefits programs, and further investments in recruiting, retention, training and technology. These changes resulted in one-time revenue and expense of $13.6 million in Q1 2024 related to compensation to home health care staff with no impact to NOI.

For more information on these funding changes, refer to the discussion under the heading "Business Overview – Home Health Care – Home Health Care Funding Changes".

Normal Course Issuer Bid

In June 2024, the Company received approval 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. 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 Company did not purchase any Common Shares for cancellation during 2024 under its NCIB program, and as at February 26, 2025, has not acquired any under its current NCIB. Since the launch of the NCIB program in June 2022, the Company has purchased for cancellation 6,760,311 Common Shares at a cost of $46.1 million (refer to the discussion under "Liquidity and Capital Resources – Normal Course Issuer Bid").

Ontario Long-term Care Funding Addresses Inflation Gap

In March 2024, the MLTC announced a number of funding enhancements to address the significant gap in funding that had developed since 2019 as the sectors' operating cost inflation, particularly in the accommodation envelopes, had significantly outpaced funding increases. The MLTC announced level of care funding increases to take effect April 1, 2024, representing an 11.5% increase in the other accommodation envelope and 4.5% to the flow-through envelopes. The Company estimates this will result in incremental annual revenue of approximately $12.0 million to the non-flow through, other accommodation envelope. In addition, the MLTC provided LTC operators with one-time funding for the MLTC funding year ended March 31, 2024, intended to help relieve financial pressures and address key priorities, including capital and maintenance needs, redevelopment and other operating needs. As a result, the Company recognized approximately $12.2 million in one-time funding in Q1 2024, of which approximately $9.2 million is retroactive to April 1, 2023. These funding increases will help return the sector to long term financial stability, providing stable operating funding to support the broader redevelopment agenda.

For more information on these funding changes, refer to the discussion under the heading "Business Overview – Long-term Care – Ontario LTC Funding Changes".

BUSINESS OVERVIEW

As at December 31, 2024, the Company operates 122 LTC homes, composed of 51 homes (6,991 beds) wholly owned by the Company and 71 homes (9,909 beds) under management contracts with third parties through Extendicare Assist, including 27 LTC homes owned by the Joint Ventures, in which the Company has a 15% managed interest. The Company's network of 122 LTC homes has capacity for 16,900 residents across three provinces in Canada, with Ontario, Manitoba and Alberta accounting for 79.5%, 11.5% and 9.0% of residents served, respectively.

In addition to providing procurement services to the LTC homes owned entirely by the Company, SGP supports third-party clients and the LTC homes owned by the Joint Ventures, representing approximately 146,300 beds across Canada, as at December 31, 2024.

The Company's home health care operations, ParaMed, delivered approximately 11.0 million hours of home health care services in 2024. The majority of ParaMed's services are delivered in Ontario and Alberta, which accounted for 94% and 4% of the total volume, respectively.

Joint Ventures

Joint ventures are accounted for in the Company's consolidated financial statements as investments using the equity method, whereby the investment is initially recognized at cost, and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income or loss of the joint venture from the date of acquisition, increased by the Company's contributions and reduced by distributions received. The Company's share of joint venture profit or loss is included in the consolidated statements of earnings.

The following table summarizes the classification of the 31 properties (4,718 beds) that are owned through the Company's joint ventures as at December 31, 2024.

	# of Properties		# of Beds			
Joint Venture	**Operational**	**Under Construction**	**Operational**	**Under Construction**	**Extendicare Ownership**	**Accounting Treatment**
Axium Extendicare LTC II LP	25	1	3,182	320	15 %	Equity method
Axium Extendicare LTC LP(i)	2	3	448	768	15 %	Equity method

(i) Crossing Bridge, one of the three Axium Extendicare LTC LP properties under construction, became operational in February 2025.

Operating Segments

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

The following table summarizes the contribution of the business segments to the Company's consolidated revenue and NOI in 2024 and 2023. The impact of COVID-19 affects the comparability of the contributions of the LTC and home health care business segments to the Company's consolidated revenue and NOI. Refer to "Select Quarterly Financial Information", "2024 Fourth Quarter Financial Review" and "2024 Financial Review" for additional details to understand the impacts on the business segments.

	Year ended December 31,			
	2024		2023	
Operating Segments as % of	**Revenue**	**NOI**	**Revenue**	**NOI**
Long-term care	**56.4 %**	**49.5 %**	60.4 %	54.2 %
Home health care	**38.6 %**	**31.2 %**	35.9 %	29.2 %
Managed services	**5.0 %**	**19.3 %**	3.7 %	16.6 %
Total	**100.0 %**	**100.0 %**	100.0 %	100.0 %

The following describes the operating segments of the Company.

Long-term Care

The homes owned entirely by the Company are reported under the long-term care operating segment and consist of 51 LTC homes with capacity for 6,991 residents, inclusive of a stand-alone funded designated supportive living home (140 suites) and a funded designated supportive living wing (60 suites) in Alberta and two private pay retirement wings (76 suites) in Ontario. In addition, the Company has 99 ward-style beds in Ontario LTC homes that were taken out of service as a result of regulatory changes and which form part of the Company's remaining 2,891 Class C Beds that are eligible to be reinstated upon redevelopment. As discussed under the heading "Significant Developments – Agreement to Acquire Nine LTC Homes From Revera and Related Transactions", the Company has agreed to acquire nine LTC homes (1,396 beds) from Revera that are currently operated by Extendicare Assist under management contracts. The Acquired Homes comprise seven mixed use homes in Ontario (361 Class C beds and 574 private pay retirement beds), one LTC Class C home in Ontario (250 beds) and one LTC home (211 beds) in Manitoba.

Provincial legislation and regulations closely control all aspects of the operation and funding of LTC homes and government-funded designated supportive living homes, including the fee structure, subsidies, the adequacy of physical homes, standards of care and accommodation, equipment and personnel. A substantial portion of the fees paid to providers of these services are funded by provincial programs, with a significantly smaller portion to be paid by the resident. No individual is refused access to long-term care due to an inability to pay, as a government subsidy for basic accommodation, generally based on an income test, is available for LTC residents who are unable to afford the resident co-payment. Long-term care funding in Ontario is provided in four envelopes allocated to personal care, programming, nutritional support and other accommodation, respectively. The first three envelopes must be spent entirely on residents and are independently audited with any surplus funding returned to the government. In Alberta, designated supportive living homes provide an alternative setting for residents not yet requiring the needs of a more expensive LTC home. Such homes are licensed, regulated and funded by Alberta Health Services ("AHS") in a similar manner to LTC homes, including a government-determined fee structure.

In Ontario, long-term care operators have the opportunity to receive additional funding through higher accommodation rates charged to residents for private and semi-private accommodation, at maximum preferred accommodation rates that are fixed by the government. Long-term care operators are permitted to designate up to 60% of the resident capacity of a home as preferred accommodation and charge premiums that vary according to the structural classification of the LTC home.

The following summarizes the government funding rate changes implemented for LTC in 2024 in Ontario, Alberta and Manitoba.

ONTARIO LTC FUNDING CHANGES

Effective July 1, 2024, the MLTC implemented a 2.5% increase in preferred accommodation premiums paid for by residents to LTC providers for private and semi-private accommodation. For older LTC beds that are not classified as "New" or "A" beds, the maximum daily preferred accommodation premiums are $9.19 and $20.65 for semi-private and private rooms, respectively. For newer LTC beds that are classified as "New" or "A" beds, the maximum daily preferred accommodation premiums are $13.77 and $28.70 for semi-private and private rooms, respectively.

Effective April 1, 2024, the MLTC implemented a 6.6% blended funding increase, representing an 11.5% increase in the other accommodation envelope and 4.5% to the flow-through envelopes. In addition, on April 1, 2024, the second stage of the phase out of funding for ward-style beds not in service took effect. The Company estimates these funding changes will result in net incremental annual revenue of approximately $21.3 million, of which $12.0 million is applicable to the non-flow through, other accommodation envelope. In April 2023, the corresponding 2.4% blended funding increase, net of the first stage of the phase out of funding for ward-style beds, represented incremental revenue of approximately $4.0 million, of which $2.2 million was applicable to the non-flow through, other accommodation envelope.

In March 2024, the MLTC provided LTC operators with one-time funding of $2,543 per bed for the MLTC funding year ending March 31, 2024. This one-time funding provides financial support for the homes to help relieve financial pressures and address key priorities, including capital and maintenance needs, redevelopment and other operating needs. As a result, the Company recognized approximately $12.2 million in one-time funding in Q1 2024, of which approximately $9.2 million is retroactive to April 1, 2023.

The final phase of the MLTC's initiative to increase direct care hours for LTC residents (the "LTC Staffing Plan") took effect on April 1, 2024. During 2024, the Company recognized approximately $101.1 million in revenue, which represents the cumulative impact of the LTC Staffing Plan funding through the flow-through envelopes to support increased hours of direct care (2023 – $71.2 million). While there is no impact on NOI from this increase in flow-through funding, it does have the effect of compressing the NOI margin as a percentage of revenue.

ALBERTA LTC FUNDING CHANGES

In August 2024, AHS announced funding changes for operators of LTC and designated supportive living homes, increasing both resident and government funding, including government funding to reflect changes in acuity levels and an increase in direct hours of care, with varying effective dates. Effective August 1, 2024, AHS implemented a 4.2% annual inflationary increase to the residents' share of accommodation rates, a portion of which is currently being paid by AHS due to a resident deferral period to offset high inflation. This increase represents additional annual revenue for the Company of approximately $1.7 million (2023 – $1.4 million or 3.6% effective July 1, 2023). Effective July 1, 2024, AHS implemented funding enhancements to support an increase in direct hours of care. The Company estimates that this enhancement will provide incremental annual revenue of approximately $1.7 million to support increases in care staff compensation (2023 – $7.2

million for direct care and wage enhancements effective July 1, 2023). The increase will have no impact on NOI. Annual rate and acuity level adjustments to government funding are retroactive to April 1, 2024, resulting in the Company recognizing approximately $1.3 million of prior period funding in Q3 2024. The Company estimates that government funding increases represent additional annual revenue of approximately $5.5 million (2023 – $2.2 million).

In Q2 2024, the Company recognized $2.1 million of one-time funding provided to continuing care operators by AHS for the 2023-24 fiscal year through AHS' Aging with Dignity program, funded through a bilateral agreement with the Government of Canada. This funding was provided to compensate operators for higher mortgage interest costs, staffing agency use and low occupancy in some homes.

MANITOBA LTC FUNDING CHANGES

In October 2024, Manitoba Health implemented annual funding increases for LTC operators retroactive to April 1, 2024, representing incremental annual revenue for the Company of approximately $2.2 million, as well as funding to support previously incurred union wage settlements retroactive to April 1, 2023. In Q3 2024, the Company recognized approximately $0.5 million of prior period funding retroactive to April 1, 2024, and a further $1.9 million in Q4 2024 for the twelve months ended March 31, 2024.

In June 2024, Manitoba Health provided the Company with one-time funding of $1.5 million in support of union wage settlements for prior years dating back to 2017. The Company had previously incurred or accrued for the anticipated costs associated with these wage settlements.

In March 2024, Manitoba Health implemented its annual funding increase for LTC operators retroactive to April 1, 2023, resulting in additional annual revenue for the Company of $3.2 million of which $2.2 million had been accrued during 2023. As result, the Company recognized incremental revenue of $1.0 million in Q1 2024 of which approximately $0.6 million related to prior periods.

Home Health Care

The Company provides home health care services through ParaMed, whose professionals and staff members are skilled in providing complex nursing care, occupational, physical and speech therapy and assistance with daily activities to accommodate clients of all ages living at home.

Provincial governments fund a wide range of home health care services and contract these services to providers such as ParaMed. ParaMed receives approximately 99% of its revenue from contracts tendered by locally administered provincial agencies, with the remainder coming from private clients.

HOME HEALTH CARE FUNDING CHANGES

In November 2024, OHH confirmed a 4.0% bill rate increase to the sector retroactive to April 1, 2024. Similar to the rate increase received in Q4 2023, the government prescribed that the increase be directed towards eligible costs to support staff and delivery of services, of which 3.0% is to be directed towards wages and benefits for eligible staff, and the balance for eligible general costs, including training, recruitment and retention, technology investments and other operational costs.

Based on ParaMed's ADV and mix of services provided for the trailing twelve months ended December 31, 2024, this 4.0% rate increase will represent incremental annual revenue of approximately $21.2 million to help support increased costs, some of which have already been incurred. As a result of the 4.0% increase, the Company recognized $4.4 million in revenue in Q4 2024, reflecting a recovery of prescribed eligible costs that were previously made by ParaMed retroactive to April 1, 2024. Further enhancements to the Company's compensation programs and ongoing investments in recruiting, retention and technology will be made in Q1 2025 that will result in the recognition of a one-time revenue and expense with minimal impact on NOI.

As previously disclosed, in Q3 2023 OHH confirmed a 3.0% bill rate increase to the sector retroactive to April 1, 2023, which the Company had accrued for throughout 2023. In Q4 2023, OHH confirmed a further 6.7% bill rate increase retroactive to April 1, 2023, to help stabilize and expand the home and community care sector and prescribed that the increases be directed towards eligible costs to support staff and delivery of services. Based on ParaMed's ADV and mix of services provided for the trailing twelve months ended March 31, 2024, these rate changes represented incremental annual revenue of approximately $42.0 million to help offset wage and benefit increases, increased recruitment, retention and training costs and investments in technology and back-office support. The 6.7% increase allowed the Company to recognize $5.4 million in revenue in Q4 2023, reflecting a recovery of eligible costs that were previously made by ParaMed retroactive to April 1, 2023. Additional changes to the Company's wage and benefits programs, and ongoing investments in recruiting, retention, training and technology were made in Q1 2024 as a result of the 6.7% bill rate increase that resulted in recognizing a one-time revenue and expense of $13.6 million related to compensation to home health care staff, with no impact on NOI.

Managed Services

The Company leverages its size, scale and operational expertise in the seniors' care industry to provide managed services to third parties and joint ventures to which the Company is a party through its Extendicare Assist and SGP divisions.

MANAGEMENT CONTRACTS AND CONSULTING AND OTHER SERVICES

Through its Extendicare Assist division, the Company provides management, consulting and other services to third parties and joint ventures to which the Company is a party, including not-for-profit and for-profit organizations, hospitals and municipalities. Extendicare Assist's business is classified into two categories: (i) management contracts and (ii) consulting and other services. Our management contracts category consists of two offerings: i) a fully managed service, providing management oversight over the day-to-day operations of the homes and ii) a back-office services only offering. Our full-service management contract offering provides the full suite of back-office support services with oversight of the day-to-day operations of a home supported by our regional support and clinical quality management teams. Our full suite of back-office support services includes human resources, labour relations, payroll and benefits administration, accounting and information technology expertise supported by our cloud-based integrated technology platform that provides all systems needed to operate a seniors' care home. Our consulting and other services category covers a wide variety of offerings, including clinical improvement programs, operational reviews, financial performance advice and LTC home redevelopment services. We also offer an LTC operating policy subscription service that can be procured as a standalone service. As at December 31, 2024, Extendicare Assist has management contacts with 71 LTC homes with capacity for 9,909 residents including 1,131 private pay retirement beds, and provides a further 24 homes with consulting and other services. Some of the LTC homes under management contract have both funded and private pay retirement beds as part of the same mixed-use property.

As discussed under the heading "Significant Developments – Agreement to Acquire Nine LTC Homes From Revera and Related Transactions", Revera has entered into agreements to sell 30 of its Class C homes that are currently operated by Extendicare Assist under management contracts. Nine of these homes are to be acquired by the Company and the remaining 21 by third parties. Upon closing of the two transactions, Extendicare Assist's existing management agreements with Revera in respect of the 30 homes, as well as related development arrangement agreements, will terminate in accordance with their terms.

GROUP PURCHASING SERVICES

Through its SGP division, the Company offers cost-effective purchasing contracts to other seniors' care providers, as well as, to a lesser degree, other parties, such as daycares, hostels and clinics, for food, capital equipment, furnishings, cleaning and nursing supplies and office products. SGP negotiates long-term, high volume contracts with suppliers that provide members with preferred pricing, thereby providing a cost-effective means to secure quality national brand-name products, along with a range of innovative services. As at December 31, 2024, SGP provided services to third parties and joint ventures to which the Company is a party representing approximately 146,300 beds across Canada.

KEY PERFORMANCE INDICATORS

In addition to those measures identified under "Non-GAAP Measures", management uses certain key performance indicators in order to compare the financial performance of the Company's operations between periods. In addition, we assess the operations on a same-store basis between the reported periods. Such performance indicators may not be comparable to similar indicators presented by other companies. Set forth below is an analysis of the key performance indicators and a discussion of significant trends when comparing the Company's financial results.

The following is a glossary of terms for some of the Company's key performance indicators:

"Average Daily Volume" or "ADV" in the context of the home health care operations, is measured as the number of hours of service provided divided by the number of days in the period; and

"Occupancy" is measured as the percentage of the number of earned resident days relative to the total available resident days. Total available resident days is the number of beds available for occupancy multiplied by the number of days in the period. Beginning in 2023, the determination of earned and available resident days is adjusted for certain bed types that are excluded from the government's occupancy requirements for funding purposes.

Long-term Care

The following table provides the average occupancy levels of the LTC operations for the past eight quarters.

Long-term Care Homes					**2024(ii)**					**2023(ii)**
Average Occupancy(i) *(%)*	**Q4**	**Q3**	**Q2**	**Q1**	**Year**	Q4	Q3	Q2	Q1	Year
Total LTC	**98.0%**	**98.4%**	**97.8%**	**97.5%**	**97.9%**	97.8%	97.8%	97.2%	96.6%	97.4%
Change over prior year period (bps)	**20**	**60**	**60**	**90**	**50**	330	430	470	580	450
Sequential quarterly change (bps)	**(40)**	**60**	**30**	**(30)**		—	60	60	210	
Ontario LTC										
Total ON LTC	**98.5%**	**99.1%**	**98.7%**	**98.6%**	**98.7%**	98.7%	98.9%	98.7%	97.9%	98.6%
Preferred Accommodation(iii)										
"New" homes – private	**95.9%**	**96.2%**	**95.4%**	**94.0%**	**95.4%**	91.9%	92.2%	92.2%	91.1%	91.9%
"C" homes – private	**94.5%**	**93.5%**	**94.8%**	**93.3%**	**94.4%**	92.7%	94.6%	92.7%	91.0%	92.8%
"C" homes – semi-private	**72.5%**	**70.8%**	**67.0%**	**66.6%**	**69.1%**	65.3%	63.4%	61.9%	59.2%	62.5%

(i) Excludes ward-style beds in Ontario LTC homes that were taken out of service per regulatory changes, and which form part of the Company's Class C beds that are eligible to be reinstated upon redevelopment (99 ward-style beds at the end of Q4 2024; 185 ward-style beds at the end of Q4 2023).

(ii) Beginning in 2023, the determination of earned and available resident days is adjusted for certain bed types that are excluded from the government's occupancy requirements for funding purposes.

(iii) Average occupancy reported for the available private and semi-private rooms reflects the percentage of residents occupying those beds that pay the respective premium rates.

During 2023, the Company's total LTC occupancy levels recovered from the negative impacts of COVID-19 and returned to pre-pandemic levels of over 97%. In Q4 2024, total average occupancy was 98.0%, up 20 bps from Q4 2023.

In Ontario, government funding is occupancy-based, but once the average occupancy level of 97% for the calendar year is achieved, operators are funded based on 100% occupancy. In the event of closure to admissions related to an outbreak, which is not unusual during the winter months, full funding is preserved in Ontario, otherwise referred to as occupancy protection funding. However, occupancy protection does not compensate for the loss of preferred accommodation premiums from private and semi-private room vacancies.

LTC Projects Under Construction

The following table summarizes the LTC development projects under construction as at February 27, 2025. In January 2025, the Company entered into an agreement to sell the three projects below currently owned 100% by Extendicare to Axium JV, with Extendicare retaining a 15% managed interest, subject to regulatory approval. For more information, refer to the discussion under "Significant Developments – Ontario LTC Redevelopment Activities".

LTC Project	Owner(i)	Extendicare Ownership Interest	# of Class C Beds Replaced	# of New Beds	Construction Commenced	Expected Opening	Estimated Development Costs(ii) *($ millions)*
Peterborough	Axium JV	15.0 %	172	256	Q2-23	Q1-26	100.6
Orleans	Axium JV	15.0 %	240	256	Q4-23	Q1-27	107.3
Carlingview Manor (Ottawa)	Axium JV II	15.0 %	303	320	Q4-23	Q2-26	121.4
St. Catharines	Extendicare	100.0 %	152	256	Q3-24	Q1-27	106.4
Port Stanley	Extendicare	100.0 %	60	128	Q4-24	Q1-27	52.7
London	Extendicare	100.0 %	170	192	Q4-24	Q2-27	77.7
			1,097	**1,408**			**566.1**

(i) For the projects owned by Axium JV II, Revera is responsible for the development and construction of the new home, pursuant to a development and construction management agreement.

(ii) Development costs are defined on a GAAP basis (which includes the cost of land, hard construction and soft development costs, furniture, fixtures and equipment, financing costs and capitalized interest costs during construction), net of any capital development government grant receivable on substantial completion of construction, if applicable.

Certain LTC development projects experienced unforeseen site conditions that impacted projected opening dates and, in some cases, increased costs beyond contingency levels included in the estimated development costs. We continue to work with our general contractors and construction partners to mitigate the impacts of these factors on schedules and costs.

Home Health Care

The table set out below provides the service volumes and ADV of the home health care operations for the past eight quarters. In Q4 2024, ADV increased to 30,993, up 10.1% from Q4 2023.

Our home health care operations have experienced sequential growth in ADV over the past two years. The pent-up demand for services following the impact of COVID-19 and improvements in our recruiting and retention programs have driven volume recovery and lessened the seasonality that has historically characterized our business, including muting the seasonal softness in ADV typically experienced in the summer months. As capacity comes in line with demand, historical seasonal patterns are expected to return.

Home Health Care					**2024**					**2023**
Service Volumes	**Q4**	**Q3**	**Q2**	**Q1**	**Year**	**Q4**	**Q3**	**Q2**	**Q1**	**Year**
Hours of service *(000's)*	**2,851.4**	**2,776.7**	**2,732.5**	**2,639.7**	**11,000.2**	2,590.5	2,518.8	2,466.3	2,343.8	9,919.4
ADV	**30,993**	**30,181**	**30,027**	**29,007**	**30,055**	28,158	27,378	27,102	26,043	27,177
Change over prior year period	**10.1 %**	**10.2 %**	**10.8 %**	**11.4 %**	**10.6 %**	10.2 %	9.3 %	7.7 %	6.1 %	8.4 %
Sequential quarterly change	**2.7 %**	**0.5 %**	**3.5 %**	**3.0 %**		2.8 %	1.0 %	4.1 %	2.0 %	

Managed Services

The table set out below provides information in respect of the third-party clients, including the Joint Ventures, receiving services from Extendicare Assist and SGP at the end of each period for the past eight quarters. For Extendicare Assist, the key performance indicators reflect those homes and beds under our management contracts offering, and exclude those homes that receive consulting and other services.

As at December 31, 2024, Extendicare Assist has management contacts with 71 LTC homes with capacity for 9,909 residents, including 1,131 private pay retirement beds, and provides a further 24 homes with consulting and other services.

As discussed under the heading "Significant Developments – Agreement to Acquire Nine LTC Homes From Revera and Related Transactions", Revera has entered into agreements to sell 30 of its Class C homes that are currently operated by Extendicare Assist under management contracts, nine of which are to be acquired by the Company and the remaining 21 by third parties. Upon closing of the two transactions, Extendicare Assist's existing management agreements with Revera in respect of the 30 homes, as well as related development arrangement agreements, will terminate in accordance with their terms.

SGP continues to grow its market share, increasing its third-party, including joint-venture, beds served by 7.4% at the end of Q4 2024 from Q4 2023, and 1.9% from Q3 2024.

In August 2023, the completion of the Revera Transactions added 56 homes and 6,990 beds to our Extendicare Assist fully managed services and SGP group purchasing services divisions, including 25 LTC homes owned by Axium JV II. Separately, we also entered into new full-service management contracts with two additional homes representing 340 beds that were former third-party managed clients of Revera. During 2024, we opened two new LTC homes within Axium JV, Countryside (256 beds) and Limestone Ridge (192 beds), bringing the total LTC homes in operation in the Joint Ventures to 27.

As well, certain of Extendicare Assist's clients moved to self-management, changed their contracted scope of services or ceased operations during 2023 and 2024, and while they are no longer counted as management contract homes in our key performance indicators, a significant portion of them remain as consulting and other services clients of Extendicare Assist. There is minimal impact on SGP, as substantially all of the homes that moved to self-management are continuing as customers of SGP.

