Management's Discussion and Analysis

Q1 2025

Extendicare Inc.
Dated: May 6, 2025

Management's Discussion and Analysis

Three months ended March 31, 2025
Dated: May 6, 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").

The Company has a 15% managed interest in each of two limited partnership joint ventures with Axium LTC Limited Partnership (with its affiliates "Axium"). 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.

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 three months ended March 31, 2025. This MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2025, and the notes thereto (the "consolidated financial statements"), together with the annual MD&A and the audited consolidated financial statements for the year ended December 31, 2024, and the notes thereto, prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB"). The accompanying consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, as issued by the 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, 2025, 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 May 6, 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 Closing the Gap Healthcare Group Inc. and certain affiliates (collectively, "Closing the Gap"), including anticipated closing date, synergies and earnout amounts, and the agreements entered into with Revera Inc. and its affiliates ("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

Expanding Home Health Care Segment With Agreement to Acquire Closing the Gap Healthcare Group

As announced on May 1, 2025, the Company, through its wholly owned home health care subsidiary, ParaMed has entered into an agreement to acquire all of the issued and outstanding shares of Closing the Gap from the ultimate shareholders of Closing the Gap (the "CTG Transaction").

Closing of the CTG Transaction is subject to customary closing conditions, including receipt of consents from third parties, including the Minister of Health for Ontario and the Minister of Seniors and Long-Term Care for Nova Scotia, and is not conditional on financing or due diligence. The CTG Transaction is anticipated to close in the third quarter of 2025.

Founded in 1990, Closing the Gap is a leading provider of integrated home and community-based healthcare services in Ontario and Nova Scotia, delivering adult and pediatric care services in patients' homes and community clinics. In addition to personal support and nursing services, Closing the Gap has deep expertise in allied health services, including physiotherapy, occupational therapy, speech language pathology, nutrition and social work. In the twelve months ended December 31, 2024, Closing the Gap's approximately 1,200 caregivers delivered over 1.1 million service hours and ADV of 3,109.

The aggregate cash consideration for the CTG Transaction is approximately $75.5 million on a debt-free, cash-free basis, subject to customary and other adjustments. The CTG Transaction also includes an earnout tied to new business revenue generation in the twelve months after closing. The purchase price and earnout is expected to be funded from cash on hand and existing senior secured credit facilities.

The Company anticipates that the additional purchase price from the earnout would be in the range of $3.5 to $5.5 million, payable on the first anniversary of closing, adding an estimated incremental $7.0 to $11.0 million in revenue. Additionally, the Company expects to generate approximately $1.1 million in annualized cost synergies in the first year following closing as back-office functions of the two companies are integrated.

Based on Closing the Gap's 2024 financial performance, the CTG Transaction would have added to the Company's home health care segment for 2024 approximately $84.2 million in revenue with margins very similar to those of ParaMed. The approximate impact on AFFO[(1)], assuming