				2024				**2023**
Managed Services	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Extendicare Assist Management Contracts								
Homes at period end								
Third party	**44**	**44**	**45**	**45**	47	48	50	50
Joint Ventures	**27**	**26**	**26**	**26**	25	25	—	—
Total homes at period end	**71**	**70**	**71**	**71**	72	73	50	50
Resident capacity								
Third party	**6,279**	**6,279**	**6,339**	**6,339**	6,601	6,780	5,959	5,959
Joint Ventures	**3,630**	**3,438**	**3,438**	**3,438**	3,182	3,182	—	—
Total resident capacity	**9,909**	**9,717**	**9,777**	**9,777**	9,783	9,962	5,959	5,959
Change over prior year period	**1.3 %**	**(2.5)%**	**64.1 %**	**64.1 %**	64.2 %	59.1 %	(4.9)%	(4.9)%
Sequential quarterly change	**2.0 %**	**(0.6)%**	**— %**	**(0.1)%**	(1.8)%	67.2 %	— %	— %
SGP Clients								
Third-party and joint-venture beds	**146,292**	**143,547**	**140,937**	**138,250**	136,164	128,901	115,455	111,772
Change over prior year period	**7.4 %**	**11.4 %**	**22.1 %**	**23.7 %**	24.1 %	20.5 %	12.9 %	13.1 %
Sequential quarterly change	**1.9 %**	**1.9 %**	**1.9 %**	**1.5 %**	5.6 %	11.6 %	3.3 %	1.9 %

SELECT ANNUAL INFORMATION

The following is a summary of selected annual financial information for each of the past three years.

(thousands of dollars unless otherwise noted)	**2024**	**2023**	**2022**
Financial Results			
Revenue	**1,466,202**	1,304,957	1,221,577
Adjusted EBITDA[1]	**144,549**	95,187	57,454
Earnings (loss) from continuing operations	**75,209**	33,982	(4,511)
per basic and diluted share *($)*	**0.89**	0.40	(0.05)
Loss from operating activities of discontinued operations	**—**	—	(172)
Gain on sale of discontinued operations, net of income taxes	**—**	—	74,237
Net earnings	**75,209**	33,982	69,554
per basic share *($)*	**0.89**	0.40	0.78
per diluted share *($)*	**0.86**	0.40	0.76
AFFO[1]	**92,805**	61,216	26,143
per basic share *($)*	**1.10**	0.72	0.29
per diluted share *($)*	**1.02**	0.68	0.29
Cash dividends declared	**40,033**	40,404	42,363
per share *($)*	**0.480**	0.480	0.480
Financial Position *(at year end)*			
Total assets	**719,788**	672,731	781,579
Total non-current liabilities	**302,553**	358,425	405,893
Long-term debt	**261,394**	314,637	364,735
Long-term debt, including current portion	**292,487**	334,516	383,974

A comparison between the 2024 and 2023 financial results and financial position of the Company is provided in the discussion under the headings "2024 Financial Review" and "Liquidity and Capital Resources". The following discussion relates to the comparison of the 2023 and 2022 financial results and financial position of the Company.

Financial Results – The selected information provided for 2022 under the heading "Financial Results" classifies the retirement living segment and Saskatchewan LTC Homes that were sold in that year as discontinued operations.

The financial results for 2023 reflect a $38.5 million increase in earnings from continuing operations in comparison to 2022, largely driven by the increase in Adjusted EBITDA of $37.7 million and a reduction in other expense of $11.3 million that included a gain on sale of assets to Axium JV of $9.1 million in 2023 and an impairment charge of $4.9 million in 2022. Excluding the increase in estimated COVID-19 cost recoveries of $13.2 million (a recovery of $12.1 million in 2023 compared to unfunded costs of $1.1 million in 2022), Adjusted EBITDA increased by $24.5 million, reflecting growth in NOI of $29.6 million, partially offset by higher administrative costs of $5.1 million. The improvement in NOI was realized across all business segments mainly due to LTC funding enhancements and higher occupancy, growth in home health care ADV of 8.4% and bill rate increases, and growth in managed services largely due to the Revera and Axium Transactions. Higher administrative costs reflected higher labour and technology costs.

Financial Position – Total assets declined by $108.8 million at the end of 2023 from 2022, largely due to the net impact of the Revera and Axium Transactions completed in Q3 2023 and a decline in cash and cash equivalents. The Revera and Axium Transactions included the sale of four redevelopment projects with a net book value of $135.8 million, partially offset by the Company's 15% investment in joint ventures of $24.5 million and operational entitlements recognized of $20.8 million. The decline in cash and cash equivalents of $92.1 million to $75.2 million at the end of 2023, resulted from changes in working capital attributable to the volatility and timing of receipts of funding and payroll cycles, purchases of shares for cancellation of $11.1 million and cash dividends of $40.4 million in 2023. The decline in non-current liabilities of $47.5 million at the end of 2023 from 2022 was largely due to a decrease in long-term debt. Long-term debt, including the current portion, decreased by $49.5 million, reflecting the transfer of construction loans of $72.3 million in connection with the Axium Transaction and regular debt and lease liability repayments of $20.3 million, partially offset by draws on construction loans of $39.0 million prior to their transfer to the joint venture and other changes in lease liabilities, accretion and deferred financing costs.

SELECT QUARTERLY FINANCIAL INFORMATION

The following is a summary of select quarterly financial information for the past eight quarters.

	2024				2023			
(thousands of dollars unless otherwise noted)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenue	**391,564**	**359,061**	**348,482**	**367,095**	350,181	322,529	307,535	324,712
Net operating income[1]	**53,822**	**50,117**	**52,807**	**44,743**	42,778	35,210	28,470	44,564
NOI margin[1]	***13.7%***	***14.0%***	***15.2%***	***12.2%***	*12.2%*	*10.9%*	*9.3%*	*13.7%*
Adjusted EBITDA[1]	**39,699**	**36,107**	**38,611**	**30,132**	28,663	20,770	14,776	30,978
Adjusted EBITDA margin[1]	***10.1%***	***10.1%***	***11.1%***	***8.2%***	*8.2%*	*6.4%*	*4.8%*	*9.5%*
Share of profit (loss) from investment in joint ventures	**107**	**431**	**265**	**1,130**	(578)	598	—	—
Net earnings	**19,928**	**16,295**	**25,890**	**13,096**	8,620	11,831	1,951	11,580
per basic share *($)*	**0.23**	**0.20**	**0.30**	**0.16**	0.10	0.14	0.02	0.14
per diluted share *($)*	**0.23**	**0.19**	**0.29**	**0.15**	0.10	0.14	0.02	0.14
AFFO[1]	**28,977**	**23,125**	**23,073**	**17,630**	19,050	12,290	9,037	20,839
per basic share *($)*	**0.34**	**0.28**	**0.27**	**0.21**	0.23	0.14	0.11	0.24
per diluted share *($)*	**0.32**	**0.25**	**0.25**	**0.20**	0.21	0.14	0.11	0.23
Maintenance capex (including 15% share of joint ventures)	**5,270**	**4,093**	**4,829**	**3,411**	4,988	4,895	2,728	2,047
Cash dividends declared	**10,016**	**10,016**	**10,013**	**9,988**	10,000	10,122	10,104	10,178
per share *($)*	**0.120**	**0.120**	**0.120**	**0.120**	0.120	0.120	0.120	0.120
Weighted Average Number of Shares *(000's)*								
Basic	**84,269**	**84,237**	**84,305**	**84,062**	84,297	85,009	85,212	85,437
Diluted	**94,079**	**95,556**	**95,248**	**95,146**	95,507	95,870	96,009	96,229

There are a number of factors affecting the trend of the Company's quarterly results from continuing operations. The financial impacts of COVID-19 that had impacted the Company since Q1 2020 had largely abated by the end of 2023, including government prevention and containment funding, which ended in March 2023 in Ontario and Manitoba, and in June 2023 in Alberta.

With respect to the core operations, while year-over-year quarterly comparisons will generally remain comparable, sequential quarters can vary materially for seasonal and other reasons. The significant factors that impact the results from period to period, are as follows:

- Ontario long-term care funding tied to flow-through funding envelopes requires revenue be deferred until it is matched with the related costs for resident care in the periods in which the costs are incurred, resulting in a fluctuation in revenue and operating expenses by quarter, with both generally being at their lowest in Q1 and at their highest in Q4;
- Ontario long-term care providers generally receive annual flow-through funding increases and case mix index adjustments effective April 1st and increases in preferred accommodation premiums effective July 1st; Alberta long-term care providers generally receive annual rate increases and acuity-based funding adjustments on April 1st and accommodation funding increases effective July 1st, and changes in home health care bill rates for Ontario and Alberta government contracts generally take effect April 1st;
- salary and wage increases for non-unionized staff are generally implemented on January 1st, with increases for unionized staff occurring throughout the year based on agreements in effect;
- home health care volumes are impacted by seasonal patterns with volumes in the summer months generally lower, impacting Q3 volumes; also, statutory holidays vary between quarters which can have an impact on the comparability of sequential quarterly NOI and NOI margins;
- maintenance capex spending, which impacts AFFO, fluctuates on a quarterly basis with the timing of projects and seasonality and is generally at its lowest in Q1 and its highest in Q4;
- utility costs are generally at their highest in Q1 and their lowest in Q2 and Q3; and
- certain line items that are reported separately due to their transitional nature that would otherwise distort the comparability of the historical trends, being "other income or expense" and "fair value adjustments".

Reconciliations of Adjusted EBITDA and Net Operating Income

The following table provides a reconciliation of "earnings before income taxes" to Adjusted EBITDA and "net operating income". Refer to the discussion under "Non-GAAP Measures".

					2024					2023
(thousands of dollars)	**Q4**	**Q3**	**Q2**	**Q1**	**Year**	**Q4**	**Q3**	**Q2**	**Q1**	**Year**
Earnings before income taxes	**26,719**	**22,657**	**32,892**	**17,593**	**99,861**	12,264	13,668	3,105	15,766	44,803
Add (Deduct):										
Depreciation and amortization	**8,497**	**8,635**	**8,049**	**8,155**	**33,336**	8,678	9,023	7,173	7,351	32,225
Net finance costs	**4,336**	**4,164**	**3,627**	**3,608**	**15,735**	4,429	3,725	3,096	4,243	15,493
Other expense (income)	**254**	**1,082**	**(5,692)**	**1,906**	**(2,450)**	2,714	(5,048)	1,402	3,618	2,686
Share of (profit) loss from investment in joint ventures	**(107)**	**(431)**	**(265)**	**(1,130)**	**(1,933)**	578	(598)	—	—	(20)
Adjusted EBITDA	**39,699**	**36,107**	**38,611**	**30,132**	**144,549**	28,663	20,770	14,776	30,978	95,187
Administrative costs	**14,123**	**14,010**	**14,196**	**14,611**	**56,940**	14,115	14,440	13,694	13,586	55,835
Net operating income	**53,822**	**50,117**	**52,807**	**44,743**	**201,489**	42,778	35,210	28,470	44,564	151,022

STATEMENT OF EARNINGS

The following provides the consolidated statement of earnings for the periods ended December 31, 2024 and 2023.

	Three months ended December 31,			Year ended December 31,		
(thousands of dollars unless otherwise noted)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
Revenue	**391,564**	350,181	41,383	**1,466,202**	1,304,957	161,245
Operating expenses	**337,742**	307,403	30,339	**1,264,713**	1,153,935	110,778
Net operating income(1)	**53,822**	42,778	11,044	**201,489**	151,022	50,467
Administrative costs	**14,123**	14,115	8	**56,940**	55,835	1,105
Adjusted EBITDA(1)	**39,699**	28,663	11,036	**144,549**	95,187	49,362
Depreciation and amortization	**8,497**	8,678	(181)	**33,336**	32,225	1,111
Other expense (income)	**254**	2,714	(2,460)	**(2,450)**	2,686	(5,136)
Share of (profit) loss from investment in joint ventures	**(107)**	578	(685)	**(1,933)**	(20)	(1,913)
Earnings before net finance costs and income taxes	**31,055**	16,693	14,362	**115,596**	60,296	55,300
Interest expense (net of capitalized interest)	**4,909**	5,028	(119)	**20,145**	20,630	(485)
Interest revenue	**(1,801)**	(1,498)	(303)	**(7,039)**	(6,192)	(847)
Accretion	**206**	(154)	360	**1,110**	974	136
Loss on early redemption of convertible debentures	**820**	—	820	**820**	—	820
Fair value adjustments	**202**	1,053	(851)	**699**	81	618
Net finance costs	**4,336**	4,429	(93)	**15,735**	15,493	242
Earnings before income taxes	**26,719**	12,264	14,455	**99,861**	44,803	55,058
Income Tax Expense						
Current	**4,892**	1,425	3,467	**27,244**	6,812	20,432
Deferred	**1,899**	2,219	(320)	**(2,592)**	4,009	(6,601)
Total income tax expense	**6,791**	3,644	3,147	**24,652**	10,821	13,831
Net earnings	**19,928**	8,620	11,308	**75,209**	33,982	41,227
Net earnings	**19,928**	8,620	11,308	**75,209**	33,982	41,227
Add (Deduct)(i)**:**						
Fair value adjustments	**149**	774	(625)	**514**	60	454
Other expense (income)	**(339)**	1,994	(2,333)	**(3,961)**	(43)	(3,918)
Loss on early redemption of convertible debentures	**603**	—	603	**603**	—	603
Earnings before separately reported items, net of taxes(1)	**20,341**	11,388	8,953	**72,365**	33,999	38,366

(i) The separately reported items being added to or deducted from earnings are net of income taxes.

2024 FOURTH QUARTER FINANCIAL REVIEW

The following is an analysis of the consolidated results from operations for Q4 2024, as compared to Q4 2023.

Revenue

Revenue of $391.6 million increased by $41.4 million or 11.8% from $350.2 million in Q4 2023. Higher revenue was driven primarily by LTC funding enhancements, including out-of-period LTC funding of $1.9 million recognized in Q4 2024, improved occupancy, timing of spend under flow-through care envelopes, growth in home health care ADV of 10.1%, higher bill rates, and growth in managed services, partially offset by a net reduction in home health care retroactive funding of $1.0 million ($4.4 million in Q4 2024 compared to $5.4 million in Q4 2023).

Operating Expenses

Operating expenses of $337.7 million increased by $30.3 million or 9.9% from Q4 2023. This increase was driven by higher labour costs across the business segments, reflecting staffing increases to support higher home health care volumes and increased hours of care in LTC, and labour rate increases.

Net Operating Income

Net operating income increased by $11.0 million or 25.8% to $53.8 million (13.7% of revenue) from $42.8 million (12.2% of revenue) in Q4 2023. Excluding the net benefit of out-of-period funding of $0.9 million, NOI increased by $10.1 million to $47.5 million (12.3% of revenue) from $37.4 million (10.8% of revenue) in Q4 2023. The 27.1% increase in NOI reflects LTC funding enhancements, higher occupancy, growth in home health care ADV of 10.1%, higher bill rates, and growth in managed services, partially offset by higher operating costs across all business segments.

Administrative Costs

Administrative costs of $14.1 million in Q4 2024 were comparable to those in Q4 2023.

Adjusted EBITDA

Adjusted EBITDA increased by $11.0 million to $39.7 million (10.1% of revenue) from $28.7 million (8.2% of revenue) in Q4 2023, reflecting the increase in NOI. Excluding the impact of out-of-period funding of $0.9 million, Adjusted EBITDA increased by $10.1 million to $33.4 million (8.7% of revenue) in Q4 2024 from $23.3 million (6.7% of revenue) in Q4 2023.

Depreciation and Amortization

Depreciation and amortization costs declined by $0.2 million to $8.5 million.

Other (Income) Expense

Other expense of $0.3 million in Q4 2024 reflects an impairment charge of $2.7 million in respect of operational entitlements and $1.2 million of strategic transformation costs in connection with the Revera and Axium Transactions, partially offset by a gain on sale of assets of $3.6 million. Other expense of $2.7 million in Q4 2023 related to strategic transformation costs in connection with the Revera and Axium Transactions. For further details on the impairment charge refer to "Significant Developments – Agreement to Acquire Nine LTC Homes From Revera and Related Transactions") and to *Note 16* of the consolidated financial statements.

Share of Profit From Investment in Joint Ventures

Share of profit from joint ventures was $0.1 million in Q4 2024, including approximately $0.3 million from out-of-period amounts, compared to a loss of $0.6 million in Q4 2023. Refer to *Note 8* of the consolidated financial statements.

Net Finance Costs

Net finance costs decreased by $0.1 million in Q4 2024, reflecting an increase of $0.9 million in the fair value of interest rate swaps, lower interest expense due to a decline in long-term debt, and higher interest revenue from cash on hand, partially offset by a loss on redemption of the 2025 Debentures of $0.8 million and an increase in accretion costs.

Income Taxes

The income tax provision of $6.8 million for Q4 2024 represented an effective tax rate of 25.4%, as compared to a tax provision of $3.6 million and an effective tax rate of 29.7% in Q4 2023. Excluding the impact of separately reported "other (income) expense", which in 2023 included capital gains largely sheltered by capital losses that had not been tax benefited, "fair value adjustments" and the "loss on early redemption of convertible debentures", the effective tax rate was 27.3% in Q4 2024, compared to 29.0% in Q4 2023.

Net Earnings

The Company reported net earnings of $19.9 million ($0.23 per basic share) compared to $8.6 million ($0.10 per basic share) in Q4 2023. The increase in net earnings of $11.3 million largely resulted from the increase in Adjusted EBITDA of $11.0 million, as well as a decrease in other expense of $2.5 million ($2.3 million net of tax).

Summary of Results of Operations by Segment

The following summarizes the Company's segmented "revenue", "operating expenses" and "net operating income", followed by an analysis of the operating performance of each of the Company's operating segments.

Three months ended December 31 *(thousands of dollars unless otherwise noted)*	**Long-term Care**	**Home Health Care**	**Managed Services**	**Total**
2024				
Revenue	**224,946**	**147,790**	**18,828**	**391,564**
Operating expenses	**200,709**	**128,490**	**8,543**	**337,742**
Net operating income(1)	**24,237**	**19,300**	**10,285**	**53,822**
NOI margin(1)	***10.8%***	***13.1%***	***54.6%***	***13.7%***
2023				
Revenue	206,434	127,199	16,548	350,181
Operating expenses	188,854	111,124	7,425	307,403
Net operating income(1)	17,580	16,075	9,123	42,778
NOI margin(1)	*8.5%*	*12.6%*	*55.1%*	*12.2%*
Change				
Revenue	18,512	20,591	2,280	41,383
Operating expenses	11,855	17,366	1,118	30,339
Net operating income(1)	6,657	3,225	1,162	11,044

LONG-TERM CARE OPERATIONS

Revenue from LTC operations increased by $18.5 million or 9.0% to $224.9 million in Q4 2024. Excluding $1.9 million in out-of-period funding recognized in Q4 2024, revenue increased by $16.6 million, largely driven by funding increases and timing of spend, including $15.2 million in higher Ontario flow-through funding and improved occupancy. The out-of-period funding of $1.9 million recorded in the quarter related to Manitoba funding increases for the twelve months ended March 31, 2024, to support wage settlements previously incurred. Refer to the discussion under "Long-term Care Funding Changes" under the heading "Business Overview – Long-term Care".

Net operating income from LTC operations increased by $6.7 million or 37.9% to $24.2 million in Q4 2024 as compared to $17.6 million in Q4 2023, with NOI margins of 10.8% and 8.5%, respectively. Excluding the out-of-period funding of $1.9 million, NOI improved to $22.3 million (10.0% of revenue) in Q4 2024 from $17.6 million (8.5% of revenue) in the prior year period, reflecting funding enhancements, timing of spend and increased occupancy, partially offset by higher operating costs.

HOME HEALTH CARE OPERATIONS

Revenue from home health care operations increased by $20.6 million or 16.2% to $147.8 million in Q4 2024 from $127.2 million in Q4 2023, driven by 10.1% growth in ADV and bill rate increases. Results also reflect a reduction in retroactive funding of $1.0 million ($4.4 million in Q4 2024 compared to $5.4 million in Q4 2023) related to the recovery of increased wages and benefits and operating and technology costs. Refer to the discussion under "Home Health Care Funding Changes" under the heading "Business Overview – Home Health Care".

Net operating income from home health care operations increased by $3.2 million to $19.3 million (13.1% of revenue) in Q4 2024 from $16.1 million (12.6% of revenue) in Q4 2023. Excluding the reduction in retroactive funding of $1.0 million, NOI improved by $4.2 million to $14.9 million (10.4% of revenue) in Q4 2024 from $10.7 million (8.8% of revenue) in the prior year period, reflecting higher ADV and rate increases, partially offset by increased wages and benefits.

MANAGED SERVICES

Revenue from managed services increased by $2.3 million or 13.8% to $18.8 million in Q4 2024 compared to Q4 2023, largely due to new SGP clients and changes in the mix of Extendicare Assist services, including newly opened homes in the Joint Ventures, partially offset by Extendicare Assist clients that reduced their scope of services. Refer to the discussion under "Key Performance Indicators – Managed Services".

Net operating income from managed services increased by $1.2 million or 12.7% to $10.3 million in Q4 2024 compared to Q4 2023, with NOI margins of 54.6% and 55.1%, respectively, reflecting revenue growth, partially offset by higher operating expenses to support the growth in clients served and changes in the mix of Extendicare Assist services.

2024 FINANCIAL REVIEW

The following is an analysis of the consolidated results from operations in 2024, as compared to 2023.

Revenue

Revenue of $1,466.2 million increased by $161.2 million or 12.4% from $1,305.0 million in 2023. Higher revenue was driven primarily by LTC funding enhancements, including the net benefit of out-of-period LTC funding of $8.7 million, improved occupancy, growth in home health care ADV of 10.6%, higher bill rates, $13.6 million in retroactive home health care funding recognized in Q1 2024, and growth in managed services, partially offset by COVID-19 funding of $28.7 million recognized in 2023.

Operating Expenses

Operating expenses of $1,264.7 million increased by $110.8 million or 9.6% from $1,153.9 million in 2023. This increase was driven by higher labour costs across the business segments, reflecting staffing increases to support higher home health care volumes and increased hours of care in LTC, and labour rate increases, partially offset by lower utility costs and the impact in 2023 of estimated costs related to COVID-19 of $16.6 million. Labour costs in Q1 2024 included $13.6 million of one-time compensation for home health care staff supported by retroactive funding.

Net Operating Income

Net operating income increased by $50.5 million or 33.4% to $201.5 million (13.7% of revenue) in 2024. One-time items related to LTC, including the net recovery of estimated COVID-19 costs of $12.1 million and out-of-period funding of $6.6 million recognized in 2023, and out-of-period funding of $15.3 million recognized in 2024, reduced NOI by $3.3 million. Excluding these one-time items, NOI increased by $53.8 million, or 40.6%, to $186.2 million (13.0% of revenue) in 2024, from $132.4 million (10.4% of revenue) in the prior year period, reflecting LTC funding enhancements, higher occupancy, growth in home health care ADV of 10.6%, higher home health care bill rates and growth in managed services, partially offset by higher operating costs across all segments.

Administrative Costs

Administrative costs increased by $1.1 million or 2.0% to $56.9 million in 2024, primarily due to higher labour costs and professional fees, partially offset by lower technology costs.

Adjusted EBITDA

Adjusted EBITDA increased by $49.4 million to $144.5 million (9.9% of revenue) from $95.2 million (7.3% of revenue) in 2023, reflecting the increase in NOI, partially offset by higher administrative costs. Excluding the year-over-year reduction in NOI of $3.3 million related to out-of-period items, Adjusted EBITDA increased to $129.2 million (9.0% of revenue) in 2024, from $76.5 million (6.0% of revenue) in the prior year period.

Depreciation and Amortization

Depreciation and amortization costs increased by $1.1 million to $33.3 million in 2024, primarily due to the implementation of key cloud-based IT platforms and amortization of operational entitlements in connection with the Revera Transactions.

Other (Income) Expense

Other income of $2.5 million in 2024 related to gains on the sale of assets of $11.2 million, partially offset by strategic transformation costs in connection with the Revera and Axium Transactions of $6.0 million and an impairment charge of $2.7 million in respect of operational entitlements. Other expense of $2.7 million in 2023 related to strategic transformation costs of $11.8 million, partially offset by the gain on sale of assets to Axium JV of $9.1 million. The strategic transformation costs incurred include IT integration and management transition costs in both years, and in 2023 such costs also included transaction, legal and regulatory costs. The Company estimates remaining strategic transformation costs of approximately $3.0 million, which, together with those incurred in 2024, will be within the original estimate for 2024 of between $7.0 and $9.0 million. The remaining costs are anticipated to be incurred in Q1 2025. For further details on the impairment charge refer to "Significant Developments – Agreement to Acquire Nine LTC Homes From Revera and Related Transactions") and to *Note 16* of the consolidated financial statements.

Share of Profit From Investment in Joint Ventures

Share of profit from joint ventures was $1.9 million in 2024, including approximately $1.0 million from out-of-period amounts, compared to a nominal amount in the prior year period. Refer to *Note 8* of the consolidated financial statements.

Net Finance Costs

Net finance costs increased by $0.2 million in 2024, reflecting a decrease of $0.6 million in the fair value of interest rate swaps and a loss on the early redemption of the 2025 Debentures of $0.8 million, partially offset by lower interest expense related to a decline in long-term debt and higher interest revenue from cash on hand.

Income Taxes

The income tax provision of $24.7 million in 2024 represented an effective tax rate of 24.7%, as compared to a tax provision of $10.8 million and an effective tax rate of 24.2% in 2023. Excluding the impact of separately reported "other (income) expense", which included capital gains largely sheltered by capital losses that had not been tax benefited, "fair value adjustments" and the "loss on early redemption of convertible debentures", the effective tax rate was 26.9% in 2024, compared to 28.5% for the same 2023 period.

Net Earnings

The Company reported net earnings of $75.2 million ($0.89 per basic share) in 2024, as compared to $34.0 million ($0.40 per basic share) for the prior year period. The increase in net earnings of $41.2 million largely resulted from the improvement in Adjusted EBITDA of $49.4 million, contribution from other (income) expense of $5.1 million ($3.9 million net of tax), and the share of profit from joint ventures of $1.9 million, partially offset by higher depreciation and amortization costs.

Summary of Results of Operations by Segment

The following summarizes the Company's segmented "revenue", "operating expenses" and "net operating income", followed by an analysis of the operating performance of each of the Company's operating segments.

Year ended December 31 *(thousands of dollars unless otherwise noted)*	**Long-term Care**	**Home Health Care**	**Managed Services**	**Total**
2024				
Revenue	**827,448**	**566,046**	**72,708**	**1,466,202**
Operating expenses	**727,644**	**503,292**	**33,777**	**1,264,713**
Net operating income(1)	**99,804**	**62,754**	**38,931**	**201,489**
NOI margin(1)	***12.1%***	***11.1%***	***53.5%***	***13.7%***
2023				
Revenue	788,101	469,085	47,771	1,304,957
Operating expenses	706,301	424,927	22,707	1,153,935
Net operating income(1)	81,800	44,158	25,064	151,022
NOI margin(1)	*10.4%*	*9.4%*	*52.5%*	*11.6%*
Change				
Revenue	39,347	96,961	24,937	161,245
Operating expenses	21,343	78,365	11,070	110,778
Net operating income(1)	18,004	18,596	13,867	50,467

LONG-TERM CARE OPERATIONS

Revenue from LTC operations increased by $39.3 million or 5.0% to $827.4 million in 2024. Excluding a reduction of $27.7 million in funding related to COVID-19, revenue increased by $67.0 million largely driven by funding increases and timing of spend, including $30.9 million in higher Ontario flow-through funding, improved occupancy and the net benefit of approximately $8.7 million in out-of-period funding. The year-over-year increase in out-of-period funding reflects $15.3 million recognized in 2024, including $11.3 million of one-time funding to support Ontario and Alberta homes with capital or operating needs and $2.9 million to support Manitoba wage settlements previously incurred, partially offset by $6.6 million recorded in 2023. Refer to the discussion under "Long-term Care Funding Changes" under the heading "Business Overview – Long-term Care".

Net operating income from LTC operations increased by $18.0 million or 22.0% to $99.8 million in 2024, from $81.8 million in the prior year, reflecting NOI margins of 12.1% and 10.4%, respectively. One-time items reduced NOI by $3.3 million, including a net recovery of estimated COVID-19 costs of $12.1 million and out-of-period funding of $6.6 million recognized in 2023 and out-of-period funding of $15.3 million recognized in 2024. Excluding these one-time items, NOI improved to $84.5 million (10.4% of revenue) in 2024, from $63.1 million (8.4% of revenue) in the prior year period, reflecting funding enhancements and increased occupancy, partially offset by higher operating costs.

HOME HEALTH CARE OPERATIONS

Revenue from home health care operations increased by $97.0 million or 20.7% to $566.0 million in 2024, from $469.1 million in the prior year, driven by 10.6% growth in ADV and bill rate increases, including $13.6 million of retroactive funding recognized in Q1 2024 to support one-time compensation costs incurred in the same period. Refer to the discussion under "Home Health Care Funding Changes" under the heading "Business Overview – Home Health Care".

Net operating income from home health care operations increased by $18.6 million to $62.8 million (11.1% of revenue) in 2024, from $44.2 million (9.4% of revenue) in the prior year, reflecting higher ADV and rate increases, partially offset by higher wages and benefits. Excluding $13.6 million of one-time compensation costs and offsetting funding incurred in Q1 2024, the NOI margin was 11.4% in 2024.

MANAGED SERVICES

Revenue from managed services increased by $24.9 million or 52.2% to $72.7 million in 2024, largely due to the addition of the Revera and the Joint Ventures' homes and growth in SGP clients, partially offset by Extendicare Assist clients that reduced their scope of services. Refer to the discussion under "Key Performance Indicators – Managed Services".

Net operating income from managed services increased by $13.9 million or 55.3% to $38.9 million (53.5% of revenue) in 2024, reflecting revenue growth, partially offset by higher operating expenses to support the growth in clients served and changes in the mix of Extendicare Assist services.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

Reconciliations of FFO to Net Earnings

The following table provides a reconciliation of "net earnings" to FFO, which the Company believes is the most comparable GAAP measure to FFO. In addition, the table includes a reconciliation from FFO to AFFO as supplemental information. Refer to the discussion under "Non-GAAP Measures".

	Three months ended December 31,			Year ended December 31,		
(thousands of dollars unless otherwise noted)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
Net earnings	**19,928**	8,620	11,308	**75,209**	33,982	41,227
Add (Deduct):						
Depreciation and amortization	**8,497**	8,678	(181)	**33,336**	32,225	1,111
Depreciation for FFEC (maintenance capex)	**(1,943)**	(3,611)	1,668	**(7,815)**	(11,556)	3,741
Depreciation for office leases	**(730)**	(711)	(19)	**(2,897)**	(3,099)	202
Other expense (income)	**254**	2,714	(2,460)	**(2,450)**	2,686	(5,136)
Loss on early redemption of convertible debentures	**820**	—	820	**820**	—	820
Fair value adjustments	**202**	1,053	(851)	**699**	81	618
Current income tax recovery on other expense and fair value adjustments	**(114)**	(720)	606	**(1,032)**	(2,729)	1,697
Deferred income tax (recovery) expense	**1,899**	2,219	(320)	**(2,592)**	4,009	(6,601)
FFO adjustments for joint ventures[(i)]	**755**	353	402	**2,037**	571	1,466
FFO	**29,568**	18,595	10,973	**95,315**	56,170	39,145
Amortization of deferred financing costs	**592**	272	320	**1,817**	1,344	473
Accretion costs	**206**	(154)	360	**1,110**	974	136
Non-cash share-based compensation	**1,268**	1,057	211	**1,889**	3,027	(1,138)
Principal portion of government capital funding	**398**	503	(105)	**1,653**	2,540	(887)
Additional maintenance capex	**(2,930)**	(1,059)	(1,871)	**(8,527)**	(2,584)	(5,943)
AFFO adjustments for joint ventures[(i)]	**(125)**	(164)	39	**(452)**	(255)	(197)
AFFO	**28,977**	19,050	9,927	**92,805**	61,216	31,589
Per Basic Share *($)*						
FFO	**0.35**	0.22	0.13	**1.13**	0.66	0.47
AFFO	**0.34**	0.23	0.11	**1.10**	0.72	0.38
Per Diluted Share *($)*						
FFO	**0.33**	0.21	0.12	**1.07**	0.65	0.42
AFFO	**0.32**	0.21	0.11	**1.02**	0.68	0.34
Dividends						
Declared	**10,016**	10,000	16	**40,033**	40,404	(371)
Declared per share *($)*	**0.12**	0.12	—	**0.48**	0.48	—
Weighted Average Number of Shares						
Basic *(000's)*	**84,269**	84,297		**84,218**	84,986	
Diluted *(000's)*	**94,079**	95,507		**95,362**	96,219	
Current income tax expense included in FFO	**5,006**	2,145	2,861	**28,276**	9,541	18,735
FFO effective tax rate	***14.5 %***	*10.3 %*		***22.9 %***	*14.5 %*	

(i) Refer to the additional information provided under "FFO and AFFO Adjustments for Joint Ventures".

Reconciliations of AFFO to Net Cash From Operating Activities

The following table provides a reconciliation of AFFO to "net cash from operating activities", which the Company believes is the most comparable GAAP measure to AFFO. Refer to the discussion under "Non-GAAP Measures".

	Three months ended December 31,			Year ended December 31,		
(thousands of dollars)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
Net cash from operating activities	**17,550**	19,040	(1,490)	**143,639**	23,284	120,355
Add (Deduct):						
Net change in operating assets and liabilities, including interest and taxes	**14,777**	3,283	11,494	**(41,776)**	43,218	(84,994)
Other expense	**1,232**	2,714	(1,482)	**6,042**	11,806	(5,764)
Current income tax on items excluded from AFFO	**(114)**	(720)	606	**(1,032)**	(2,729)	1,697
Depreciation for office leases	**(730)**	(711)	(19)	**(2,897)**	(3,099)	202
Depreciation for FFEC (maintenance capex)(i)	**(1,943)**	(3,611)	1,668	**(7,815)**	(11,556)	3,741
Additional maintenance capex(i)	**(2,930)**	(1,059)	(1,871)	**(8,527)**	(2,584)	(5,943)
Principal portion of government capital funding	**398**	503	(105)	**1,653**	2,540	(887)
Adjustments for joint ventures(ii)	**737**	(389)	1,126	**3,518**	336	3,182
AFFO	**28,977**	19,050	9,927	**92,805**	61,216	31,589
Total maintenance capex(i)	**5,270**	4,988	282	**17,603**	14,658	2,945

(i) Total maintenance capex represents the aggregate of the items classified as "depreciation for FFEC" and "additional maintenance capex", and includes $0.4 million and $1.3 million in respect of the Company's 15% managed interest in joint ventures for the three and twelve months ended December 31, 2024, respectively. An amount equivalent to depreciation for FFEC, or furniture, fixtures, equipment and computers, is deducted in determining FFO, and the difference from the actual total maintenance capex incurred is adjusted for in determining AFFO.

(ii) Refer to the additional information provided under "FFO and AFFO Adjustments for Joint Ventures".

AFFO 2024 Fourth Quarter Financial Review

In Q4 2024, AFFO increased by $9.9 million to $29.0 million ($0.34 per basic share) from $19.1 million ($0.23 per basic share) in Q4 2023, largely reflecting the improvement in Adjusted EBITDA and share of profit from joint ventures, partially offset by increased current income taxes. Excluding the impact of out-of-period funding recognized in both periods, AFFO improved by $8.9 million to $24.0 million ($0.28 per basic share) from $15.1 million ($0.18 per basic share).

A discussion of the factors impacting net earnings and Adjusted EBITDA can be found under "2024 Fourth Quarter Financial Review".

AFFO 2024 Financial Review

In 2024, AFFO increased by $31.6 million to $92.8 million ($1.10 per basic share) from $61.2 million ($0.72 per basic share) in the prior year period, largely reflecting the improvement in Adjusted EBITDA and share of profit from joint ventures, partially offset by increased current income taxes, higher maintenance capex and a decline in the adjustment for non-cash share-based compensation. Excluding a year-over-year reduction in AFFO related to a net recovery of COVID-19 costs in 2023, partially offset by out-of-period LTC funding and share of profit from joint ventures, AFFO improved by $33.0 million to $80.5 million ($0.96 per basic share) from $47.5 million ($0.56 per basic share) in the prior year period.

A discussion of the factors impacting net earnings and Adjusted EBITDA can be found under "2024 Financial Review".

Dividends declared as a percentage of AFFO in 2024 represented a payout ratio of 43%. On February 27, 2025, the Company announced its intention to increase its monthly dividend by 5.0% to $0.042 per month effective with the dividend to be declared in March 2025. In addition to cash on hand of $121.8 million as at December 31, 2024, and ongoing cash generated from operations, the Company had available undrawn credit facilities totalling $108.5 million as at December 31, 2024. Refer to the discussions under "Significant Developments – Dividend Increase" and "Liquidity and Capital Resources".

The current income tax expense included in AFFO was $28.3 million in 2024, compared to $9.5 million in the prior year period, representing effective tax rates on FFO of 22.9% and 14.5%, respectively. The determination of FFO includes a deduction for current income tax expense and does not include deferred income tax expense. As a result, the effective tax rates on FFO can be impacted by: adjustments to estimates of annual deferred timing differences, particularly when dealing with cash-based tax items versus accounting accruals; changes in the proportion of earnings between taxable and non-taxable entities; book-to-file adjustments for prior year filings; and the ability to utilize loss carryforwards. For 2025, the Company expects the effective tax rate on FFO will be in the range of 22% to 25%.

Including the Company's 15% managed interest in joint ventures, maintenance capex was $5.3 million for Q4 2024 compared to $5.0 million for Q4 2023 and to $4.1 million for Q3 2024, representing 1.3%, 1.4% and 1.1% of revenue, respectively. In 2024, maintenance capex was $17.6 million compared to $14.7 million in the prior year, representing 1.2% and 1.1% of revenue, respectively. These costs fluctuate on a quarterly and annual basis with the timing of projects and seasonality. In 2025, the Company expects to spend in the range of $17.0 to $19.0 million in maintenance capex, including approximately $1.2 million in connection with the Company's 15% managed interest in joint ventures.

The following provides a reconciliation of "Adjusted EBITDA" to AFFO as supplemental information. Refer to the discussion under "Non-GAAP Measures".

	Three months ended December 31,			Year ended December 31,		
(thousands of dollars)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
Adjusted EBITDA	**39,699**	28,663	11,036	**144,549**	95,187	49,362
Add (Deduct):						
Depreciation for FFEC (maintenance capex)	**(1,943)**	(3,611)	1,668	**(7,815)**	(11,556)	3,741
Depreciation for office leases	**(730)**	(711)	(19)	**(2,897)**	(3,099)	202
Accretion costs	**(206)**	154	(360)	**(1,110)**	(974)	(136)
Interest expense	**(4,909)**	(5,028)	119	**(20,145)**	(20,630)	485
Interest revenue	**1,801**	1,498	303	**7,039**	6,192	847
FFO adjustments for joint ventures	**862**	(225)	1,087	**3,970**	591	3,379
	34,574	20,740	13,834	**123,591**	65,711	57,880
Current income tax expense	**5,006**	2,145	2,861	**28,276**	9,541	18,735
FFO	**29,568**	18,595	10,973	**95,315**	56,170	39,145
Amortization of deferred financing costs	**592**	272	320	**1,817**	1,344	473
Accretion costs	**206**	(154)	360	**1,110**	974	136
Non-cash share-based compensation	**1,268**	1,057	211	**1,889**	3,027	(1,138)
Principal portion of government capital funding	**398**	503	(105)	**1,653**	2,540	(887)
Additional maintenance capex	**(2,930)**	(1,059)	(1,871)	**(8,527)**	(2,584)	(5,943)
AFFO adjustments for joint ventures	**(125)**	(164)	39	**(452)**	(255)	(197)
AFFO	**28,977**	19,050	9,927	**92,805**	61,216	31,589

FFO and AFFO Adjustments for Joint Ventures

The following tables provide additional information in respect of the adjustments to FFO and AFFO for joint ventures. Refer to the discussion under "Non-GAAP Measures".

	Three months ended December 31,			Year ended December 31,		
(thousands of dollars)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
Depreciation and amortization	**829**	433	396	**2,357**	707	1,650
Depreciation for FFEC (maintenance capex)	**(140)**	(80)	(60)	**(386)**	(136)	(250)
Fair value adjustments	**66**	—	66	**66**	—	66
FFO adjustments for joint ventures	**755**	353	402	**2,037**	571	1,466
Principal portion of government capital funding	**132**	74	58	**423**	127	296
Additional maintenance capex	**(257)**	(238)	(19)	**(875)**	(382)	(493)
AFFO adjustments for joint ventures	**(125)**	(164)	39	**(452)**	(255)	(197)

	Three months ended December 31,			Year ended December 31,		
(thousands of dollars)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
Net cash from operating activities	**1,417**	244	1,173	**6,017**	1,337	4,680
Net change in operating assets and liabilities, including interest and taxes	**(415)**	(389)	(26)	**(1,661)**	(610)	(1,051)
Depreciation for FFEC (maintenance capex)	**(140)**	(80)	(60)	**(386)**	(136)	(250)
Additional maintenance capex	**(257)**	(238)	(19)	**(875)**	(382)	(493)
Principal portion of government capital funding	**132**	74	58	**423**	127	296
Adjustments for joint ventures	**737**	(389)	1,126	**3,518**	336	3,182
Total maintenance capex for joint ventures	**397**	318	79	**1,261**	518	743

(thousands of dollars)	Three months ended December 31, 2024	2023	Change	Year ended December 31, 2024	2023	Change
Adjusted EBITDA	**1,417**	244	1,173	**6,017**	1,337	4,680
Depreciation for FFEC (maintenance capex)	**(140)**	(80)	(60)	**(386)**	(136)	(250)
Interest expense	**(609)**	(496)	(113)	**(2,343)**	(819)	(1,524)
Interest revenue	**194**	107	87	**682**	209	473
FFO adjustments for joint ventures	**862**	(225)	1,087	**3,970**	591	3,379
Principal portion of government capital funding	**132**	74	58	**423**	127	296
Additional maintenance capex	**(257)**	(238)	(19)	**(875)**	(382)	(493)
AFFO adjustments for joint ventures	**(125)**	(164)	39	**(452)**	(255)	(197)

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

The following summarizes the sources and uses of cash in 2024 and 2023.

(thousands of dollars)	Year ended December 31, 2024	2023
Net cash from operating activities	**143,639**	23,284
Net cash used in investing activities	**(9,111)**	(84,453)
Net cash used in financing activities	**(87,866)**	(30,928)
Increase (decrease) in cash and cash equivalents	**46,662**	(92,097)

As at December 31, 2024, the Company had cash and cash equivalents on hand of $121.8 million, reflecting an increase in cash of $46.7 million from the beginning of the year. Cash flow from operating activities of $143.6 million in 2024 was in excess of cash dividends paid of $40.0 million.

Net cash from operating activities was a source of cash of $143.6 million in 2024, up $120.4 million from a source of cash of $23.3 million in the prior year, reflecting the increase in earnings and favourable changes in operating assets and liabilities between periods. Fluctuations in operating assets and liabilities between periods are primarily attributable to the volatility and timing of cash receipts related to funding changes and flow-through funding, and the timing of payroll cycles.

Net cash used in investing activities was a use of cash of $9.1 million in 2024 as compared to a use of cash of $84.5 million in the prior year. The 2024 activity included proceeds of $20.5 million from the sale of assets to Axium JV, proceeds of $9.0 million from the sale of the vacated LTC homes in Sudbury and Kingston, the collection of other assets of $1.7 million and distributions from investments in the Joint Ventures of $2.4 million, partially offset by purchases of property, equipment and other intangible assets of $42.0 million and investments in the Joint Ventures of $0.7 million. The 2023 activity included purchases of property, equipment and other intangible assets of $129.4 million and investments in the Joint Ventures of $25.4 million, partially offset by proceeds of $66.9 million from the sale of assets to Axium JV, including assumed debt, the collection of other assets of $2.5 million and distributions from investments in the Joint Ventures of $0.9 million.

The table that follows summarizes the additions to property, equipment and other intangibles, allocated between growth and maintenance capex. Growth capex relates to the LTC redevelopment projects, building improvements, investments in transitioning key IT platforms to cloud-based solutions, or other capital projects, all of which are aimed at earnings growth. Maintenance capex relates to the capital additions incurred to sustain and upgrade existing property and equipment.

(thousands of dollars)	Year ended December 31, 2024	2023
Growth capex	**31,106**	81,280
Maintenance capex	**16,342**	14,140
	47,448	95,420

Management monitors and prioritizes the capital expenditure requirements of its properties throughout the year, taking into account the urgency and necessity of the expenditure. Growth capex in 2025 will be focused primarily on the LTC projects under construction, redevelopment activities and continued investments in technology to support growth initiatives (refer to "Other Contractual Obligations and Contingencies – Commitments"). The level of future growth capex will primarily be impacted by the timing of redevelopment projects advancing to construction, which is dependent on future enhancements to the Capital Funding Program in Ontario, any potential redevelopment programs that are introduced in Alberta and Manitoba, and whether such projects are sold to Axium JV.

Net cash used in financing activities was a use of cash of $87.9 million in 2024, an increase of $56.9 million from a use of cash of $30.9 million in the prior year. The 2024 activity included cash dividends paid of $40.0 million, debt and lease liability repayments of $18.9 million, early redemption of the 2025 Debentures of $125.7 million using $130.0 million under the Delayed Draw Facility, and the repayment of lease liabilities of $29.9 million related to the purchase of nine Ontario LTC homes formerly under long-term leases. The 2023 activity included cash dividends paid of $40.4 million, debt and lease liability repayments of $20.3 million and purchase of shares for cancellation of $11.1 million, partially offset by draws on LTC construction financings of $39.0 million.

Capital Structure

SHAREHOLDERS' EQUITY

Total shareholders' equity as at December 31, 2024, was $124.4 million as compared to $87.9 million at December 31, 2023, reflecting the contributions from net earnings and comprehensive income, offset by dividends declared of $40.0 million.

As at December 31, 2024, the Company had 83,466,978 Common Shares issued and outstanding (carrying value – $469.3 million), as compared to 83,158,315 Common Shares (carrying value – $467.3 million) as at December 31, 2023, reflecting 308,663 Common Shares issued under the Company's equity-based compensation plan.

Share Information *(000's)*	**February 26, 2025**	**December 31, 2024**	**December 31, 2023**
Common Shares (TSX symbol: EXE)[(i)]	**83,467.0**	**83,467.0**	83,158.3

(i) Closing market value per TSX on February 26, 2025, was $11.76.

As at February 27, 2025, the Company had an aggregate of 3,575,948 Common Shares reserved and available for issuance pursuant to the Company's long-term incentive plan, of which there were in aggregate 2,448,865 performance share units and deferred share units outstanding as at December 31, 2024 (refer to *Note 12* of the consolidated financial statements).

Dividends

The Company declared cash dividends of $0.48 per share in the year ended December 31, 2024, consistent with that declared in 2023, representing $40.0 million and $40.4 million in each period, respectively.

On February 27, 2025, the Company announced its intention to increase its monthly dividend by 5.0% to $0.042 per month effective with the dividend to be declared in March 2025 (see "Significant Developments – Dividend Increase").

Normal Course Issuer Bid

In June 2024, the Company received approval from the TSX to renew its 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. The Company has entered into an automatic purchase plan with its designated broker in connection with its NCIB to facilitate the purchase of Common Shares during times when the Company would ordinarily not be active in the market. The Board authorized the NCIB because it believes that, from time to time, the market price of the Common Shares may be such that their purchase may be an attractive and appropriate use of corporate funds. Decisions regarding the quantity and timing of purchases of Common Shares are based on market conditions, share price and the outlook for capital needs, including LTC redevelopment needs and other factors. As at February 26, 2025, the Company had not acquired any Common Shares under its renewed NCIB.

During the year ended December 31, 2024, the Company did not purchase any Common Shares under its NCIB program. In 2023, the Company purchased for cancellation 1,749,131 Common Shares under its NCIB program at a cost of $11.1 million, representing a weighted average price per share of $6.34. Since June 2022, the Company has purchased for cancellation 6,760,311 Common Shares under its NCIB program at a cost of $46.1 million, representing a weighted average price per share of $6.82.

Long-term Debt

Long-term debt totalled $292.5 million as at December 31, 2024, as compared to $334.5 million as at December 31, 2023, representing a decrease of $42.0 million, largely reflecting the early redemption of the 2025 Debentures with a face value of $126.5 million using the $130.0 million Delayed Draw Facility, the settlement of $29.9 million in lease liabilities from the purchase of nine Ontario LTC homes formerly under 25-year lease agreements, and regular debt and lease liability repayments of $18.9 million. The current portion of long-term debt as at December 31, 2024, was $31.1 million.

The Company is subject to debt service coverage covenants on its Senior Secured Credit Facility and certain of its loans and was in compliance with all covenants as at December 31, 2024. Details of the components, maturities dates, terms and conditions of long-term debt are provided in *Note 10* of the consolidated financial statements.

CMHC MORTGAGES

In March 2024, the Company extended the maturity date of a $19.9 million variable rate mortgage to July 1, 2027. The mortgage is insured through the Canada Mortgage and Housing Corporation ("CMHC") program and is secured by a Canadian financial institution at a variable rate based on the lender's cost of funds plus 225 basis points.

SENIOR SECURED CREDIT FACILITIES

On November 8, 2024, the Company entered into a new $275.0 million Senior Secured Credit Facility for a term of three years, consisting of a Revolving Facility ($145.0 million) and a Delayed Draw Facility ($130.0 million). The Senior Secured Credit Facility, which replaced the Company's former demand credit facility of $112.3 million, is secured by 21 LTC homes in Ontario and is subject to 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 was used to fund the early redemption of the 2025 Debentures in full on December 16, 2024, at par, plus accrued and unpaid interest, for a total of approximately $127.3 million. 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.

As at December 31, 2024, the Company fully utilized the $130.0 million available under the Delayed Draw Facility and had issued $36.5 million in letters of credit under the Revolving Facility, leaving $108.5 million of undrawn capacity under the Revolving Facility. The letters of credit consisted of $23.2 million to secure the Company's legacy defined benefit pension plan obligations, $10.9 million to secure the Company's obligation to fund capital contributions to the Joint Ventures in connection with construction of LTC redevelopment projects within the Joint Ventures, and $2.4 million to secure obligations relating to LTC homes.

Refer to the discussions under "$275 Million Senior Secured Credit Facility" and "Early Redemption of 2025 Debentures" under the heading "Significant Developments" and to *Note 10* of the consolidated financial statements.

LONG-TERM DEBT KEY METRICS

The following table presents the principal, or notional, amounts and related weighted average interest rates by year of maturity, of the Company's long-term debt obligations as at December 31, 2024.

(millions of dollars unless otherwise noted)	**2025**	**2026**	**2027**	**2028**	**2029**	**After 2029**	**Total**
Long-term Debt							
Fixed rate (including fixed through swap)	30.4	13.3	148.1	5.7	6.0	58.2	**261.8**
Average interest rate	4.12 %	4.97 %	5.06 %	5.16 %	5.18 %	5.39 %	**5.03 %**
Variable rate	0.7	0.8	18.3	—	—	—	**19.9**
Average interest rate	6.51 %	6.51 %	6.51 %	— %	— %	— %	**6.51 %**
Lease Liabilities							
Fixed rate	2.4	2.3	2.0	1.4	1.1	5.4	**14.7**
Average interest rate	5.09 %	5.09 %	5.09 %	5.09 %	5.09 %	5.09 %	**5.09 %**

Management has limited the amount of debt that may be subject to changes in interest rates, with $19.9 million of mortgage debt at variable rates. The Company's $130.0 million borrowing under the Delayed Draw Facility and term loan of $27.7 million as at December 31, 2024, have effectively been converted to fixed-rate financings with interest rate swaps over the full respective terms. As at December 31, 2024, the interest rate swaps were classified as a liability of $0.6 million.

The following summarizes key metrics of consolidated long-term debt as at December 31, 2024, and December 31, 2023.

	December 31, 2024			December 31, 2023		
(thousands of dollars unless otherwise noted)	**Before Adjustments for Joint Ventures**	**Adjustments for Joint Ventures**(ii)	**Adjusted for Joint Ventures**	**Before Adjustments for Joint Ventures**	**Adjustments for Joint Ventures**(ii)	**Adjusted for Joint Ventures**
Weighted average interest rate of long-term debt outstanding	**5.1%**		**5.3%**	5.4%		5.7%
Weighted average term to maturity of long-term debt outstanding	**5.5 yrs**		**6.6 yrs**	5.2 yrs		6.2 yrs
Trailing twelve months consolidated interest coverage ratio(i) (1)	**7.9 X**		**6.5 X**	4.2 X		4.0 X
Debt to Gross Book Value (GBV)						
Total assets (carrying value)	**719,788**	**96,573**	**816,361**	672,731	72,825	745,556
Accumulated depreciation on property and equipment	**286,699**	**3,795**	**290,494**	312,906	5,950	318,856
Accumulated amortization on other intangible assets	**52,875**	**1,225**	**54,100**	41,814	798	42,612
GBV	**1,059,362**	**101,593**	**1,160,955**	1,027,451	79,573	1,107,024
Debt(iii)	**296,388**	**75,963**	**372,351**	338,831	55,578	394,409
Debt to GBV	**28.0%**		**32.1%**	33.0%		35.6%

(i) Capitalized interest included in the calculation of the interest coverage ratio before adjustments for joint ventures was nil in 2024. The calculation adjusted for joint ventures includes the Company's 15% share of the joint ventures' Adjusted EBITDA and interest expense of $6.1 million and $4.9 million, respectively, inclusive of $1.8 million of capitalized interest.

(ii) The adjustments to GBV represent the Company's 15% share of the joint ventures' GBV of $126.3 million less the Company's carrying value in the joint ventures of $24.7 million. The adjustment for debt represents the Company's 15% share of the joint ventures' mortgages at carrying amount, excluding deferred financing costs.

(iii) Debt excludes deferred financing costs, and for 2023 included the Company's 2025 Debentures at face value of $126.5 million.

Future Liquidity and Capital Resources

The Company's consolidated cash and cash equivalents on hand was $121.8 million as at December 31, 2024, as compared with $75.2 million as at December 31, 2023, representing an increase of $46.7 million. In addition, the Company had access to a further $108.5 million under the Senior Secured Credit Facility. Cash and cash equivalents exclude restricted cash of $0.7 million.

The Company had a working capital deficiency (current liabilities less current assets) of $49.2 million as at December 31, 2024, including the current portion of long-term debt of $31.1 million.

Management believes that the current cash and cash equivalents on hand, cash from operating activities, available funds from credit facilities and future debt financings will be sufficient to support the Company's ongoing business operations, including required working capital, maintenance capex and debt repayment obligations and the Company's share of capital requirements, in partnership with Axium, to support our long-term care redevelopment program. Growth through redevelopment of LTC homes over the next few years, strategic acquisitions and developments may necessitate the raising of funds through debt, equity financings and/or other means. Decisions will be made on a specific transaction basis and will depend on market and economic conditions at the time.

Inflationary impacts on operating costs, changes in interest rates such that capital and credit markets and industry sentiment are adversely affected, ongoing pressures of funding and rate increases not keeping pace with cost increases, health care staffing constraints and the potential for another pandemic, epidemic or outbreak may make it more difficult for the Company to access the necessary capital or credit markets or if able to do so, at a higher cost or less advantageous terms than existing borrowings. In addition, reduced revenue and higher operating costs due to inflationary impacts and rising interest rates may result in reductions or early prepayments of existing financings if covenants are unable to be met (refer to "Risks and Uncertainties").

OTHER CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

Commitments

As at December 31, 2024, the Company had outstanding commitments in connection with construction contracts for its LTC redevelopment projects of $177.8 million, including fixed-price construction agreements for three new LTC homes (totalling 576 beds) in St. Catharines, Port Stanley and London, Ontario. The Company also had outstanding commitments of $28.0 million in connection with various IT service and license agreements for its key IT cloud-based applications in support of the Company's growth initiatives.

The LTC Acquisition cash consideration of $60.3 million, subject to customary and other adjustments, is expected to be funded from cash on hand and the Senior Secured Credit Facility. The LTC Acquisition is anticipated to close in Q2 2025, subject to customary closing conditions, including receipt of regulatory approvals from the MLTC, the Ontario Retirement Homes Regulatory Authority, Manitoba Health and the Winnipeg Regional Health Authority, and is not conditional on financing or due diligence.

In January 2025, the Company entered into an agreement to sell the St. Catharines, Port Stanley and London, Ontario LTC redevelopment projects currently under construction to Axium JV, with Extendicare retaining a 15% managed interest. The transaction is anticipated to close in Q2 2025, subject to customary closing conditions, including receipt of regulatory approvals from the MLTC.

For further details on the above commitments and sales transactions, refer to the discussions under "Agreement to Acquire Nine LTC Homes From Revera and Related Transactions" and "Ontario LTC Redevelopment Activities" under the heading "Significant Developments" and to *Note 20* of the consolidated financial statements).

Guarantees

The Company provides unsecured guarantees related to certain credit facilities held by the 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 December 31, 2024, 25 LTC homes within the Joint Ventures have existing credit facilities available of up to $691.4 million. The guarantees provided by the Company vary depending upon 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 vary as borrowings increase on projects under construction and reduce as homes become operational, when guarantee requirements are generally lower. As at December 31, 2024, the Company has provided unsecured guarantees of $219.9 million in support of the credit facilities held by the Joint Ventures (refer to *Note 20* of the consolidated financial statements).

The Joint Ventures are subject to debt service coverage covenants on certain of their respective credit facilities. The Joint Ventures were in compliance with the covenants as at December 31, 2024.

Defined Benefit Pension Plan Obligations

The Company has benefit arrangements for certain of its executives, which include a registered defined benefit pension plan, as well as supplementary plans that provide pension benefits in excess of statutory limits and post-retirement health and dental benefits. These plans have been closed to new entrants for several years. The accrued benefit liability on the statement of financial position as at December 31, 2024, was $22.5 million (2023 – $22.5 million). The registered defined benefit plan was in an actuarial deficit of $1.0 million, with plan assets of $4.2 million and accrued benefit obligations of $5.2 million as at December 31, 2024 (2023 – an actuarial deficit of $1.3 million with plan assets of $4.0 million and accrued benefit obligations of $5.3 million). The accrued benefit obligations of the supplementary plans were $24.0 million as at December 31, 2024 (2023 – $23.8 million). The benefit obligations under the supplementary plans are secured by a $23.2 million letter of credit as at December 31, 2024 (2023 – $27.3 million) and plan assets of $2.5 million (2023 – $2.5 million). The letter of credit renews annually in May based on an actuarial valuation of the pension obligations. The annual benefit payments under the supplementary pension plan are funded from cash from operations and are expected to be in the range of $1.7 million to $1.9 million over the next five years. The annual contributions to the registered pension plan are less than $0.1 million. Since the majority of the accrued benefit obligations represent obligations under the non-registered supplementary plan, which is not required to be funded, changes in future market conditions are not expected to have a material adverse effect on the Company's cash flow requirements with respect to its pension obligations, or on its pension expense. Further details are provided in *Note 21* of the consolidated financial statements.

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 in respect of owned and managed homes 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 (see "Risks and Uncertainties").

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 PSWs 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 and it could have a materially adverse impact on the Company's business, results of operations and financial condition.

ACCOUNTING POLICIES AND ESTIMATES

Critical Accounting Policies and Estimates

A full discussion of the Company's critical accounting policies and estimates is provided in *Note 3* of the consolidated financial statements, and under the headings "Accounting Standards Adopted During the Period" and "Future Changes in Accounting Policies" that follow this section.

Management considers an understanding of the Company's accounting policies to be essential to an understanding of its financial statements because their application requires significant judgment and reliance on estimations of matters that are inherently uncertain, which affect the application of the accounting policies and reported amounts. Estimates and underlying assumptions are reviewed on an ongoing basis giving consideration to past experience and other factors that management believes are reasonable under the circumstances. Accordingly, actual results could differ from those estimated. The estimates and assumptions, which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, are discussed below.

VALUATION OF CASH-GENERATING UNITS ("CGUs") AND IMPAIRMENT

Non-financial assets consist of property and equipment, intangible assets with finite lives, intangible assets with indefinite lives and goodwill. Property and equipment represents approximately 41% of the Company's total assets as at December 31, 2024, and goodwill and other intangibles represent approximately 17%. A CGU is defined to be the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets. The Company has identified the home health care segment and each individual LTC home as a CGU.

Goodwill and indefinite-life intangibles are tested annually, except in the year of acquisition, and other assets are assessed for impairment when indicators of impairment exist. If any such indication exists, then the asset's recoverable amount is reassessed. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated annually at the same time or more frequently if warranted. An impairment loss is recognized in net earnings if the carrying amount of an asset or its related CGU, or group of assets on the same basis as evaluated by management, exceeds its estimated recoverable amount.

The determination of recoverable amounts can be significantly impacted by estimates related to current market valuations, current and future economic conditions in the geographical markets of each CGU, and management's strategic plans within each of its markets. Estimates and assumptions used in the determination of any impairment loss are based upon information that is known at the time, along with future outlook. When impairment tests are performed, the estimated useful lives of the assets are reassessed, with any change accounted for prospectively. Actual results can differ from these estimates and can have either a positive or negative impact on the estimate, and impact whether an impairment situation exists.

During 2024 and 2023, the Company performed an impairment assessment of its operations and determined there were no impairments for any non-financial assets.

For additional details on impairment refer to *Note 16* of the consolidated financial statements.

Accounting Standards Adopted During the Period

During the year ended December 31, 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 (refer to *Note 3* of the consolidated financial statements.

Future Changes in Accounting Policies

The following accounting standards, amendments and interpretations will take effect for the Company after December 31, 2024, the nature and effect of which are provided in *Note 3* of the consolidated financial statements, and described below:

PRESENTATION AND DISCLOSURE IN FINANCIAL STATEMENTS

In April 2024, the IASB published its new standard IFRS 18 *Presentation and Disclosure in Financial Statements.* This standard will replace IAS 1 *Presentation of Financial Statements* and introduce new presentation and disclosure requirements, including updates to the statement of earnings and disclosures relating to performance measures. The new standard will be effective January 1, 2027 onwards. The Company is currently assessing the potential impact of this standard on its consolidated financial statements.

Disclosure Controls and Procedures

Management is responsible for establishing and maintaining a system of disclosure controls and procedures ("DC&P") to provide reasonable assurance that all material information relating to the Company is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), on a timely basis so that appropriate decisions can be made regarding public disclosure.

An evaluation of the effectiveness of the DC&P was conducted as at December 31, 2024, by management under the supervision of the Company's CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures, as defined by National Instrument 52-109, Certification of Disclosures in Issuers' Annual and Interim Filings, were effective as at December 31, 2024.

Internal Control over Financial Reporting

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

Management, under the supervision of the Company's CEO and CFO, has evaluated the effectiveness of our ICFR using the 2013 Integrated Control framework as published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management has concluded that our ICFR were effective and that there were no material weaknesses in the Company's ICFR as at December 31, 2024.

In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required to use judgment in evaluating controls and procedures.

NON-GAAP MEASURES

Certain measures used in this MD&A listed below, including any related per share amounts, used by management to measure, compare and explain the operating results and financial performance of the Company, are not measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. These 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. These measures 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. Such measures are presented in this document because management believes that they are relevant measures of Extendicare's operating performance and ability to pay cash dividends.

Management uses these measures to exclude the impact of certain items, because it believes doing so provides investors a more effective analysis of underlying operating and financial performance and improves comparability of underlying financial performance between periods. The exclusion of certain items does not imply that they are non-recurring or not useful to investors.

These measures are defined below and reconciliations to the most comparable GAAP measure are referenced, as applicable.

"**Net operating income**", or "**NOI**", is defined as revenue less operating expenses, and this value represents the underlying performance of the operating business segments.

"**NOI margin**" is defined as NOI as a percentage of revenue.

"**EBITDA**" is defined as earnings (loss) from continuing operations before net finance costs, income taxes, depreciation and amortization.

"**Adjusted EBITDA**" is defined as EBITDA adjusted to exclude the line items "share of profit from investment in joint ventures" and "other (income) expense", and as a result, is equivalent to the line item "earnings before depreciation, amortization, and other" reported on the consolidated statements of earnings. Management believes that certain lenders, investors and analysts use EBITDA, Adjusted EBITDA and Adjusted EBITDA margin to measure a company's ability to service debt and meet other payment obligations, and as a common valuation measurement.

"**Adjusted EBITDA Margin**" is defined as Adjusted EBITDA as a percentage of revenue.

Reconciliations of "net operating income" and "Adjusted EBITDA" to "earnings (loss) from continuing operations before income taxes" are provided under "Select Quarterly Financial Information – Reconciliations of Adjusted EBITDA and Net Operating Income".

"**Earnings (loss) before separately reported items, net of tax**" is defined as earnings (loss) from continuing operations, excluding the following separately reported line items: "fair value adjustments", "other (income) expense" and "loss on early redemption of convertible debentures". These line items are reported separately and excluded from certain performance measures, because they are transitional in nature and would otherwise distort historical trends. "Fair value adjustments" relate to the change in the fair value of or gains and losses on interest rate agreements. "Other (income) expense" relates to gains or losses on the disposal or impairment of assets, transaction and integration costs in connection with acquisitions, restructuring and transformation charges, and proxy related costs. The above separately reported line items are reported on a pre-tax and on an after-tax basis as a means of deriving earnings (loss) from operations and related earnings per share excluding such items.

Reconciliations of "earnings (loss) from continuing operations before separately reported items" to "earnings (loss) from continuing operations" are provided under "Statement of Earnings".

"**Funds From Operations**", or "**FFO**", is defined as net earnings before income taxes, depreciation and amortization and fair value adjustments, and the line item "other (income) expense", less depreciation for furniture, fixtures, equipment and computers, or "depreciation for FFEC", depreciation for office leases, accretion costs, net interest expense and current income taxes (excluding current income taxes in respect of "fair value adjustments" and "other (income) expense" that are not otherwise included in FFO). The Company determines and includes its 15% share of FFO from its joint ventures on this same basis. Depreciation for FFEC is considered representative of the amount of maintenance (non-growth) capital expenditures, or "maintenance capex", to be used in determining FFO, as the depreciation term is generally in line with the life of these assets. FFO is a recognized earnings measure that is widely used by public real estate entities, particularly by those entities that own and/operate income-producing properties. Management believes that certain investors and analysts use FFO, and as such has included FFO to assist with their understanding of the Company's operating results.

Reconciliations of FFO to "earnings from continuing operations" are provided under "Funds From Operations and Adjusted Funds From Operations – Reconciliations of FFO to Net Earnings".

"**Adjusted Funds From Operations**", or "**AFFO**", is defined as FFO plus: i) the reversal of non-cash deferred financing and accretion costs; ii) the reversal of non-cash share-based compensation; iii) the principal portion of government capital funding; iv) amounts received from income support arrangements; and v) the reversal of income or loss of the captive insurance company that was included in the determination of FFO, as those operations were funded through investments held for the former U.S. self-insured liabilities, which are not included in the Company's reported cash and cash equivalents. In addition, AFFO is further adjusted to account for the difference in total maintenance capex incurred from the amount deducted in the determination of FFO. Since the Company's actual maintenance capex spending fluctuates on a quarterly basis with the timing of projects and seasonality, the adjustment to AFFO for these expenditures from the amount of depreciation for FFEC already deducted in determining FFO, may result in an increase to AFFO in the interim periods reported. The Company determines and includes its 15% share of AFFO from its joint ventures on this same basis. Management considers AFFO a relevant measure of the ability of the Company to earn cash and pay cash dividends to shareholders.

"**Payout ratio**" is defined as the ratio of dividends declared to AFFO. Management considers this a useful metric to evaluate the Company's dividend capacity.

Both FFO and AFFO are subject to other adjustments, as determined by management in its discretion, that are not representative of the Company's operating performance.

Reconciliations of "net cash from operating activities" to "AFFO" are provided under "Funds From Operations and Adjusted Funds From Operations – Reconciliations of AFFO to Net Cash From Operating Activities".

"**Interest coverage ratio**" and "**net interest coverage ratio**" are defined as the ratio of Adjusted EBITDA to interest expense, including interest capitalized and excluding financing prepayment costs and the amortization of deferred financing costs, and in the case of 'net interest', including interest revenue. Management considers these relevant measures as they indicate the Company's ability to meet its interest cost obligations on a trailing twelve-month basis.

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in securities and activities of the Company, including the ones described below. The Company is exposed to a number of risks and uncertainties in the normal course of business that have the potential to affect operating performance. The Company has operating and risk management strategies and insurance programs to help minimize these operating risks and uncertainties, in addition to entity level controls and governance procedures, including a corporate code of business conduct, whistleblower policies and procedures, and detailed policies and procedures regarding the delegation of authority within the Company.

The risks and uncertainties described below could adversely affect the business, results of operations and financial condition of the Company, cause the trading price of the Company's securities to decline and cause the actual outcome of matters to differ materially from the expectations of the Company regarding future results, performance or achievements reflected in the information in this MD&A and other information provided by the Company from time to time. The risks and uncertainties described below, which is not an exhaustive description of the risks and uncertainties faced by the Company, should be carefully considered by investors.

General Business Risks

The Company is subject to general business risks inherent in the seniors' care industry, including: changes in government regulation and oversight; changing consumer preferences; fluctuations in occupancy levels and business volumes; the availability and ability of the Company to attract and retain qualified personnel; the ability of the Company to retain or renew its government licenses and customer contracts; changes in government funding and reimbursement programs, including the ability to achieve adequate government funding increases; changes in labour relations, employee costs and pay equity (see pay equity related litigation under "Other Contractual Obligations and Contingencies – Legal Proceedings and Regulatory Action"); increases in other operating costs; competition from other seniors' care providers; changes in neighbourhood or location conditions and general economic conditions; health related risks, including disease outbreaks (for example, COVID-19) and control risks; changes in accounting principles and policies; the imposition of increased taxes or new taxes; capital expenditure requirements; and changes in the availability and cost of both short- and long-term financing, which may render refinancing of long-term debt difficult or unattractive. Any one of, or a combination of, these factors may adversely affect the business, results of operations and financial condition of the Company.

In addition, there are inherent legal, reputational and other risks involved in providing accommodation and health care services to seniors. The vulnerability and limited mobility of some seniors enhances such risks. Such risks include disease outbreaks (including COVID-19), fires or other catastrophic events at a Company location which may result in injury or death, negligent or inappropriate acts by employees or others who come into contact with the residents and clients, and unforeseen events at locations at which the Company operates that result in damage to the Company's brand or reputation or to the industry as a whole, particularly in respect of Extendicare Assist clients where the Company has limited direct operational control and where onsite staff are not Extendicare employees.

Risks Related to Inflationary Pressures and Supply Chain Interruptions

Labour and supply expenses make up a substantial portion of our cost of services. Those expenses can be subject to increases in periods of rising inflation and when labour shortages occur in the marketplace. Although historically the Company has generally been able to implement cost control measures and proactive human resource and procurement practices and/or obtain increases in government funding sufficient to substantially offset increases in these expenses, there can be no assurance that it will be able to anticipate fully or otherwise respond to any inflationary pressures or receive such increased funding, which may have a material adverse effect on the business, results of operations and financial condition of the Company. Similarly, such inflationary pressures, as well as changes in tariffs, both domestic and foreign and strengthening economic conditions and competition for materials and services, may result in significant increases in redevelopment costs such that, in the absence of increased funding, redevelopment projects may no longer be economically viable or, if viable, provide a return on investment lower than initially anticipated.

The Company relies on certain key suppliers to provide it with certain medical and personal protective equipment and other supplies. A shortage of such equipment, due to pandemic-related or other supply chain disruptions, including as a result of changes in tariffs, both domestic and foreign, could have a material adverse impact on the Company's business, especially if it is unable to find reasonable alternatives or secure such equipment at reasonable prices. The Company's ability to secure sufficient equipment is affected by many factors beyond its control. A shortage or disruption of equipment and parts that are critical to the Company's operations could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Growth, Acquisitions and Redevelopment

The Company expects that it will continue to have opportunities to acquire businesses and properties, develop properties, redevelop or expand existing LTC homes, and grow its home health care and managed services businesses, but there can be no assurance that this will be the case.

The number of licensed LTC beds are restricted by the provinces and any new licenses are awarded through a request for proposal process. The provinces also regulate the manner in which LTC homes are developed and redeveloped. If regulatory approvals are required in order to expand operations (via development or otherwise) or redevelop operations of the Company, the inability of the Company to obtain the necessary approvals, changes in standards applicable to such approvals and possible delays and expenses associated with obtaining such approvals could adversely affect the ability of the Company to expand or redevelop, which could have a material adverse effect on the business, results of operations, and financial condition of the Company.

In Ontario, licenses for LTC homes are issued for a fixed term of not more than 30 years, after which the license may or may not be renewed. Long-term care operators are to be notified of license renewals at least three years prior to the maturity date. Approximately 41%, or 2,891 of the Company's wholly owned LTC beds are in Class C homes in Ontario that are subject to redevelopment requirements and whose license terms were set to expire in June 2025. The Company applied for and has received license extensions until June 2030 for all of its remaining Class C homes. It is expected that LTC projects currently under construction will replace by mid-2027 all but 1,841 of the Company's wholly owned Class C beds.

The Company continues to progress its remaining 12 redevelopment projects consisting of 2,456 new and replacement beds in anticipation of any future enhancements to the MLTC's capital funding program that may be made available. Given the significant backlog in demand for long-term care, the lack of alternative care environments, the government's current targets for upgrades by 2028, and license extension precedents to date, management is of the view that it is likely that licenses will be extended until redevelopment can be completed; however, there can be no assurance that this will be the case. For more information on the redevelopment projects and associated risks, refer to the discussions under "Significant Developments – Ontario LTC Redevelopment Activities", "– Risks Related to Inflationary Pressures and Supply Chain Interruptions" and "– Risks Related to Joint Venture Interests". The extent to which such redevelopment plans are not implemented or proceed on significantly different timing, terms or government funding than currently anticipated, could have a material adverse effect on the business, results of operations and financial condition of the Company.

The success of the business acquisition and development activities of the Company will be determined by numerous factors, including the ability of the Company to identify suitable acquisition targets, competition for acquisition and development opportunities, purchase price, ability to obtain external sources of funding or adequate financing on reasonable terms, the ability to obtain regulatory approvals for acquisitions in a timely manner and on terms acceptable to the Company, the financial performance of the businesses or homes after acquisition or development, and the ability of the Company to effectively integrate and operate the acquired businesses or homes. Acquired businesses or homes, and development projects, may not meet financial or operational expectations due to the possibility that the Company has insufficient management expertise to engage in such activities profitably or without incurring inappropriate amounts of risk, unexpected costs or delays associated with their acquisition or development, such as in respect of construction, as well as the general investment risks inherent in any real estate investment and development, or business acquisition. Moreover, new acquisitions may require significant management attention, place additional demands on the Company's resources, systems, procedures and controls, and capital expenditures that would otherwise be allocated by the Company in a different manner to existing businesses. Any failure by the Company to identify suitable candidates for acquisition, successfully complete development projects, secure financing, or operate the new businesses effectively may have a material adverse effect on the business, results of operations and financial condition of the Company.

Furthermore, agreements to acquire, sell and develop properties entered into with third parties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse effect on the business, results of operations and financial condition of the Company. Representations and warranties given by such third parties to the Company may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties (see "– Risks Related to Joint Venture Interests").

The success of the Company's ability to grow its home health care and managed services businesses will be determined by numerous factors, including the ability of the Company to retain, renew and secure new contracts, identify suitable markets, develop competitive services and marketing and pricing strategies, attract and retain residents and clients, and hire, retain and motivate key personnel. Changes in government funding policies and regulatory changes, the risks related to which are described below under "– Risks Related to Government Oversight, Funding and Regulatory Changes", in addition to the financial performance of these businesses, also impact the Company's growth potential. Any failure by the Company to grow or operate its businesses effectively may have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Joint Venture Interests

The Company is a party to two limited partnership joint ventures with Axium in which the Company has a 15% managed interest. On a combined basis, the Joint Ventures own 31 LTC homes, of which 27 were operational as at December 31, 2024, with the balance under construction in Ontario. Of the 31 LTC homes, 25 are located in Ontario and six are located in Manitoba. Through these joint venture arrangements, the Company has the benefit of sharing the risks associated with the development, ownership and management of such homes, including those risks described herein. The Company may, however, be exposed to adverse developments, including a possible change in control, in the business and affairs of its joint venture partners which could have a significant impact on the Company's interests in the Joint Ventures and could affect the value of the Joint Ventures. In addition, there are risks which arise from the joint venture arrangements themselves, including but not limited to: the risk that a co-venturer may, as a result of financial difficulties or otherwise, default on its obligations (see in particular "– Risks related to Financing – Debt Financing"); the risk that the other joint venturer may exercise buy-sell, put or other sale or purchase rights which could obligate the Company to sell its interest or buy the other joint venturer's interest at a price which may not be favourable to the Company or at a time which may not be advantageous to the Company; the risk that the other joint venturer may be in a position to take action contrary to the Company's interests; the risk that the other joint venturer may, through its activities on behalf of or in the name of the joint venture or partnership, expose or subject the Company to liability or reputational risks; or the need to obtain a co-venturer's consent with respect to major decisions or the inability to have any decision making authority, any of which may have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Occupancy and Business Volumes

Seniors' care providers compete primarily on a local and regional basis with many other health care, long-term care and retirement living providers, including large publicly held companies, privately held companies, not-for-profit organizations, hospital-based LTC units, rehabilitation hospitals, home health care agencies, and rehabilitative therapy providers. The Company's ability to compete successfully varies from location to location and depends on a number of factors, including the number of competitors in the local market, the types of services available, the Company's local reputation for quality care, the commitment and expertise of its staff, the Company's local service offerings, the cost of care in each locality, and the physical appearance, location, age and condition of its residences. Increased competition could limit the Company's ability to attract and retain residents and clients and thus maintain or increase occupancy levels and business volumes. An inability to continue to attract residents and clients could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Government Oversight, Funding and Regulatory Changes

The Company's earnings are highly reliant on government funding and reimbursement programs, and the effective management of staffing and other costs of operations, which are strictly monitored by government regulatory authorities. Given that the Company operates in a labour-intensive industry, where labour costs account for a significant portion of the Company's operating costs (approximately 88% in 2024), government funding constraints, or funding enhancements that are not commensurate with increased costs, could have a significant adverse effect on the Company's results from operations and cash flows (see pay equity related litigation under "Other Contractual Obligations and Contingencies – Legal Proceedings and Regulatory Action"). The Company is unable to predict the extent to which governments will adopt changes in their funding and regulatory programs and the impact of such changes on the Company's business, results of operations and financial condition. Also, the Company cannot predict the impact, if any, that any new legislation, will have on the Company's business, results of operations and financial condition.

Health care providers are subject to surveys, inspections, audits and investigations by government authorities to ensure compliance with applicable laws and licensure requirements of the various government funding programs. Long-term care operators and publicly funded home health care providers must comply with applicable regulations that, depending on the jurisdiction in which they operate, may relate to such matters as staffing levels, client care related operating standards, occupational health and safety, client confidentiality, billing and reimbursement, along with environmental and other standards. The government review process is intended to determine compliance with survey and certification requirements, and other applicable laws. Remedies for survey deficiencies can be levied based upon the scope and severity of the cited deficiencies and range from notices of deficiencies to revocation of licenses or termination of contracts. The revocation of a license by authorities or the cancellation of a service contract due to inadequate performance by the operator has been historically infrequent and is usually preceded by a series of warnings, notices and other sanctions. Also refer to the discussion regarding license expiry under "– Risks Related to Growth, Acquisitions and Redevelopment ". To a lesser degree, private pay retirement beds, whether part of a mixed-use LTC home or a separate retirement community, are also subject to government regulation and oversight, licensure requirements and the potential for regulatory change.

Non-compliance with applicable laws and licensure requirements could result in adverse consequences, including severe penalties, which may include criminal sanctions and fines, civil monetary penalties and fines, administrative and other sanctions, including reimbursement of government funding or exclusion from participation in government-funded programs, or one or more third-party payor networks, and reputational damage to the Company. These penalties could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company accrues for costs that may result from investigations, or any possible related litigation, to the extent that an outflow of funds is probable and a reliable estimate of the amount of associated costs can be made; however, there can be no assurance that such accruals are accurate or sufficient.

In addition, reconciliations of funding versus actual expenses are performed annually, based on previous calendar years. From time to time, the reconciliations will result in current year adjustments made in respect of prior years. These "prior period adjustments" can have either a favourable or unfavourable impact on NOI generally related to differences identified in the reconciliation attributable to occupancy days, regulatory accountabilities, allocations between funding envelopes, where applicable, special circumstances and differences between projected and actual property tax.

With respect to home health care services, approximately 99% of ParaMed's revenue is from contracts tendered by locally administered provincial agencies, at specified bill rates and, among other things, quality operating and performance standards. Home health care service providers must ensure their key performance indicators are meeting or exceeding provincial targets in order to continue to receive their allocated funding volumes and/or retain their contracts. Contracts with qualified service providers are generally awarded through a competitive bidding model. Any failure by ParaMed to retain its government contracts, including in connection with any regulatory or other funding changes, may have a material adverse effect on the business, results of operations and financial condition of the Company.

The majority of ParaMed's volumes are generated in Ontario and Alberta, representing 94% and 4%, respectively, based on volumes delivered in 2024. In Alberta, government contracts have specified termination dates and/or renewal periods, following which they are put out to tender. Since 2012, ParaMed's government-funded business in Ontario has been obtained through evergreen contracts. A service provider's ability to retain its existing business is evaluated based on, among other things, an established set of quality indicators. Under this regime, all of ParaMed's government contracts in Ontario have remained in effect. In April 2021, Home and Community Care Support Services ("HCCSS") assumed the home health care contracts, including those in respect of ParaMed, from the Local Health Integration Networks ("LHINs") without change, pending a planned restructuring to reflect the dissolution of the LHINs. In June 2024, the Government of Ontario's *Convenient Care of Home Act, 2023* came into force and the 14 HCCSS organizations were amalgamated to form a single new service organization named "Ontario Health atHome". Although the ultimate treatment of the home health care contracts to reflect this amalgamation is not yet known, ParaMed may be adversely impacted by such HCCSS restructuring. While any change in home care contracting and associated government operating models would represent a significant change, the underlying market demand and government guiding principles, such as continuity of care between patients and caregivers, make it unlikely that there would be any material disruption to ParaMed's business; however, the Company is unable to predict the nature and extent such changes will have on the Company's business, results of operations and financial condition.

Risks Related to Dependence on Key Personnel

The success of the Company depends, to a significant extent, on the efforts and abilities of its executive officers and other members of management, as well as its ability to attract and retain qualified personnel to manage existing operations and future growth. Although the Company has entered into employment agreements with its key employees, it cannot be certain that any of these individuals will not voluntarily terminate their employment with the Company. The loss of an executive officer or other key employee could negatively affect the Company's ability to develop and pursue its business strategy, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

CONFLICTS OF INTEREST

The Company's Board of Directors may, from time to time, in their individual capacities deal with parties with whom the Company may be dealing, or may be seeking investments similar to those desired by the Company. The relevant constating documents of the Company contain conflict of interest provisions requiring the Company's directors to disclose material interests in material contracts and transactions and to refrain from voting thereon.

Risks Related to a Pandemic, Epidemic or Outbreak of a Contagious Illness, such as COVID-19

The occurrence of a pandemic, epidemic, or other outbreak of an infectious illness or other public health crisis in areas in which we operate could have a material adverse effect on the business, results of operations and financial condition of the Company. Federal, provincial or local health agencies may, or we may choose to, ban or limit admissions to LTC homes and retirement communities and/or suspend or limit the home health care services the Company provides as a precautionary measure in a crisis to avoid the spread of a contagious illness or other public health crisis, resulting in reduced occupancy and service volumes, on both a short and long term basis. Even in the absence of any such ban, limit or suspension, our clients may postpone or refuse services or delay residency in an attempt to avoid possible exposure. Also, enhanced procedures, protocols and care put in place to assist in reducing the likelihood of exposure or address actual illness in LTC homes and retirement communities or in respect of home health care clients (for example, enhanced screening and protective equipment) may result in increased costs. In addition, a pandemic, epidemic or other outbreak might adversely impact our operations by causing staffing and supply shortages (see in particular "– Risks Related to Labour Intensive Business – Availability and Cost of Personnel"). Although continued or enhanced government funding or assistance may mitigate some of these impacts, there is no certainty regarding the extent to which that will be the case or that any such funding or assistance will remain in place. In addition, outbreaks cause our facilities and our management to spend considerable time planning for and addressing such events, which diverts their attention from other business concerns. Also, to the extent a pandemic, epidemic or other outbreak results in adverse outcomes for the Company's residents, clients or employees, the likelihood of claims being brought against the Company in respect of such adverse outcomes as well as adverse regulatory changes being instituted increases, and the ability and cost of insuring against such claims may become more challenging (see "Other Contractual Obligations and Contingencies – Legal Proceedings and Regulatory Actions"). Further, such outbreaks may impact the overall economy so that credit markets are adversely affected, which may make it more difficult for the Company to access the credit markets or, if able to do so, at a higher cost or less advantageous terms, potentially impacting, among other things, re-financings and our development plans and timelines.

The COVID-19 pandemic resulted in a number of the foregoing events to transpire (see "Other Contractual Obligation and Contingencies – Legal Proceedings and Regulatory Actions" for further details), and while we believe that the financial impacts of COVID-19 on the Company have abated, there can be no assurance that this will continue to be the case or that any other pandemic, epidemic or outbreak will not have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Labour Intensive Business

AVAILABILITY AND COST OF PERSONNEL

The seniors' care industry is labour intensive, with approximately 88% of the Company's operating costs represented by labour costs. The Company competes with other health care providers in attracting and retaining qualified and skilled personnel to manage and operate its businesses. The health care industry has historically been afflicted with shortages of qualified personnel, such as nurses, certified nurse's assistants, nurse's aides, therapists and PSWs, particularly in non-urban settings, which were amplified by the COVID-19 pandemic and may be further amplified in the event of another pandemic, epidemic, or other outbreak of an infectious illness. The ongoing shortage of qualified personnel has necessitated that the Company use staffing agencies to meet its staffing needs, which in turn, has increased the Company's operating costs. Furthermore, this shortage along with general inflationary pressures may require the Company to enhance its pay and benefits package to compete effectively for qualified personnel. The Company may not be able to recover such added costs through increased government funding and reimbursement programs, or through increased rates charged to residents and clients. In addition, the Company has contracted out select dietary and housekeeping services provided in some of its homes. Should the Company become dissatisfied with the quality or cost of such contracted services, it may need to terminate the related contracts and recruit replacement staff at an incremental cost and potential business disruption. The inability to retain and/or attract qualified personnel and meet minimum staffing levels may result in: a reduction in occupancy levels and volume of services provided; the increased use of staffing agencies at added costs; an increased risk in the inability to provide continuity of care between the Company's staff and its residents and clients; and an increased risk of the Company being subject to fines and penalties. An increase in personnel costs, including pursuant to the pay equity related litigation under "Other Contractual Obligations – Legal Proceedings and Regulatory Actions", or a failure to attract, train and retain qualified and skilled personnel could adversely affect the business, results of operations and financial condition of the Company.

WORKPLACE HEALTH AND SAFETY

Failure to comply with appropriate and established workplace health and safety policies and procedures or applicable legislative requirements could result in increased workplace injury-related liability and penalties and reputational harm to the Company and thus have a material adverse effect on the business, results of operations and financial condition of the Company.

LABOUR RELATIONS

Approximately 77% of the Company's employees are represented by labour unions. Labour relations with the unions are governed by numerous collective bargaining agreements with different unions. Upon expiration of the collective bargaining agreements, the Company may not be able to negotiate collective agreements on satisfactory terms. There can be no assurance that the Company will not at any time, whether in connection with the renegotiation of a collective bargaining agreement or otherwise, experience strikes, other labour disruptions or any other type of conflict with unions or employees which could have a material adverse effect on the Company's business, operating results and financial condition. The LTC homes that the Company operates are generally subject to legislation that prohibits both strikes and lock-outs, and requires compulsory arbitration to settle labour disputes. In jurisdictions where strikes and lockouts are permitted, certain essential services regulations apply which provide for the continuation of resident care and most services.

There can be no assurance that employees who are not currently unionized will not, in the future, become unionized, the result of which could increase the Company's labour costs, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Liability and Insurance

Operating in the seniors' care industry exposes the Company to an inherent risk of claims of wrongful death, personal injury, professional malpractice and other potential claims being brought by the Company's residents, clients, and employees. From time to time, the Company is subject to lawsuits alleging, among other claims, that the Company did not properly treat or care for a client or resident, that the Company failed to follow internal or external procedures that resulted in harm to a client or resident, or that the Company's employees mistreated the Company's residents or clients resulting in harm. In addition, attempts to advance class action lawsuits have become prevalent in the Canadian marketplace, including in respect of seniors' care and as a result of the COVID-19 pandemic. There can be no assurance that the Company will not continue to face risks of this nature (see "Other Contractual Obligations and Contingencies – Legal Proceedings and Regulatory Actions").

The Company maintains business and property insurance policies in amounts and with such coverage and deductibles as it deems appropriate, based on the nature and risks of the business, historical experience, industry standards and availability of insurance. There can be no assurance, however, that claims in excess of the insurance coverage, or in excess of the Company's reserves, or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms, including as a result of the COVID-19 pandemic. Furthermore, there are certain types of risks, generally of a catastrophic nature, such as war, non-certified acts of terrorism, environmental contamination, and more recently infectious diseases, such as COVID-19, which are either uninsurable or are not insurable on an economically viable basis. A successful claim against the Company not covered by, or in excess of, such insurance, or in excess of the Company's reserves for self-insured retention levels, could have a material adverse effect on the business, results of operations and financial condition of the Company. Claims against the Company, regardless of their merit or eventual outcome, may also have a material adverse effect on the ability of the Company to attract residents and clients, or maintain favourable standings with regulatory authorities.

Risks Related to Privacy of Client Information, Cybersecurity and Information Technology

As a custodian of a large amount of personal information, including health information, relating to its residents, clients and employees, the Company is exposed to the potential loss, misuse or theft of any such information. If the Company were found to be in violation of federal and provincial laws protecting the confidentiality of patient health information, it could be subject to sanctions and civil or criminal penalties, which could increase its liabilities, harm its reputation and have a material adverse effect on the business, results of operations and financial condition of the Company. In addition, cyber attacks against large organizations, including but not limited to, malware, phishing and ransomware attacks, are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. The Company mitigates this risk by deploying appropriate information technology systems, including controls around logical access, physical access and data management, and training its employees relating to safeguarding of sensitive information. In addition, the Company maintains cybersecurity insurance in amounts and with such coverage as deemed appropriate based on the nature and risks of the business.

The Company has deployed operational technology solutions enabling process automation, electronic health record data collection and automated business intelligence. Technology deployments also present security and privacy risks that must be managed proactively and effectively to prevent breaches that can have a material adverse impact on the Company's reputation and results of operations. To counter internet-based and internal security threats, the Company invests in cyber defence technologies to identify risks to its network, software and hardware systems. The Company partners with leading technology security firms to mitigate identified risks and develop contingency plans. As security threats to the Company's financial, client and employee data increase and evolve, the Company adjusts and adopts new countermeasures in an effort to ensure it maintains high privacy and security standards. However, the Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Although to date the Company has not experienced any material losses relating to cyber attacks or other information security breaches, there can be no assurance that the Company will not incur such losses in the future and any such losses may have a material adverse effect on the business, results of operations and financial condition of the Company.

Furthermore, the Company is reliant on information technology systems in the operation of its business and any prolonged disruption to the availability of such systems or difficulties in integrating systems following changes, upgrades or other enhancements may have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's operations also depend on the timely maintenance, upgrade and replacement of systems and software, as well as preemptive expenses to mitigate the risk of failures. Any of these and other events could result in information technology system failures and/or an increase in capital expenditure. The failure of such systems could, depending on the nature of any such failure, adversely impact the Company's reputation and may have a material adverse impact on the business, results of operations and financial condition of the Company.

Risks Related to Tax Rules and Regulations

The Company is subject to audits from federal and provincial tax jurisdictions and is therefore subject to risk in the interpretation of tax legislation and regulations. Tax rules and regulations are complex and require careful review by the Company's tax management and its external tax consultants. Differences in interpretation of tax rules and regulations, including in respect of the Canada Emergency Wage Subsidy, could result in tax assessments and penalties for the untimely payment of the determined tax liability, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Financing

DEBT FINANCING

Due to the level of real property ownership by the Company, a significant portion of the consolidated cash flow of the Company is devoted to servicing debt, including mortgages, credit facilities and lease liabilities, and there can be no assurance that the Company will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the Company were unable to meet its required interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing.

The Company's $275.0 million Senior Secured Credit Facility is secured by 21 LTC homes in Ontario, of which $108.5 million was available as at December 31, 2024. The Senior Secured Credit Facility is subject to customary financial and non-financial covenants and other terms, including periodic re-appraisals of the homes that could limit the maximum level of the line of credit and other restrictions on the Company's subsidiaries making certain payments, investments, loans and guarantees. A demand for repayment of amounts drawn on the lines of credit could inhibit the flow of cash dividends by the Company on a temporary basis until alternative financing is obtained.

In addition, the Company provides unsecured guarantees related to certain credit facilities held by the 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 December 31, 2024, 25 LTC homes within the Joint Ventures have existing credit facilities available of up to $691.4 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 vary as borrowings increase on projects under construction and reduce as homes become operational when guarantee requirements are generally lower. As at December 31, 2024, the Company has provided unsecured guarantees of $219.9 million in support of the credit facilities held by the Joint Ventures (refer to *Note 20* of the consolidated financial statements). A demand for payment pursuant to such guarantees and/or a failure by a joint venture partner to meet its obligations to the Company in respect of such guarantees, could have a material adverse effect on the business, results of operations and financial condition of the Company (see "– Risks Related to Joint Venture Interests").

The Company cannot predict whether future financing will be available, what the terms of such future financing will be (including, whether it will result in a higher cost of borrowing – see "Interest Rates" below) or whether its existing debt agreements will allow for the timely arrangement and implementation of such future financing. If the Company was unable to obtain additional financing or refinancing when needed or on satisfactory terms, it could have a material adverse effect on the business, results of operations and financial condition of the Company.

DEBT COVENANTS

The Company and its subsidiaries are in compliance with all of their respective financial covenants as at December 31, 2024. However, there can be no assurance that future covenant requirements will be met. The Company's bank lines and other debt may be affected by its ability to remain in compliance. If the Company does not remain in compliance with its financial covenants and it is unable to amend the covenants, obtain waivers or refinance its debt when needed or on satisfactory terms, it could have a material adverse effect on the business, results of operations and financial condition of the Company.

INTEREST RATES

The Company has limited the amount of debt that may be subject to changes in interest rates, with $19.9 million of mortgage debt at variable rates as at December 31, 2024. The Company primarily finances its properties through fixed-rate mortgages and considers securing interest rate swap agreements for any variable-rate debt to mitigate exposure to interest rate changes. The Company's variable-rate borrowing under the Senior Secured Credit Facility of $130.0 million and term loan of $27.7 million as at December 31, 2024, have effectively been converted to fixed-rate financings with interest rate swaps over the full respective terms. The Company maintains risk management control systems to monitor interest rate risk attributable to its outstanding or forecasted debt obligations as well as any offsetting hedge positions. The Company does not enter into financial instruments for trading or speculative purposes.

Increases in interest rates and principal repayments required under the Company's mortgages and credit facilities, on renewal or otherwise, could result in significant changes in the amount required to be applied to debt service and, as a result it could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Real Property Ownership

REAL PROPERTY OWNERSHIP

All real property investments are subject to a degree of risk. They are affected by various factors, including geographic concentration, changes in general economic conditions (such as the availability of mortgage financing) and in local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to residents, competition from other available space and various other factors.

As at December 31, 2024, the Company wholly owns 51 LTC homes and has three under construction. The Company also owns a 15% managed interest in 31 LTC homes through the Joint Ventures, four of which are under construction. LTC homes are often limited in terms of alternative uses; therefore, their values are directly driven by the cash flow from operations. The value of the real property depends, in part, on government funding, license terms, and reimbursement programs.Moreover, certain significant expenditures relating to real property ownership, such as real estate taxes, maintenance costs and mortgage payments, represent liabilities that must be met regardless of whether the property is producing sufficient income.

Real property investments are relatively illiquid, thereby limiting the ability of the Company to vary its portfolio in a timely manner in response to changed economic or investment conditions. By focusing principally in LTC homes, the Company is exposed to adverse effects on that segment of the real estate market. There is a risk that the Company would not be able to sell its real property investments or that it may realize sale proceeds below their current carrying value.

CAPITAL INTENSIVE INDUSTRY

The Company must commit a substantial portion of its funds to maintain and enhance its property and equipment to meet regulatory standards, operate efficiently and remain competitive in its markets. In addition to recurring maintenance capex, the Company invests in enhancements of existing properties aimed at earnings growth and improved profitability, including redevelopment of LTC homes under provincial programs. See "– Risks Related to Growth, Acquisitions and Redevelopment ". These, as well as other future capital requirements, could adversely impact the amount of cash available to the Company and have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Environmental, Health and Safety Laws

The Company is subject to various environmental, health and safety laws and regulations, both as an owner of real property and as a provider of health care services, governing the storage, handling, use, and disposal of equipment, materials and waste products. The Company may become liable for the costs of removal or remediation of certain hazardous, toxic, or regulated substances present at, released on or disposed of from its properties or other service locations, regardless of whether or not the Company knew of, or was responsible for, their presence, release or disposal. The failure to remove, remediate, or otherwise address such substances, if any, may adversely affect operations or the ability to sell such properties or to borrow using such properties as collateral, and could potentially result in claims by public or private parties, including by way of civil action, and could have a material adverse effect on the business, results of operations and financial condition of the Company.

With respect to the Company's pre-1980 properties, management has determined that future costs could be incurred for possible asbestos remediation at these sites. Appropriate remediation procedures may be required to remove potential asbestos-containing materials, consisting primarily of floor and ceiling tiles, in connection with any major renovation or demolition. Based upon current assumptions, the estimated fair value of the decommissioning provision related to the asbestos remediation was approximately $11.0 million undiscounted, or $9.1 million discounted, as at December 31, 2024, refer to *Note 9* of the consolidated financial statements.

Environmental, health and safety laws may change and the Company may become subject to more stringent laws in the future. Compliance with more stringent environmental, health and safety laws, which may be more rigorously enforced, could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Climate Change

As the owner of real property, the Company is exposed to climate change risk from natural disasters and severe weather, such as floods, ice storms, windstorms, earthquakes, wildfires or other severe weather that may result in damage or loss to its properties, as well as to those properties to which it provides managed services. These adverse weather and natural events could cause substantial damage, resulting in increased costs and/or revenue losses. There can be no assurance that damages or losses caused by these adverse weather and natural events will not exceed the Company's insurance coverage. Climate change may also have indirect effects on our business by increasing the cost of, or making unavailable, certain insurance coverage.

Over time, climate change may also affect the Company's operational expenses, including utilities and preventative maintenance expenses, as temperatures fluctuate. In addition, changes in federal, provincial or local legislation and regulation on climate change could result in increased capital expenditures to improve the energy efficiency of our existing properties and could also require the Company to spend more on its new development properties without a corresponding increase in funding or revenue.

Risks Related to the Common Shares

UNPREDICTABILITY AND VOLATILITY OF THE COMMON SHARE PRICE

A publicly traded company does not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the Common Shares will trade cannot be predicted. The market price of the Common Shares could be subject to significant fluctuations in response to variations in quarterly operating results, dividends and other factors beyond the control of the Company. The annual yield on the Common Shares, represented as the ratio of annual dividend to the market price per Common Share, as compared to the annual yield on other financial instruments, may also influence the price of the Common Shares in the public trading markets. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Common Shares.

CASH DIVIDENDS ARE NOT GUARANTEED

The declaration and payment of dividends by the Company is at the discretion of the Board as to the amount and timing of dividends to be declared and paid, after consideration of a number of factors, including results of operations, requirements for capital expenditures and working capital, future financial prospects of the Company, debt covenants and obligations and any other factors deemed relevant by the Board. All of these factors are susceptible to a number of risks and other factors beyond the control of the Company. The amount of funds available for distribution will fluctuate with the performance of the Company. If the Board determines that it would be in the Company's best interests, it may reduce the amount and frequency of dividends to be distributed to holders of Common Shares ("Shareholders") and such reductions may significantly effect the market value of the Common Shares.

A high dividend yield results in a higher cost of capital incurred by the Company in raising capital through the issue of Common Shares to fund future growth and equally can inhibit the ability of the Company to grow through acquisition or new developments. Therefore, the Board also has to balance the dividend yield relative to its growth plans and need to raise capital.

Funds available for dividends are driven by cash generated from operations and may be dependent upon the Company's plan for growth-based capital expenditures or other investments in its business, including development and acquisition activities. The timing and amount of capital expenditures and other investments will directly affect the amount of cash available for dividends to Shareholders. Dividend payments to Shareholders may be reduced, or even eliminated, at times when the Company cannot access the capital markets for raising cash and/or when the Board deems it necessary to make significant capital or other expenditures. The Company may be required to reduce dividends or access the capital markets in order to accommodate these items. There can be no assurance that sufficient capital will be available on acceptable terms to the Company for necessary or desirable capital expenditures or other investments.

COMPANY STRUCTURE

The Company does not carry on business directly, but does so indirectly through its subsidiaries. The Company has no major assets of its own, other than the LTC homes that it leases to its subsidiary, Extendicare (Canada) Inc. ("ECI"), and the direct and indirect interests it has in its subsidiaries (including ECI and ParaMed), all of which are separate legal entities. The Company is therefore financially dependent on lease payments that it receives from ECI and dividends and other distributions it receives from all of its subsidiaries.

FUTURE ISSUES OF COMMON SHARES AND PREFERRED SHARES AND DILUTION

The Company's articles permit the issuance of an unlimited number of Common Shares and preferred shares of the Company (the "Preferred Shares"), issuable in series, equal to 50% of the number of Common Shares that are issued and outstanding, for the consideration and on the terms and conditions that the Board may determine without Shareholder approval. Shareholders have no preemptive rights in connection with such future issues. Future issues of Common Shares and/or Preferred Shares could be dilutive to the interests of Shareholders and could adversely affect the prevailing market price of the Common Shares.

LEVERAGE AND RESTRICTIVE COVENANTS IN CURRENT AND FUTURE INDEBTEDNESS

The ability of the Company to pay dividends is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of the Company (including its subsidiaries). The degree to which the Company is leveraged could have important consequences to Shareholders, including: (i) that the Company's ability to obtain additional financing in the future for working capital, capital expenditures or acquisitions may be limited; (ii) that a significant portion of the Company's cash flow from operations may be dedicated to the payment of the principal of, and interest on, its indebtedness; (iii) that certain of the Company's borrowings could be financed at variable rates of interest, which exposes the Company to the risk of increased interest rates; and (iv) that the Company may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. These factors may reduce funds available for the Company to pay dividends.

CHANGES IN THE COMPANY'S CREDITWORTHINESS MAY AFFECT THE VALUE OF THE COMPANY'S SECURITIES

The perceived creditworthiness of the Company may affect the market price or value and the liquidity of the Common Shares.

Endnote

(1) This is a non-GAAP financial measure. Refer to the discussion under "Non-GAAP Measures".

Consolidated Financial Statements and Notes

Year ended December 31, 2024

Extendicare Inc.
Dated: February 27, 2025

Extendicare Inc.
Consolidated Financial Statements

Years ended December 31, 2024 and 2023

Management's Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements of Extendicare Inc. ("Extendicare" or the "Company") and other financial information contained in this Annual Report are the responsibility of management. The consolidated financial statements have been prepared in conformity with IFRS® Accounting Standards as issued by the International Accounting Standards Board, using management's best estimates and judgments, where appropriate. In the opinion of management, these consolidated financial statements reflect fairly the financial position, results of operations and cash flows of Extendicare within reasonable limits of materiality. The financial information contained elsewhere in this report has been reviewed to ensure consistency with that in the consolidated financial statements.

A system of internal accounting and administrative controls is maintained by management to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that financial records are properly maintained to provide accurate and reliable consolidated financial statements.

The board of directors of Extendicare (the "Board of Directors" or the "Board") is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board of Directors carries out this responsibility principally through its independent Audit Committee comprised of unrelated and outside directors. The Audit Committee meets regularly during the year to review significant accounting and auditing matters with management and the independent auditors and to review and approve the interim and annual consolidated financial statements of Extendicare.

The consolidated financial statements have been audited by KPMG LLP, which has full and unrestricted access to the Audit Committee. KPMG's report on the consolidated financial statements follows.

MICHAEL GUERRIERE
President and Chief Executive Officer

DAVID BACON
Executive Vice President and Chief Financial Officer

February 27, 2025

KPMG LLP
100 New Park Place, Suite 1400
Vaughan, ON L4K 0J3
Tel 905-265 5900
Fax 905-265 6390
www.kpmg.ca

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Extendicare Inc.

Opinion

We have audited the consolidated financial statements of Extendicare Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2024 and December 31, 2023
- the consolidated statements of earnings for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2024 and December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Evaluation of the impairment assessment of long-term care homes non-financial assets

Description of the matter

We draw attention to Notes 2(c), 3(c), 3(g), 5, and 16 to the financial statements. Property and equipment is a significant portion of the non-financial assets, being $295,231 thousand, and is primarily comprised of long-term care homes, each property being a cash-generating unit ("CGU"). The Entity recognizes impairment losses in net earnings if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

Significant assumptions in determining the recoverable amount of CGUs include:

- the estimated market capitalization or discount rate
- estimated normalized net operating income ("NOI") after adjusting for management fees and capital maintenance, or forecasted cash flows.

During the year ended December 31, 2024, the Company did not record any impairment charges.

Why the matter is a key audit matter

We identified the evaluation of impairment assessment of long-term care homes non-financial assets as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of long-term care homes non-financial assets and the high degree of estimation uncertainty in determining the recoverable amount of long-term care homes non-financial assets. In addition, significant auditor judgment and specialized skills and knowledge were required in evaluating the results of our audit procedures due to the sensitivity of the Entity's determination of recoverable amount to minor changes to significant assumptions.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

For a selection of CGUs, we evaluated the appropriateness of the normalized NOI assumptions by comparing respective assumptions used in the determination of the recoverable amount of the CGUs to actual historical NOI of such CGUs. We took into account changes in conditions and events affecting the CGU to assess the adjustments or lack of adjustments made in arriving at the normalized NOI for such CGUs.

For one CGU, we evaluated the appropriateness of the forecasted cash flow assumption by comparing the forecasted cash flows used in the determination of the recoverable amount of the CGU to actual historical cash flows of a comparable CGU. We took into account expected changes in conditions and events affecting the CGU to assess the adjustments made in arriving at the forecasted cash flows for this CGU.

For a selection of CGUs, we involved valuations professionals with specialized skills and knowledge, who assisted in evaluating the appropriateness of the capitalization or discount rate assumptions by comparing the capitalization or discount rate against published reports of real estate industry commentators for long-term care homes.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is W. G. Andrew Smith.

Vaughan, Canada

February 27, 2025

Extendicare Inc.
Consolidated Statements of Financial Position
As at December 31

(thousands of dollars)	*notes*	2024	2023
Assets			
Current assets			
Cash and cash equivalents		**121,846**	75,184
Restricted cash		**710**	729
Accounts receivable	*4*	**92,324**	88,370
Income taxes recoverable	*19*	**—**	2,656
Other assets	*7*	**28,819**	20,199
Total current assets		**243,699**	187,138
Non-current assets			
Property and equipment	*5*	**295,231**	295,897
Goodwill and other intangible assets	*6*	**120,907**	124,307
Other assets	*7*	**29,433**	34,977
Deferred tax assets	*19*	**5,772**	5,885
Investment in joint ventures	*8*	**24,746**	24,527
Total non-current assets		**476,089**	485,593
Total assets		**719,788**	672,731
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities		**241,497**	203,259
Income taxes payable	*19*	**20,293**	3,248
Current portion of long-term debt	*10*	**31,093**	19,879
Total current liabilities		**292,883**	226,386
Non-current liabilities			
Long-term debt	*10*	**261,394**	314,637
Provisions	*9*	**9,055**	10,343
Other long-term liabilities	*11*	**24,943**	23,351
Deferred tax liabilities	*19*	**7,161**	10,094
Total non-current liabilities		**302,553**	358,425
Total liabilities		**595,436**	584,811
Share capital	*13*	**469,328**	467,347
Equity portion of convertible debentures	*10*	**—**	7,085
Contributed surplus	*12*	**14,331**	13,087
Accumulated deficit		**(352,546)**	(393,471)
Accumulated other comprehensive loss		**(6,761)**	(6,128)
Shareholders' equity		**124,352**	87,920
Total liabilities and equity		**719,788**	672,731

See accompanying notes to the consolidated financial statements.
Commitments and Contingencies and Subsequent Event (*Note 20).*

Alan D. Torrie
Chairman

Michael Guerriere
President and Chief Executive Officer

Extendicare Inc.
Consolidated Statements of Earnings
Years ended December 31

(thousands of dollars except for per share amounts)	*notes*	2024	2023
Revenue	*14*	**1,466,202**	1,304,957
Operating expenses		**1,264,713**	1,153,935
Administrative costs		**56,940**	55,835
Total expenses	*15*	**1,321,653**	1,209,770
Earnings before depreciation, amortization, and other		**144,549**	95,187
Depreciation and amortization		**33,336**	32,225
Other (income) expense	*16*	**(2,450)**	2,686
Share of profit from investment in joint ventures	*8*	**(1,933)**	(20)
Earnings before net finance costs and income taxes		**115,596**	60,296
Net finance costs	*17*	**15,735**	15,493
Earnings before income taxes		**99,861**	44,803
Current income tax expense		**27,244**	6,812
Deferred income tax (recovery) expense		**(2,592)**	4,009
Total income tax expense	*19*	**24,652**	10,821
Net earnings		**75,209**	33,982
Basic Earnings per Share			
Net earnings	*18*	**$0.89**	$0.40
Diluted Earnings per Share			
Net earnings	*18*	**$0.86**	$0.40

See accompanying notes to the consolidated financial statements.

Extendicare Inc.
Consolidated Statements of Comprehensive Income
Years ended December 31

(thousands of dollars)	**2024**	**2023**
Net earnings	**75,209**	33,982
Other Comprehensive (Loss) Income, Net of Taxes		
Items that will not be reclassified to profit or loss:		
Defined benefit plan actuarial (losses) gains	**(861)**	2,272
Tax recovery (expense) on changes in defined benefit plan	**228**	(602)
Other comprehensive (loss) income, net of taxes	**(633)**	1,670
Total comprehensive income	**74,576**	35,652

See accompanying notes to the consolidated financial statements.

Extendicare Inc.
Consolidated Statements of Changes in Equity
Years ended December 31

(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		*(1,749,131)*	(9,829)	—	—	(1,227)	—	(11,056)
Share-based compensation	*12*	*178,702*	1,761	—	2,468	(1,202)	—	3,027
Net earnings		—	—	—	—	33,982	—	33,982
Dividends declared	*13*	—	—	—	—	(40,404)	—	(40,404)
Other comprehensive income		—	—	—	—	—	1,670	1,670
Balance at December 31, 2023		*83,158,315*	467,347	7,085	13,087	(393,471)	(6,128)	87,920

(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	***12***	***308,663***	**1,981**	**—**	**1,244**	**(1,336)**	**—**	**1,889**
Net earnings		**—**	**—**	**—**	**—**	**75,209**	**—**	**75,209**
Dividends declared	***13***	**—**	**—**	**—**	**—**	**(40,033)**	**—**	**(40,033)**
Other comprehensive loss		**—**	**—**	**—**	**—**	**—**	**(633)**	**(633)**
Redemption of convertible debentures	***10***	**—**	**—**	**(7,085)**	**—**	**7,085**	**—**	**—**
Balance at December 31, 2024		***83,466,978***	**469,328**	**—**	**14,331**	**(352,546)**	**(6,761)**	**124,352**

See accompanying notes to the consolidated financial statements.

Extendicare Inc.
Consolidated Statements of Cash Flows
Years ended December 31

(thousands of dollars)	*notes*	2024	2023
Operating Activities			
Net earnings		**75,209**	33,982
Adjustments for:			
Share-based compensation		**1,889**	3,027
Depreciation and amortization	*5, 6*	**33,336**	32,225
Net finance costs	*10, 17*	**15,735**	15,493
Current taxes	*19*	**26,675**	6,412
Deferred taxes	*19*	**(2,818)**	4,009
Defined benefit plan expenses	*21*	**996**	1,245
Defined benefit plan contributions	*21*	**(1,864)**	(2,560)
Gain on sale of assets to joint venture, net of tax	*16*	**(2,707)**	(8,720)
Gain on sale of Class C LTC assets, net of tax	*16*	**(7,651)**	—
Share of profit from investment in joint ventures	*8*	**(1,933)**	(20)
Other income and expense	*16*	**2,661**	—
		139,528	85,093
Net change in operating assets and liabilities			
Accounts receivable		**(3,583)**	(29,200)
Other assets		**(5,479)**	2,432
Accounts payable and accrued liabilities		**31,916**	(14,427)
		162,382	43,898
Interest paid, net		**(11,203)**	(11,649)
Income taxes paid, net		**(7,540)**	(8,965)
Net cash from operating activities		**143,639**	23,284
Investing Activities			
Purchase of property, equipment and other intangible assets	*5, 6*	**(41,950)**	(129,413)
Change in other assets	*7*	**1,653**	2,540
Proceeds from sale of assets to joint venture		**20,482**	66,927
Proceeds from sale of Class C LTC assets		**8,990**	—
Investment in joint ventures	*8*	**(718)**	(25,373)
Distributions from investment in joint ventures	*8*	**2,432**	866
Net cash used in investing activities		**(9,111)**	(84,453)
Financing Activities			
Issuance of long-term debt	*10*	**130,000**	38,962
Repayment of long-term debt and lease liabilities	*10*	**(18,936)**	(20,289)
Payment of lease liabilities related to purchase of LTC assets from lessor	*10*	**(29,918)**	—
Redemption of convertible debentures	*10*	**(125,680)**	—
Change in restricted cash		**19**	1,972
Purchase of shares for cancellation	*13*	**—**	(11,056)
Dividends paid	*13*	**(40,020)**	(40,432)
Financing costs	*10*	**(3,331)**	(85)
Net cash used in financing activities		**(87,866)**	(30,928)
Increase (decrease) in cash and cash equivalents		**46,662**	(92,097)
Cash and cash equivalents at beginning of year		**75,184**	167,281
Cash and cash equivalents at end of year		**121,846**	75,184

See accompanying notes to the consolidated financial statements.

1. GENERAL INFORMATION AND NATURE OF THE BUSINESS

The common shares (the “Common Shares”) of Extendicare Inc. 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 consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements were approved by the Board on February 27, 2025.

b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for financial assets and liabilities classified at fair value through profit or loss.

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) Use of Estimates and Judgment

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below. The recorded amounts for such items are based on management’s best available information and are subject to assumptions and judgment, which may change as time progresses; accordingly, actual results could differ from estimates.

A more subjective estimate is the determination of the recoverable amount of cash-generating units (“CGUs”) subject to an impairment test in accordance with IAS 36 *Impairment of Assets*. In addition, the assessment of contingencies and provisions are subject to judgment, the gain on sale of assets to the joint ventures includes variable consideration, and the measurement of variable consideration is subject to judgment.

3. MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

a) Basis of Consolidation

The consolidated financial statements include the accounts of Extendicare and its wholly owned subsidiaries. All material intercompany transactions and balances have been eliminated. The financial statements of Extendicare’s subsidiaries are included within the Company’s consolidated financial statements from the date that control commences until the date that control ceases, and are prepared for the same reporting period as the Company, using consistent accounting policies.

The acquisition method of accounting is used to account for the acquisition of businesses. Consideration transferred on the acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed on the date of the acquisition and transaction costs are expensed as incurred. Identified assets acquired and liabilities assumed are measured at their fair value on the acquisition date. The excess of fair value of consideration given over the fair value of the identifiable net assets acquired is recorded as goodwill, with any gain on a bargain purchase being recognized in net earnings on the acquisition date.

b) Cash and Cash Equivalents

Cash and cash equivalents include unrestricted cash and short-term investments less bank overdraft and outstanding cheques. Short-term investments, comprised of money market instruments, have a maturity of 90 days or less from their date of purchase.

c) Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition or development of the asset. Homes that are constructed or under construction include all incurred expenditures for the development and other direct costs related to the acquisition of land, development and construction of the homes, including borrowing costs of assets meeting certain criteria that are capitalized until the home is completed for its intended use.

Property and equipment, primarily related to long-term care ("LTC") homes, are classified into components when parts of an item have different useful lives. The cost of replacing a component of an item is recognized in the carrying amount of the item if there is future economic benefit and its cost can be measured reliably. Any undepreciated carrying value of the assets being replaced will be derecognized and charged to net earnings upon replacement. The costs of the day-to-day maintenance of property and equipment are recognized in net earnings as incurred.

Depreciation and amortization are computed on a straight-line basis based on the useful lives of each component of property and equipment. Depreciation of LTC homes under construction commences in the month after the home is available for its intended use based upon the useful life of the asset, as outlined in the following table. Land and Construction in Progress are not depreciated. Depreciation methods, useful lives and residual values are reviewed at least annually, and adjusted if appropriate.

Land improvements	10 to 25 years
Buildings:	
Building components:	
Structure and sprinklers systems	50 years
Roof, windows and elevators	25 years
HVAC and building systems	15 to 25 years
Flooring and interior upgrades	5 to 15 years
Building improvements and extensions	5 to 30 years
Furniture and equipment:	
Furniture and equipment	5 to 15 years
Computer equipment	3 to 5 years
Leasehold improvements	Term of the lease and renewal that is reasonably certain to be exercised

d) Government Grants

Government grants are recognized depending on the purpose and form of the payment from the government.

Forgivable loans issued by the government are accounted for as government grants if there is reasonable assurance the Company will meet the terms for forgiveness of the loan. Forgivable loans granted by a provincial or health authority body for the construction of a senior care centre, where the grants are received throughout the duration of the construction project, are netted with the cost of property and equipment to which they relate when such payments are received.

Capital funding payments for the development of a senior care centre that are received from a provincial body subsequent to construction over extended periods of time are present valued and are recorded as notes and amounts receivable included in other assets, with an offset to the cost of property and equipment upon inception; as these grants are received over time, the accretion of the receivable is recognized in interest revenue as part of net finance costs within net earnings.

Government grants are recognized only when there is reasonable assurance that the Company will comply with the conditions attached to the grants and they will be received. Government grants are recognized in net earnings as a deduction from the related expense, systematically over the periods in which the grants are intended to compensate.

e) Leases

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Lease payments for assets that are exempt through the short-term or low-value exemptions and variable payments not based on an index or rate are recognized in operating expenses or administrative costs on a systematic basis.

The lease liability is subsequently increased by the interest cost through accretion and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgment to determine the lease term for leases that include renewal options. The assessment of whether there is reasonable certainty to exercise such options impacts the lease term, which significantly affects the amount of right-of-use assets and lease liabilities recognized.

f) Goodwill and Other Intangible Assets

GOODWILL

Goodwill represents the excess amount of consideration given over the fair value of the underlying net assets acquired in a business combination and is measured at cost less accumulated impairment losses.

OTHER INTANGIBLE ASSETS

Other intangible assets that are acquired are recorded at fair value determined upon acquisition, and if the assets have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets with finite lives are amortized based on cost. Cost includes expenditures that are directly attributable to the acquisition or development of the asset, as well as the preparation of the asset to be capable of operating in the manner intended by management. Subsequent expenditures are capitalized only if future benefit exists. All other expenditures, including expenditures on internally generated goodwill, are recognized in net earnings as incurred.

Amortization methods and useful lives are reviewed at least annually and are adjusted when appropriate.

Customer relationships	15 years
Non-compete agreements	Term of the agreement
Operational entitlements	7 to 30 years
Computer software licences	5 to 7 years
Internal development costs for software	Useful life of software

g) Impairment

Impairment of financial and non-financial assets is assessed on a regular basis. All impairment losses are charged to other expense as part of net earnings before net finance costs and income taxes.

NON-FINANCIAL ASSETS

Non-financial assets consist of property and equipment, intangible assets with finite lives and goodwill.

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the extent of the impairment, if any. For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated annually at the same time or more frequently if warranted. An impairment loss is recognized in net earnings if the carrying amount of an asset or its related CGU, or group of assets on the same basis as evaluated by management, exceeds its estimated recoverable amount. A CGU is defined to be the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets. The Company has identified the home health care segment and each individual LTC home as a CGU.

The determination of recoverable amount can be significantly impacted by estimates related to current market valuations, current and future economic conditions in the geographical markets of each CGU, and management's strategic plans within each of its markets. The significant assumptions used in the determination of the recoverable amount of the home health care segment CGU including the related goodwill include normalized earnings before interest, depreciation and amortization and the earnings multiple. The significant assumptions used in the determination of the recoverable amount for a LTC home CGU include normalized net operating income, after adjusting for management fees and capital maintenance, or forecasted cash flows, and estimated market capitalization or discount rate.

Goodwill is allocated to its respective CGUs for the purpose of impairment testing. Corporate assets that do not generate separate cash flows and are utilized by more than one CGU are allocated to each CGU for the purpose of impairment testing and are not tested for impairment separately.

Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the assets in the CGU on a pro rata basis. Impairment losses on goodwill cannot be reversed. In respect of other non-financial assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

FINANCIAL ASSETS

Financial assets are reviewed at each reporting date using the expected credit loss ("ECL") impairment model which applies to all financial assets except for investments in equity securities.

The Company has elected to use the simplified approach and calculates impairment loss on account receivable when there has been a significant increase in credit risk of lifetime ECL. The other ECL models applied to other financial assets also require judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset.

Impairment losses are recorded in operating expenses in the consolidated statements of earnings with the carrying amount of the financial asset reduced through the use of impairment allowance accounts.

h) Employee Benefits

DEFINED BENEFIT PLANS

Defined benefit plans are post-employment plans with a defined obligation to employees in return for the services rendered during the term of their employment with the Company. The net obligation of these plans is calculated separately for each plan by estimating the present value of future benefit that employees have earned in return for their service in the current and prior periods. Past service costs are recognized during the period in which they are incurred, and the fair value of any plan assets are deducted. The discount rate used in deriving the present value is the yield at the reporting date on AA credit-rated corporate bonds that have maturity dates approximating the Company's obligations and are denominated in the same currency in which the benefits are expected to be paid.

The calculation of the future benefit of the plan is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the plan, the recognized asset is limited to the present value of economic benefits available in the form of reductions in future contributions to the plan.

All actuarial gains and losses arising from defined benefit plans are recognized in other comprehensive income ("OCI") during the period in which they are incurred.

DEFINED CONTRIBUTION PLANS

The Company has corporate specific and multi-employer defined benefit pension plans. Multi-employer defined benefit pension plans are accounted for as defined contribution plans as the liability per employer is not available. Defined contribution plans are post-employment plans where the costs are fixed and there are no legal or constructive obligations to pay further amounts. Obligations for such contributions are recognized as employee benefit expense in net earnings during the periods in which services are rendered by employees.

SHORT-TERM EMPLOYEE BENEFITS

The Company has vacation, paid sick leave and short-term disability plans along with other health, drug and welfare plans for its employees. These employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are rendered.

i) Share-based Compensation

EQUITY-SETTLED LONG-TERM INCENTIVE PLANS

Awards for deferred share units ("DSUs") and performance share units ("PSUs") are a share-based component of director and executive compensation, which are accounted for based on the intended form of settlement. Under a long-term incentive plan ("LTIP"), the Board has the discretion to settle the DSU and PSU awards in cash, market-purchased Common Shares, or Common Shares issued from treasury. Based on the Board's intention to settle the awards in Common Shares issued from treasury, the PSU and DSU awards are accounted for as equity-settled awards. Settlement of the DSUs and PSUs are net of any applicable taxes and other source deductions required to be withheld by the Company, which amounts are anticipated to approximate 50% of the fair value of the award on the redemption date. The compensation expense for these equity-settled awards is prorated over the vesting or performance period, with a corresponding increase to contributed surplus. The fair value of each award is measured at the grant date. Forfeitures are estimated at the grant date and are revised to reflect changes in expected or actual forfeitures. In addition, PSU and DSU participants are credited with dividend equivalents in the form of additional units when dividends are paid on Common Shares in the ordinary course of business.

j) Provisions

Provisions comprise estimated decommissioning provisions. A provision is recognized when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and that obligation can be measured reliably. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. Any increase in the provision due to passage of time is recognized as accretion expense and recognized as part of net finance costs. Provisions are reviewed on a regular basis and adjusted to reflect management's best current estimates. Due to the judgmental nature of these items, future settlements may differ from amounts recognized.

DECOMMISSIONING PROVISIONS

Management has determined that future costs could be incurred for possible asbestos remediation of the Company's pre-1980 constructed homes. Although asbestos is currently not a health hazard in any of these homes, appropriate remediation procedures may be required to remove potential asbestos-containing materials, consisting primarily of floor and ceiling tiles, in connection with any major renovation or demolition.

The fair value of the decommissioning provisions related to asbestos remediation is estimated by computing the present value of the estimated future costs of remediation based on estimated expected dates of remediation. The computation is based on a number of assumptions, which may vary in the future depending upon the availability of new information, changes in technology and in costs of remediation, and other factors.

k) Fair Value Measurement

The Company measures certain financial instruments at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: in the principal market for the asset or liability; or in the absence of a principal market, in the most advantageous market for the asset or liability.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the following fair value hierarchy:

Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or

Level 3 – unobservable inputs such as inputs for the asset or liability that are not based on observable market data.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety, categorization of which is re-assessed at the end of each reporting period. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

l) Financial Instruments

FINANCIAL ASSETS AND LIABILITIES

Financial assets are classified as measured at fair value through profit and loss (“FVTPL”), fair value through other comprehensive income (“FVOCI”), or amortized cost. The classification depends on the Company’s business model for managing its financial instruments and the characteristics of the contractual cash flows associated with the instruments.

Financial assets and liabilities classified as measured at amortized cost are initially recognized at fair value (net of any transaction costs) and are subsequently measured at amortized cost using the effective interest method less allowance for credit losses for financial assets.

Financial assets classified as measured at FVOCI are initially recognized at fair value and transaction costs are recognized in net earnings. Subsequently, unrealized gains and losses are recognized in other comprehensive income. Upon derecognition, realized gains and losses are reclassified from other comprehensive income and are recognized in net earnings for debt instruments and remain in other comprehensive income for equity investments. Interest income, foreign exchange gains/losses and impairments from debt instruments as well as dividends from equity investments are recognized in net earnings.

Financial assets and liabilities classified as measured at FVTPL are initially recognized at fair value and transaction costs are recognized in net finance costs in net earnings, along with gains and losses arising from changes in fair value.

Financial liabilities are measured as FVTPL if they are classified as held for trading or are designated as such. Other non-derivative financial liabilities are classified as amortized cost. Derivative financial liabilities are classified as FVTPL.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used to manage risks from fluctuations in interest rates. All derivative instruments, including embedded derivatives that must be separately accounted for, are valued at their respective fair values in the consolidated financial statements.

The Company currently does not have any fair value, cash flow or net investment hedges.

m) Revenue

The Company recognizes revenue for the transfer of goods or services to customers at an amount that reflects the consideration expected to be received for those goods or services. The Company generates revenue primarily from the provision of services to LTC residents, home health care services and managed services.

LONG-TERM CARE

Services provided to residents include the provision of accommodation and meals, assistance with activities of daily living and continuing care. Programs and services are offered to all residents and specialty programs are offered for those with cognitive needs. Revenue from the LTC segment is regulated by provincial authorities and provincial programs fund a substantial portion of these fees with a co-payment for accommodation being paid by the residents. Accommodation and services are delivered as a bundle and revenue is recognized over time, typically on a monthly basis, which reflects when the services are provided. The frequency that funding is received depends on the jurisdiction in which the LTC home operates and varies between a monthly or more frequent basis; and payments from residents are typically due at the beginning of each month.

In some cases, the Company's funding is based on occupancy levels achieved or certain policy conditions being met such as spending or staffing hour requirements. In these cases, the Company estimates the amount of funding that it expects to be entitled to for the services provided.

HOME HEALTH CARE

Home health care services provided include complex nursing care, occupational, physical and speech therapy and assistance with daily activities to accommodate clients of all ages living at home. Revenue from the home health care segment is also regulated by provincial authorities. Revenue is derived from both government and private-pay clients. Performance obligations are satisfied as services are delivered and revenue is therefore recognized over time, typically as the services are provided to the customer. Private-pay services provided are invoiced at the end of each month based on the services provided, and the billing frequency of government-funded services varies between monthly and bi-weekly depending on the jurisdiction in which the Company operates.

MANAGED SERVICES

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. Rates are contractual, and these contracts are typically accounted for as a single performance obligation because goods or services are delivered concurrently. Revenue is recognized over time, typically on a monthly basis, which reflects when the services are provided.

n) Finance Costs, Finance Income, and Deferred Financing Costs

Finance costs include: interest expense on long-term debt; accretion of the discount on decommissioning provisions and convertible debentures; losses on the change in fair value of financial assets and liabilities designated as FVTPL; and losses in foreign exchange on non-Canadian dollar-based financial assets.

Finance income includes interest income on funds invested, gains on the change in fair value of financial assets and liabilities designated as FVTPL, accretion on deferred consideration and gains in foreign exchange on non-Canadian based financial assets.

Deferred financing costs are deducted against long-term debt and are amortized using the effective interest rate method over the term of the debt.

o) Income Taxes

The Company and its subsidiaries are subject to income taxes as imposed by the jurisdictions in which they operate, in accordance with the relevant tax laws of such jurisdictions. The provision for income taxes for the period comprises current and deferred tax.

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the jurisdictions in which the Company operates. Deferred income tax is calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

The income tax rates used to measure deferred tax assets and liabilities are those rates enacted or substantially enacted at the reporting date and are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Current and deferred income tax assets and liabilities are offset when there is a legally enforceable right of offset; and the income taxes are levied by the same taxation authority on either the same taxable entity or different taxable entities, which intend either to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously, for each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

The ultimate realization of deferred tax assets is dependent upon if the generation of future taxable income is probable during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

p) Segmented Reporting

The Company operates solely within Canada, hence, no geographical segment disclosures are presented. Segmented information is presented in respect of business segments, based on management's internal reporting structure.

q) Joint Ventures

Joint ventures are accounted for in the Company's consolidated financial statements as investments using the equity method, whereby the investment is initially recognized at cost, and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income or loss of the joint venture from the date of acquisition, increased by the Company's contributions and reduced by distributions received. The Company's share of joint venture profit or loss is included in the consolidated statements of earnings.

Unrealized gains and losses arising from transactions with the joint ventures are eliminated against the investment in the joint ventures to the extent of the Company's interest in the joint ventures; unrealized losses are eliminated to the extent that there is no evidence of impairment.

r) Accounting Standards Adopted During the Period

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.

s) Future Changes in Accounting Policies

PRESENTATION AND DISCLOSURE IN FINANCIAL STATEMENTS

In April 2024, the IASB published its new standard IFRS 18 *Presentation and Disclosure in Financial Statements.* This standard will replace IAS 1 *Presentation of Financial Statements* and introduce new presentation and disclosure requirements, including updates to the statement of earnings and disclosures relating to performance measures. The new standard will be effective January 1, 2027 onwards. The Company is currently assessing the potential impact of this standard on its consolidated financial statements.

4. ACCOUNTS RECEIVABLE

	2024	**2023**
Trade receivables	**91,596**	87,201
Other receivables	**3,585**	3,431
Accounts receivable	**95,181**	90,632
Less: trade receivable allowance	**(2,857)**	(2,262)
Accounts receivable, net of allowance	**92,324**	88,370

5. 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 8)*	—	—	—	—	(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	**—**	**236**	**2,911**	**1,164**	**22,090**	**16,297**	**42,698**
Derecognition	**—**	**—**	**(1,178)**	**—**	**—**	**—**	**(1,178)**
Write-offs	**—**	**—**	**—**	**—**	**(479)**	**—**	**(479)**
Sale of assets to joint venture (*Note 8*)	**—**	**—**	**—**	**—**	**(16,059)**	**(257)**	**(16,316)**
Sale of Class C LTC assets (*Note 16)*	**(616)**	**(4,692)**	**—**	**(2,420)**	**—**	**—**	**(7,728)**
Purchase of LTC assets from lessor	**—**	**38,711**	**(82,581)**	**—**	**—**	**—**	**(43,870)**
Transfers	**699**	**11,442**	**—**	**3,891**	**2,521**	**(18,553)**	**—**
December 31, 2024	**38,847**	**389,998**	**25,592**	**81,473**	**41,116**	**4,904**	**581,930**

	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	**607**	**11,557**	**5,380**	**7,824**	**—**	**—**	**25,368**
Derecognition	**—**	**—**	**(767)**	**—**	**—**	**—**	**(767)**
Sale of Class C LTC assets (*Note 16*)	**(214)**	**(4,311)**	**—**	**(1,369)**	**—**	**—**	**(5,894)**
Purchase of LTC assets from lessor	**—**	**—**	**(44,914)**	**—**	**—**	**—**	**(44,914)**
December 31, 2024	**7,005**	**217,308**	**13,272**	**49,114**	**—**	**—**	**286,699**
Carrying Amounts							
December 31, 2023	32,152	134,239	52,867	36,179	33,043	7,417	295,897
December 31, 2024	**31,842**	**172,690**	**12,320**	**32,359**	**41,116**	**4,904**	**295,231**

Purchase of LTC Assets from Lessor

In the fourth quarter of 2024, the Company exercised its option to acquire nine Ontario LTC homes built between 2001 and 2003 that it had been operating under 25-year lease agreements, and repaid the related lease liability (*Note 10).*

6. 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	**—**	**—**	**7,661**	**7,661**
December 31, 2024	**45,850**	**20,809**	**107,123**	**173,782**

	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	**—**	**1,266**	**7,134**	**8,400**
Impairment (*Note 16*)	**—**	**2,661**	**—**	**2,661**
December 31, 2024	**—**	**4,477**	**48,398**	**52,875**
Carrying Amounts				
December 31, 2023	45,850	20,259	58,198	124,307
December 31, 2024	**45,850**	**16,332**	**58,725**	**120,907**

7. OTHER ASSETS

	2024	2023
Construction funding subsidy receivable	**27,949**	29,602
Supply inventory	**4,671**	4,899
Prepayments and other	**25,632**	20,675
Total other assets	**58,252**	55,176
Less: current portion	**(28,819)**	(20,199)
Other assets, non-current portion	**29,433**	34,977

Construction Funding Subsidy Receivable

Construction funding subsidy receivable represents discounted amounts receivable from the Government of Ontario with respect to construction funding subsidies for LTC homes. As at December 31, 2024, the current portion of construction funding subsidy receivable was $1.6 million (December 31, 2023 – $1.7 million). These subsidies represent funding for a portion of LTC home construction costs over a 20-year to 25-year period. The weighted average remaining term of this funding is 14 years.

8. JOINT VENTURES

Axium Extendicare LTC II LP

Axium Extendicare LTC II LP (“Axium JV II”) owns 19 Class A 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 for a customary management fee.

In 2023, Extendicare sold four of its redevelopment projects to Axium JV (the “Axium Transaction”). In 2024, the Company completed the sale of its Orleans, Ontario 256-bed LTC home currently under construction, to Axium JV.

Axium JV owns five LTC homes located in Ontario, two of which are operational and three of which are under construction.

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

	2024	2023
Interest in Axium JV II - 15% ownership	**16,326**	16,637
Interest in Axium JV - 15% ownership	**8,420**	7,890
Total	**24,746**	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:

	2024	2023[ii]
Current assets (including cash and cash equivalents - $33,261)	**57,593**	41,873
Non-current assets	**751,203**	607,142
Total assets	**808,796**	649,015
Current liabilities (Current portion of long-term debt - $135,857)	**274,786**	189,056
Long-term debt	**369,721**	292,362
Other long-term liabilities	**7,648**	6,785
Total liabilities	**652,155**	488,203
Total net assets (100%)	**156,641**	160,812
Company share of net assets (15%)	**23,467**	24,527
Difference between investment carrying amount and underlying equity in net assets[i]	**1,279**	—
Carrying amount of investment in joint ventures	**24,746**	24,527

[i]Relates primarily to provincial land transfer taxes and losses not attributable to Extendicare.
[ii]Certain comparative information has been reclassified to conform to the current year presentation.

	2024	2023
Investment in joint ventures as at January 1	**24,527**	—
Investment in joint ventures	**718**	25,373
Distributions from investment in joint ventures	**(2,432)**	(866)
Share of profit from investment in joint ventures	**1,933**	20
Investment in joint ventures as at end of year	**24,746**	24,527

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

	2024	2023[i]
Revenue	**407,858**	140,223
Operating expenses	**366,698**	131,295
Administrative costs	**241**	14
Earnings before depreciation, amortization, and net finance costs	**40,919**	8,914
Depreciation and amortization	**16,538**	4,717
Other expense	**—**	146
Net finance costs	**11,502**	3,917
Net income (100%)	**12,879**	134
Company share of net income (15%)	**1,933**	20

[i]For the period after the Company completed the acquisition of its 15% managed interest in Axium JV II.

9. PROVISIONS

	Decommissioning Provisions
January 1, 2023	10,512
Accretion	370
Change in measurement	(539)
December 31, 2023	10,343
Provisions released	**(856)**
Accretion	**158**
Change in measurement	**(590)**
December 31, 2024	**9,055**

Decommissioning Provisions

The decommissioning provisions relate to possible asbestos remediation of the Company's pre-1980 constructed homes. An estimated undiscounted cash flow amount of approximately $11.0 million (December 31, 2023 – $12.3 million) was discounted using a rate of 3.05% (December 31, 2023 – 3.18%) over an average estimated time to settle of 6 years.

10. LONG-TERM DEBT

	Interest Rate	Year of Maturity	2024	2023
Convertible unsecured subordinated debentures	5.00%	2025	**—**	124,867
CMHC mortgages, fixed rate	2.65% - 7.70%	2026 - 2037	**36,771**	39,878
CMHC mortgages, variable rate	Variable	2027	**19,878**	20,507
Non-CMHC mortgages and loans	3.49% - 5.64%	2025 - 2038	**95,003**	99,499
Lease liabilities(i)	4.27% - 5.50%	2025 - 2029	**14,736**	52,447
Senior secured credit facility, term loan(ii)	4.99%	2027	**130,000**	—
Total debt			**296,388**	337,198
Deferred financing costs			**(3,901)**	(2,682)
Total debt, net of deferred financing costs			**292,487**	334,516
Less: current portion			**(31,093)**	(19,879)
Long-term debt			**261,394**	314,637

(i) 'Year of Maturity' excludes options to extend the lease term at the end of the non-cancellable lease term.
(ii) Further discussion on interest rate in the Senior Secured Credit Facility section below.

Principal Repayments

	Mortgages and Loans		Lease	Credit	
	Regular	Maturity	Liabilities	Facility	Total
2025	7,557	17,109	3,082	6,500	34,248
2026	7,630	—	2,869	6,500	16,999
2027	6,122	43,297	2,387	117,000	168,806
2028	5,712	—	1,757	—	7,469
2029	6,010	—	1,420	—	7,430
Thereafter	50,342	7,873	6,128	—	64,343
Total debt principal and lease liability repayments	83,373	68,279	17,643	130,000	299,295
Interest on lease liabilities	—	—	(2,907)	—	(2,907)
Principal and lease liabilities, after interest	83,373	68,279	14,736	130,000	296,388

Long-term Debt Continuity

	2024	2023[i]
As at January 1	**334,516**	383,974
Issuance of long-term debt	**130,000**	38,962
New lease liabilities	**2,911**	1,251
Accretion and other	**1,108**	1,148
Repayments of long-term debt	**(8,232)**	(7,983)
Payment of lease liabilities	**(2,514)**	(3,086)
Payment of lease liabilities related to purchased LTC assets from lessor	**(8,190)**	(9,220)
Increase in deferred financing costs	**(3,331)**	(85)
Amortization of deferred financing costs and other	**1,817**	1,805
Assumed debt related to the Axium Transaction (*Note 8*)	**—**	(72,250)
Redemption of convertible debentures	**(125,680)**	—
Release of lease liabilities related to purchase of LTC assets from lessor	**(29,918)**	—
As at end of year	**292,487**	334,516

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

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 was 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.

On December 16, 2024 (the "Redemption Date"), the Company exercised its option to redeem all of the outstanding 2025 Debentures. The 2025 Debentures were 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 ceased from and after the Redemption Date and the 2025 Debentures were delisted from the facilities of the TSX at the close of markets on December 16, 2024. The full amount of the redemption payment was allocated to the liability component, resulting in a loss on redemption of $0.8 million (*Note 17*).

CMHC Mortgages

The Company has various mortgages insured through the Canada Mortgage and Housing Corporation ("CMHC") program. The fixed rate CMHC mortgages are secured by several Canadian financial institutions at rates ranging from 2.65% to 7.70% with maturity dates through to 2037. The Company has one variable rate CMHC mortgage secured by a Canadian financial institution at a variable rate based on the lender's cost of funds plus 225 basis points.

Non-CMHC Mortgages and Loans

In May 2022, the Company amended an existing loan agreement to increase the principal amount by $5.4 million and extended the term. The amended loan matures in April 2027 and the Company entered into an interest rate swap contract to lock in the interest rate at a fixed rate of 5.40% per annum. Fair value adjustments related to an interest rate swap contract on a mortgage were a loss of $0.5 million for the year ended December 31, 2024 (December 31, 2023 – loss of $0.1 million), recorded in net finance costs.

The Company has a number of conventional mortgages and loans on certain LTC homes, at rates ranging from 3.49% to 5.64%.

Lease Liabilities

Lease liabilities include head office and district office leases. The liabilities associated with the head and district office leases contain remaining initial non-cancellable lease terms of up to 5 years. Some leases provide the Company with options to extend at the end of the term.

During the year ended December 31, 2024, the Company has recognized new and renewed district office lease liabilities of $2.9 million (December 31, 2023 – $1.3 million).

In the fourth quarter of 2024, the Company used cash on hand to purchase for $29.9 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%).

Senior Secured Credit Facility

In the fourth quarter of 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 maturing in November 2027, 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 was fully used to redeem the 2025 Debentures in the fourth quarter of 2024. 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.

In the fourth quarter of 2024, the Company entered into swap contracts with a syndicate of Canadian chartered banks for the Delayed Draw Facility. The swaps fix the CORRA portion of the interest rate of the credit facility at a rate of 2.74%, and mature in November 2029. Fair value adjustments related to interest rate swap contracts on the Delayed Draw Facility were a loss of $0.2 million for the year ended December 31, 2024 (December 31, 2023 – nil), recorded in net finance costs.

As at December 31, 2024, $23.2 million of the facility secures the Company's defined benefit pension plan obligations (December 31, 2023 – nil), $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, and $2.4 million was used in connection with obligations relating to LTC homes (December 31, 2023 – nil), leaving $108.5 million unutilized (December 31, 2023 – nil).

Interest Rates

The weighted average interest rate of all long-term debt as at December 31, 2024, was approximately 5.1% (December 31, 2023 – 5.4%).

Financial Covenants

The Company is subject to debt service coverage covenants on certain of its loans and its Senior Secured Credit Facility. The Company was in compliance with all covenants as at December 31, 2024.

11. OTHER LONG-TERM LIABILITIES

	2024	**2023**
Accrued pension and benefits obligation *(Note 21)*	**20,508**	19,570
Interest rate swaps	**563**	—
Other	**3,872**	3,781
Other long-term liabilities	**24,943**	23,351

Interest Rate Swaps

Interest rate swaps include a swap contract relating to a loan with a notional amount of $27.7 million (December 31, 2023 – $28.7 million), to lock in a rate of 5.40% for the full term of the loan, maturing in April 2027.

Interest rate swaps also include swap contracts relating to the Delayed Draw Facility with a notional amount of $130.0 million (December 31, 2023 - nil). The swaps fix the CORRA portion of the interest rate of the credit facility at a rate of 2.74%, and mature in November 2029.

All interest rate swap contracts are measured at FVTPL and are categorized as Level 2 on the fair value hierarchy, and hedge accounting has not been applied. Changes in fair value are recorded in net finance costs.

As at December 31, 2024, the interest rate swaps were classified as a liability of $0.6 million (December 31, 2023 – asset of $0.1 million).

12. SHARE-BASED COMPENSATION

Equity-settled Long-term Incentive Plan

The Company’s 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 DSUs for non-employee directors and 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	
(number of units)	**2024**	**2023**
Settled in Common Shares issued from treasury	**308,663**	178,702
Settled in cash	**346,655**	180,313
DSUs and PSUs settled during the year	**655,318**	359,015

The Company’s DSUs and PSUs were an expense of $4.5 million for the year ended December 31, 2024 (December 31, 2023 – $4.2 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:

	2024	**2023**
Contributed surplus – DSUs	**6,132**	6,240
Contributed surplus – PSUs	**8,199**	6,847
Total	**14,331**	13,087

As at December 31, 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)	**2024**	**2023**	**2024**	**2023**
Units outstanding, beginning of year	**857,813**	670,671	**1,486,841**	1,302,586
Granted	**97,145**	133,874	**564,584**	541,178
Reinvested dividend equivalents	**49,267**	53,268	**92,223**	102,286
Change due to performance and forfeiture	**—**	—	**(43,690)**	(100,194)
Settled	**(179,214)**	—	**(476,104)**	(359,015)
Units outstanding, end of year	**825,011**	857,813	**1,623,854**	1,486,841
Weighted average fair value of units granted during the period at grant date	**$8.49**	$6.64	**$8.19**	$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 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:

			2024			**2023**
Grant date	**Nov 22, 2024**	**Aug 22, 2024**	**Mar 19, 2024**	Nov 21, 2023	Aug 22, 2023	Mar 14, 2023
Vesting date	**Mar 19, 2027**	**Mar 19, 2027**	**Mar 19, 2027**	Mar 14, 2026	Mar 14, 2026	Mar 14, 2026
PSUs granted	**37,671**	**28,065**	**498,848**	9,288	2,088	529,802
Fair value of AFFO component	**$5.11**	**$4.20**	**$3.81**	$3.25	$3.30	$3.16
Fair value of TSR component	**$6.28**	**$4.75**	**$4.09**	$3.34	$3.25	$3.19
Grant date fair value	**$11.39**	**$8.95**	**$7.90**	$6.59	$6.55	$6.35
Expected volatility of the Company's Common Shares	**21.39 %**	**20.66 %**	**18.43 %**	18.48 %	17.79 %	19.18 %
Expected volatility of the Index	**12.99 %**	**16.17 %**	**15.85 %**	16.94 %	16.06 %	16.43 %
Risk-free rate	**3.37 %**	**3.24 %**	**3.94 %**	4.32 %	4.68 %	3.50 %
Dividend yield	**nil**	**nil**	**nil**	nil	nil	nil

13. 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 year ended December 31, 2024 and 2023, the Company declared cash dividends of $0.48 per share.

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. There were no purchases under this NCIB during the year ended December 31, 2024.

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 year ended December 31, 2024.

14. REVENUE

Funding for the Company's LTC homes and home health care services is regulated by provincial authorities. Revenue from provincial programs represented approximately 78% of the Company's LTC revenue (December 31, 2023 – 77%), and approximately 99% of the home health care revenue for 2024 (December 31, 2023 – 99%).

15. EXPENSES BY NATURE

	2024	**2023**(i)
Employee wages and benefits	**1,145,212**	1,028,553
Food, drugs, supplies and other variable costs	**64,685**	67,149
Property based and leases	**54,288**	57,298
Other	**57,468**	56,770
Total operating expenses and administrative costs	**1,321,653**	1,209,770

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

16. OTHER INCOME AND EXPENSE

	2024	2023
Impairment *(Note 6)*	**2,661**	—
Strategic transformation costs	**6,042**	11,806
Gain on sale of assets to joint venture	**(2,922)**	(9,120)
Gain on sale of Class C LTC assets	**(8,231)**	—
Total other (income) expense	**(2,450)**	2,686

Impairment

GOODWILL AND OTHER INTANGIBLE ASSETS

The Company completed its annual impairment assessment of the carrying value of goodwill. There was no impairment of goodwill during the years ended December 31, 2024 and December 31, 2023.

During the year ended December 31, 2024, the Company recorded an impairment charge of $2.7 million, in respect of its operational entitlement contracts with Revera Inc. and its affiliates ("Revera") due to the anticipated sale of 30 LTC homes to the Company and a third party that will result in the Company's existing management agreements with Revera in respect of the 30 LTC homes terminating in accordance with their terms upon closing of the two transactions (*Note 20*).

PROPERTY AND EQUIPMENT

During the years ended December 31, 2024 and December 31, 2023, the Company did not record any impairment charges.

The Company completes the assessment of the recoverable amount of its CGUs as follows:

Each LTC home is a CGU and is assessed by comparing the recoverable amount (in this case the value in use) of each CGU, determined using the direct capitalization method, to their carrying values. The direct capitalization method divides the estimated normalized net operating income, after adjusting for management fees and capital maintenance using an estimated market capitalization rate of 9.0%, derived from a combination of third-party information and industry trends.

In the case of one Alberta LTC home, this was assessed by comparing the recoverable amount determined using the discounted cash flow method, to its carrying value. The discounted cash flow method takes into account forecasted cash flows using an estimated discount rate of 18.17%, derived from third-party information and adjusted for cash-flow specific risks.

Strategic Transformation Costs

During the year ended December 31, 2024, the Company incurred costs related to the strategic transformation of the Company related to the transactions with Revera and Axium in respect of the ownership, operation and redevelopment of LTC homes (*Note 8*). Costs incurred include transaction, legal, regulatory, IT integration and management transition costs of $6.0 million (December 31, 2023 – $11.8 million).

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, before taxes of $0.2 million, 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 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.

In the fourth quarter of 2024, the Company completed the sale of the land and building associated with its vacated Kingston Class C LTC home for proceeds of $3.7 million. The book value of the net assets was $0.1 million, resulting in a gain, before taxes, certain closing and other costs of $0.3 million, of $3.6 million.

17. NET FINANCE COSTS

	2024	2023
Interest expense	**20,145**	20,630
Interest revenue	**(7,039)**	(6,192)
Accretion	**1,110**	974
Loss on redemption of convertible debentures	**820**	—
Fair value adjustments and other	**699**	81
Net finance costs	**15,735**	15,493

Loss on Redemption of Convertible Debentures

Upon the early redemption of the 2025 Debentures on December 16, 2024 (*Note 10*), the loss on redemption of convertible debentures of $0.8 million for the liability component was recognized in net finance costs.

18. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net earnings for the period by the weighted average number of shares outstanding during the period, including vested DSUs awarded that have not settled. Diluted earnings per share is calculated by adjusting the net earnings and the weighted average number of shares outstanding for the effects of all dilutive instruments.

The Company's potentially dilutive instruments include the convertible debentures and equity-settled compensation arrangements. The number of shares included with respect to the PSUs is computed using the treasury stock method. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share.

The following table reconciles the numerator and denominator of the basic and diluted earnings per share computation.

	2024	2023
Numerator for Basic and Diluted Earnings per Share		
Net earnings		
Net earnings for basic earnings per share	**75,209**	33,982
Add: after-tax interest on convertible debt	**6,661**	6,338
Net earnings for diluted earnings per share	**81,870**	40,320
Denominator for Basic and Diluted Earnings per Share		
Actual weighted average number of shares	**83,389,426**	84,237,271
Actual weighted average number of DSUs	**829,062**	748,344
Weighted average number of shares for basic earnings per share	**84,218,488**	84,985,615
Shares issued if all convertible debt was converted	**9,889,205**	10,326,531
PSUs	**1,254,367**	907,281
Total for diluted earnings per share	**95,362,060**	96,219,427
Basic Earnings per Share (*in dollars*)		
Net earnings	**$0.89**	$0.40
Diluted Earnings per Share (*in dollars*)		
Net earnings	**$0.86**	$0.40

19. INCOME TAXES

Effective Tax Rate

The major factors that caused variations from the expected combined Canadian federal and provincial statutory income tax rates were as follows:

	2024	**2023**
Earnings before income taxes	**99,861**	44,803
Tax rate	**26.5 %**	26.5 %
Income taxes at statutory rates of 26.5%	**26,463**	11,873
Income tax effect relating to the following items:		
Non-deductible items	**649**	1,089
Non-taxable income	**(2,150)**	(2,139)
Other items	**(310)**	(2)
Income tax expense	**24,652**	10,821

Summary of Operating and Capital Loss Carryforwards

The Company and its subsidiaries have nominal operating loss carryforwards available as at December 31, 2024 (December 31, 2023 – nil), which are recognized in deferred tax assets. Capital loss carryforwards of $60.0 million (December 31, 2023 – $71.5 million) which have not been tax benefited, are available indefinitely to apply against future capital gains.

Recognized Deferred Tax Assets and Liabilities

Deferred income taxes are provided for temporary differences between the carrying values of assets and liabilities and their respective tax values as well as available tax loss carryforwards. Management believes it is more likely than not that the Company's corporate subsidiaries will realize the benefits of these deductible differences.

Net deferred tax liabilities changed in 2024 to $1.4 million (deferred tax liabilities of $7.2 million net of deferred tax assets of $5.8 million) from a net deferred tax liability position of $4.2 million (deferred tax liabilities of $10.1 million net of deferred tax assets of $5.9 million) at December 31, 2023.

The significant components of deferred income tax assets and liabilities and the movement in these balances during the year were as follows:

	Balance January 1, 2024	**Recognized in Net Earnings**	**Recognized in Other Comprehensive Income**	**Other**	**Balance December 31, 2024**
Property and equipment, goodwill and other intangible assets	**24,520**	**(2,505)**	**—**	**—**	**22,015**
Provisions	**(2,911)**	**331**	**—**	**—**	**(2,580)**
Accrued pension and benefits obligation	**(5,961)**	**230**	**(228)**	**—**	**(5,959)**
Operating loss carryforwards	**—**	**—**	**—**	**—**	**—**
Other	**(11,439)**	**(647)**	**—**	**(1)**	**(12,087)**
Deferred tax liabilities/(assets), net	**4,209**	**(2,591)**	**(228)**	**(1)**	**1,389**

	Balance January 1, 2023	**Recognized in Net Earnings**	**Recognized in Other Comprehensive Income**	**Other**	**Balance December 31, 2023**
Property and equipment, goodwill and other intangible assets	21,598	2,922	—	—	24,520
Provisions	(3,040)	129	—	—	(2,911)
Accrued pension and benefits obligation	(6,911)	348	602	—	(5,961)
Operating loss carryforwards	(851)	851	—	—	—
Other	(11,197)	(241)	—	(1)	(11,439)
Deferred tax (assets)/liabilities, net	(401)	4,009	602	(1)	4,209

20. COMMITMENTS AND CONTINGENCIES

Commitments

As at December 31, 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 for its key IT cloud-based applications in support of the Company's growth initiatives. The expected payments towards those obligations are due as follows:

	Construction Commitments	Technology Commitments	Total
2025	84,184	9,173	93,357
2026	88,514	9,025	97,539
2027 and thereafter	5,090	9,771	14,861
Total	177,788	27,969	205,757

In the third quarter of 2024, the Company entered into a $81.7 million fixed-price construction agreement in connection with the construction of a new 256-bed LTC home in St. Catharines, Ontario. In the fourth quarter of 2024, the Company entered into a $41.1 million fixed-price construction agreement in connection with the construction of a new 128-bed LTC home in Port Stanley, Ontario, and a $60.2 million fixed-price construction agreement in connection with the construction of a new 192-bed LTC home in London, Ontario.

Subsequent to the fourth quarter of 2024, the Company entered into an agreement of purchase and sale to sell the aforementioned LTC homes currently under construction to Axium JV, with Extendicare retaining a 15% managed interest. The transaction is anticipated to close in the second quarter of 2025, subject to customary closing conditions, including receipt of regulatory approvals from the Ontario Ministry of Long-Term Care.

In the fourth quarter of 2024, the Company entered into an agreement with Revera to acquire nine Class C LTC homes located in Ontario and Manitoba and one parcel of vacant land located in Ontario (the "Transaction"). Closing of the Transaction is subject to customary closing conditions, including receipt of regulatory approvals from the Ontario Ministry of Long-Term Care, the Ontario Retirement Homes Regulatory Authority, Manitoba Health and the Winnipeg Regional Health Authority, and is not conditional on financing or due diligence. The Transaction is anticipated to close in mid-2025. The aggregate cash consideration for the Transaction is approximately $60.3 million, subject to customary and other adjustments. The purchase price is expected to be funded from cash on hand and the Company's existing Senior Secured Credit Facility.

Relatedly, the Company has been advised by Revera that Revera has entered into a sale agreement with a third party pursuant to which that third party will acquire 21 of Revera's Class C LTC homes located in Ontario that are currently managed by the Company, subject to regulatory approval. Upon closing of the two transactions, the Company's existing management agreements with Revera in respect of the 30 homes, as well as related development arrangement agreements, will terminate in accordance with their terms (*Note 16*).

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 December 31, 2024, 25 LTC homes within the joint ventures have existing credit facilities available of up to $691.4 million. The guarantees provided by the Company vary depending upon 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 vary as borrowings increase on projects under construction and reduce as homes become operational, when guarantee requirements are generally lower. As at December 31, 2024, the Company has provided unsecured guarantees of $219.9 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 December 31, 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 in respect of owned and managed homes 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 December 31, 2024. This matter could have a materially adverse impact on the Company's business, results of operations and financial condition.

21. EMPLOYEE BENEFITS

Retirement compensation arrangements are maintained for certain employee groups as described below.

Defined Benefit Plans

The Company has benefit arrangements for certain of its executives, which include a registered defined benefit pension plan, as well as supplementary plans that provide pension benefits in excess of statutory limits and post-retirement health and dental benefits. These plans have been closed to new entrants for several years. The plans are exposed to various risks, including longevity risk, currency risk, interest rate risk and market risks.

The different types of defined benefit plans of the Company are listed below.

	Defined Benefit Plan		**Supplementary Defined Benefit Plans**		**Total**	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**
Fair value of plan assets	**4,238**	3,997	**2,545**	2,545	**6,783**	6,542
Present value of obligations	**5,231**	5,261	**24,039**	23,775	**29,270**	29,036
Deficit	**(993)**	(1,264)	**(21,494)**	(21,230)	**(22,487)**	(22,494)

DEFINED BENEFIT PLAN

As required by law, the registered defined benefit pension plan is funded through a trust, and the Company is responsible for meeting the statutory obligations for funding this plan. The funding requirement for past service is determined based on separate actuarial valuations for funding purposes, which are completed every three years. The last actuarial review was performed effective October 1, 2021 and completed in early 2022.

SUPPLEMENTARY DEFINED BENEFIT PLANS

The supplementary defined benefit pension plan is funded through a retirement compensation arrangement and secured through a letter of credit that is renewed annually.

The supplementary health and dental benefit plan is unfunded. The Company does not set aside other assets for this plan and the benefit payments are funded from cash generated from operations.

DEFINED BENEFIT OBLIGATIONS

	2024	2023
Present Value of Defined Benefit Obligations		
Accrued benefit obligations		
Balance at beginning of year	**29,036**	32,301
Current service cost	**5**	14
Benefits paid	**(2,140)**	(2,539)
Interest costs	**1,285**	1,538
Actuarial loss (gain)	**1,084**	(2,278)
Balance at end of year	**29,270**	29,036
Plan assets		
Fair value at beginning of year	**6,542**	6,220
Employer contributions	**54**	595
Actual gain (loss) on plan assets	**223**	(6)
Interest income on plan assets	**294**	307
Benefits paid	**(330)**	(574)
Fair value at end of year	**6,783**	6,542
Defined benefit obligations	**22,487**	22,494

The Company's defined benefit obligations are recorded in the consolidated statements of financial position as follows:

	2024	2023
Accounts payable and accrued liabilities	**1,979**	2,924
Other long-term liabilities *(Note 11)*	**20,508**	19,570
Defined benefit obligations, end of year	**22,487**	22,494

EFFECT OF CHANGES TO DEFINED BENEFIT OBLIGATIONS

	2024	2023
Expenses Recognized in Net Earnings		
Annual benefit plan expenses		
Current service cost	**5**	14
Interest costs	**991**	1,231
Defined benefit plan expenses included in administrative costs	**996**	1,245
Actuarial (Loss) Gain Recognized in Other Comprehensive Income		
Amount in accumulated deficit at January 1	**(6,077)**	(7,747)
Actuarial (loss) gain arising from changes in liability experience and assumption changes	**(1,084)**	2,278
Gain (loss) on assets	**223**	(6)
Income tax recovery (expense) on actuarial adjustments	**228**	(602)
Amount in accumulated deficit at December 31	**(6,710)**	(6,077)

PLAN ASSETS

	2024	2023
Equities	**58 %**	53 %
Fixed income securities	**36 %**	39 %
Real estate / commercial mortgage	**6 %**	8 %
	100 %	100 %

ACTUARIAL ASSUMPTIONS

	2024	2023
Discount rate for accrued obligation at end of year	**4.50 %**	4.60 %
Discount rate for plan expenses	**4.60 %**	5.00 %
Rate of compensation increase	**— %**	— %
Income Tax Act limit increase	**3.00 %**	3.00 %
Average remaining service years of active employees	**2**	2
Mortality table	**CPM2014Publ w/ MI-2017**	CPM2014Publ w/ MI-2017

The present value of the pension and benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension and benefit obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and those that have terms to maturity approximating the terms of the related pension liability.

Changes to the following actuarial assumptions, while holding the other assumptions constant, would have affected the defined benefit obligation and related expense for 2024 by the amounts shown below.

	Increase (Decrease) in Benefit Obligation	Increase (Decrease) in Net Earnings
Discount rate		
1% increase	(2,105)	85
1% decrease	2,420	(114)
Mortality rate		
10% increase	(691)	(32)
10% decrease	759	35

Defined Contribution Plans

The Company maintains registered savings and defined contribution plans and matches up to 120% of the employees' contributions according to seniority, subject to a maximum based on the salary of the plan participants. Contributions to these various plans in December 31, 2024 were $14.6 million (December 31, 2023 – $14.6 million).

22. MANAGEMENT OF RISKS AND FINANCIAL INSTRUMENTS

a) Management of Risks

LIQUIDITY RISK

Liquidity risk is the risk that the Company will encounter difficulty in meeting its contractual obligations. The Company manages its liquidity risk through the use of budgets and forecasts. Cash requirements are monitored regularly based on actual financial results and actual cash flows to ensure that there are sufficient resources to meet operational requirements.

In addition, since there is a risk that current borrowings and long-term debt may not be refinanced or may not be refinanced on as favourable terms or with interest rates as favourable as those of the existing debt, the Company attempts to appropriately structure the timing of contractual long-term debt renewal obligations and exposures.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

As at December 31, 2024	Carrying Amount	Contractual Cash Flows	Less than 1 Year	1-2 Years	2-5 Years	More than 5 Years
CMHC mortgages, fixed rate	**36,771**	**47,471**	4,802	4,744	12,317	25,608
CMHC mortgages, variable rate	**19,878**	**22,946**	2,016	2,016	18,914	—
Non-CMHC mortgages and loans	**95,003**	**120,256**	25,185	7,630	41,642	45,799
Lease liabilities	**14,736**	**17,643**	3,082	2,869	5,564	6,128
Senior secured credit facility, term loan	**130,000**	**157,456**	12,778	12,454	132,224	—
Accounts payable and accrued liabilities	**241,497**	**241,497**	241,497	—	—	—
Income taxes payable	**20,293**	**20,293**	20,293	—	—	—
	558,178	**627,562**	**309,653**	**29,713**	**210,661**	**77,535**

The gross outflows presented above represent the contractual undiscounted cash flows.

In addition to cash generated from its operations and cash on hand as at December 31, 2024, the Company has available undrawn credit facilities totalling $108.5 million (December 31, 2023 – $70.9 million).

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the Company by failing to discharge its obligation. The nature and maximum exposure to credit risk as at December 31 was:

	Carrying Amount	
	2024	**2023**
Cash and cash equivalents	**121,846**	75,184
Restricted cash	**710**	729
Accounts receivable, net of allowance	**92,324**	88,370
Construction funding subsidy receivable	**27,949**	29,602
Interest rate swap contracts	**(563)**	135
	242,266	194,020

Cash and Cash Equivalents

Cash and cash equivalents are held with highly-rated financial institutions in Canada.

Restricted Cash

Restricted cash is cash held mainly on account of lender capital reserves with highly-rated financial institutions in Canada, and minimal credit risk.

Accounts Receivable, Net of Allowance

The Company evaluates the adequacy of its provision for expected credit losses on trade and other receivables by conducting a specific account review of amounts in excess of predefined target amounts and aging thresholds, and are considered based upon historical credit loss experiences for each payor type and age of the receivables, adjusted for current and forecasted future economic conditions. Accounts receivable that are specifically estimated to be uncollectible, based upon the above process, are fully reserved for in the provision for receivable impairment until they are written off or collected.

Receivables from government agencies represent the only concentrated group of accounts receivable for the Company, which is primarily from provincial government agencies. Management does not believe there is any credit risk associated with these government agencies other than possible funding delays. Accounts receivable other than from government agencies consist of private individuals that are subject to different economic conditions, none of which represents any concentrated credit risk to the Company.

As at December 31, 2024, receivables from government agencies represented approximately 57% of the total receivables (December 31, 2023 – 62%). Management continuously monitors reports from trade associations or notes from provincial or federal agencies that announce possible delays that are rare to occur and usually associated with changes of fiscal intermediaries or changes in information technology or forms.

The aging analysis of these trade receivables is as follows:

	2024	2023
Current	**67,849**	63,684
Between 30 and 90 days	**16,731**	14,623
Over 90 days	**7,016**	8,894
Less: provision for receivable impairment	**(2,857)**	(2,262)
	88,739	84,939

Any change in provision for receivables impairment has been included in operating expenses in net earnings. In general, amounts charged to the provision for impairment of trade receivables are written off when there is no expectation of recovering additional cash.

Construction Funding Subsidy Receivable

Included in construction funding subsidy receivable were $27.9 million (December 31, 2023 – $29.6 million) of discounted amounts receivable due from government agencies. These represent amounts funded by the Ontario government for a portion of LTC home construction costs over a 20-year or 25-year period *(Note 7)*. The Company does not believe there is any credit exposure for these amounts due from government agencies.

Interest Rate Swap Contracts

Interest rate swap contracts are entered with highly-rated financial institutions in Canada.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

To mitigate interest rate risk, the Company's debt portfolio includes fixed-rate debt and variable-rate debt with interest rate swaps in place. At December 31, 2024, CMHC variable-rate mortgages of $19.9 million (December 31, 2023 – $20.5 million) are variable-rate debt, which do not have interest rate swaps in place. The Company's Senior Secured Credit Facility, and future borrowings, may be at variable rates which would expose the Company to the risk of interest rate volatility (*Note 10*).

Although the majority of the Company's long-term debt is effectively at fixed rates, there can be no assurance that as debt matures, renewal rates will not significantly impact future income and cash flow. The Company does not account for any fixed-rate liabilities at FVTPL; consequently, changes in interest rates have no impact on the Company's fixed-rate debt, including the Senior Secured Credit Facility, and therefore, would not impact net earnings.

Below is the interest rate profile of the Company's interest-bearing financial instruments, which reflects the impact of the interest rate swaps:

	2024		2023	
	Percentage of Total Debt	**Carrying Amount**	**Percentage of Total Debt**	**Carrying Amount**
Fixed-rate long-term debt[(i)(ii)]	**93.3 %**	**276,510**	93.9 %	316,691
Variable-rate long-term debt[(i)]	**6.7 %**	**19,878**	6.1 %	20,507
Total	**100.0 %**	**296,388**	100.0 %	337,198

[(i)] Includes current portion and excludes netting of deferred financing costs.
[(ii)] Includes Senior Secured Credit Facility.

Fair Value Sensitivity Analysis for Variable-rate Instruments

All long-term debt with variable rates are classified as other financial liabilities, which are measured at amortized cost using the effective interest method of amortization; therefore, changes in interest rates would not affect OCI or net earnings with respect to variable-rate debt. The value of the interest rate swaps is subject to fluctuations in interest rates, and changes in fair value of these swaps are recognized in net earnings.

Cash Flow Sensitivity Analysis for Variable-rate Instruments

An increase of 100 basis points in interest rates would have decreased net earnings by $0.1 million and a decrease of 100 basis points in interest rates would have increased net earnings by $0.1 million. This analysis assumes that all other variables, in particular foreign currency rates, remains constant, and excludes variable interest rate debt that is locked in through interest rate swaps.

b) Fair Values of Financial Instruments

Financial Instruments are comprised of cash and cash equivalents, restricted cash, accounts receivable, construction funding receivable, accounts payable and accrued liabilities, long-term debt, and interest rate swap contracts.

The following table presents the fair value and fair value hierarchy of certain 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 remaining financial instruments approximate their fair values except for the items presented below.

As at December 31, 2024	**Carrying Amount**	**Fair Value**	**Fair Value Hierarchy**
Financial assets			
Construction funding subsidy receivable(i)	**27,949**	**26,826**	Level 2
	27,949	**26,826**	
Financial liabilities			
Long-term debt(i)(ii)	**151,652**	**150,308**	Level 2
Senior secured credit facility, term loan	**130,000**	**111,731**	Level 2
	281,652	**262,039**	

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)(iii)	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, credit facility and netting of deferred financing costs.
(iii) Excludes leases, convertible debentures and netting of deferred financing costs.

BASIS FOR DETERMINING FAIR VALUES

The following summarizes the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the previous table.

The fair values of convertible debentures are based on the closing price of the publicly traded convertible debentures on each reporting date, and the fair values of mortgages and other debt are estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

23. CAPITAL MANAGEMENT

The Company accesses the capital markets periodically to fund acquisitions, growth capital expenditures and certain other expenditures. The Company monitors the capital markets to assess the conditions for changes in capital and the cost of such capital relative to the return on any acquisitions or growth capital projects. Funds raised in the capital markets that are not deployed in acquisitions or growth projects are held in high-quality investments with surplus cash held in secure institutions. The Company manages the cash position and prepare monthly cash flow projections over the remaining and future fiscal periods, and continuously monitors the level, nature and maturity dates of debt and level of leverage and interest coverage ratios to ensure compliance with debt covenants. The Company provides information to the Board on a regular basis in order to carefully evaluate any significant cash flow decisions.

Capital Structure

The Company defines its capital structure to include long-term debt, net of cash and cash equivalents, and share capital.

	2024	**2023**
Current portion of long-term debt[(i)]	**31,093**	19,879
Long-term debt[(i)]	**261,394**	314,637
Total debt	**292,487**	334,516
Less: cash and cash equivalents	**(121,846)**	(75,184)
Net debt	**170,641**	259,332
Share capital	**469,328**	467,347
Total capital structure	**639,969**	726,679

[(i)] Net of deferred financing costs.

24. RELATED PARTY TRANSACTIONS

Compensation of Key Management Personnel

The remuneration of directors and key management personnel of the Company was as follows:

	2024	**2023**
Salaries and short-term benefits	**4,535**	3,799
Share-based compensation	**3,233**	2,804
Total compensation	**7,768**	6,603

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 16*).

As at December 31, 2024, $1.9 million (December 31, 2023 – $5.2 million) of the Company's accounts receivable is related to its joint ventures, and $3.3 million (December 31, 2023 – $2.7 million) of the Company's other long-term liabilities is related to unrealized gain. For the year ended December 31, 2024, $18.2 million (December 31, 2023 – $5.6 million) of its revenue related to the joint ventures.

There were $2.4 million of distributions from the joint ventures to the Company for the year ended December 31, 2024 (December 31, 2023 – $0.9 million).

25. SIGNIFICANT SUBSIDIARIES

The following is a list of the significant subsidiaries as at December 31, 2024, all of which are 100% directly or indirectly owned by the Company.

	Jurisdiction of Incorporation
Extendicare (Canada) Inc.	Canada
ParaMed Inc.	Canada

26. SEGMENTED INFORMATION

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

The LTC segment represents the 51 LTC 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.

					2024
	Long-term Care	**Home Health Care**	**Managed Services**	**Corporate**	**Total**
Revenue	**827,448**	**566,046**	**72,708**	**—**	**1,466,202**
Operating expenses	**727,644**	**503,292**	**33,777**	**—**	**1,264,713**
Net operating income	**99,804**	**62,754**	**38,931**	**—**	**201,489**
Administrative costs				**56,940**	**56,940**
Earnings before depreciation, amortization, and other					**144,549**
Depreciation and amortization				**33,336**	**33,336**
Other income				**(2,450)**	**(2,450)**
Share of profit from investment in joint ventures				**(1,933)**	**(1,933)**
Earnings before net finance costs and income taxes					**115,596**
Net finance costs				**15,735**	**15,735**
Earnings before income taxes					**99,861**
Current income tax expense				**27,244**	**27,244**
Deferred income tax recovery				**(2,592)**	**(2,592)**
Total income tax expense				**24,652**	**24,652**
Net earnings					**75,209**

					2023
	Long-term Care	**Home Health Care**	**Managed Services**	**Corporate**	**Total**
Revenue	788,101	469,085	47,771	—	1,304,957
Operating expenses	706,301	424,927	22,707	—	1,153,935
Net operating income	81,800	44,158	25,064	—	151,022
Administrative costs				55,835	55,835
Earnings before depreciation, amortization, and other					95,187
Depreciation and amortization				32,225	32,225
Other expense				2,686	2,686
Share of profit from investment in joint ventures				(20)	(20)
Earnings before net finance costs and income taxes					60,296
Net finance costs				15,493	15,493
Earnings before income taxes					44,803
Current income tax expense				6,812	6,812
Deferred income tax expense				4,009	4,009
Total income tax expense				10,821	10,821
Net earnings					33,982

Board of Directors

Alan D. Torrie Non-executive Chairman

Norma Beauchamp [HRG&S, QR]

Donald E. Clow [A, I] Chair of the Investment Committee

Dr. Michael Guerriere President and Chief Executive Officer

Sandra L. Hanington [A, HRG&S] Chair of the Human Resources, Governance and Sustainability Committee

Brent Houlden [A, I] Chair of the Audit Committee

Heather-Anne Irwin [HRG&S, QR]

Donna E. Kingelin [QR] Chair of the Quality and Risk Committee

Samir Manji [I]

Committees: A Audit; HRG&S Human Resources, Governance and Sustainability; I Investment; QR Quality and Risk

Leadership

Dr. Michael Guerriere President and Chief Executive Officer

David Bacon Executive Vice President and Chief Financial Officer

John Toffoletto Senior Vice President, Chief Legal Officer and Corporate Secretary

Steve Paraskevopoulos Senior Vice President, ParaMed and Chief Technology Officer

Katie LeMoyne Senior Vice President and Chief Human Resources Officer

Mark Trenholm Senior Vice President, Finance

Dr. Mathew Morgan Chief Medical Officer

Kathryn Bradley Vice President, Corporate Development

Danielle Parr Vice President, Public Affairs

Stock Exchange Listing

Toronto Stock Exchange Symbol: EXE

Transfer Agent

Computershare Trust Company of Canada | T 800.564.6253 | F 866.249.7775 | E service@computershare.com
www.computershare.com

Published Information

Additional information about Extendicare, including this report, is available for viewing or printing on its website, in addition to news releases, quarterly reports and other filings with the securities commissions.
Printed copies are available upon request.

Visit Extendicare's website at www.extendicare.com

Extendicare

3000 Steeles Avenue East, Suite 400, Markham, Ontario, Canada L3R 4T9
T 905.470.4000 | F 905.470.5588 | www.extendicare.com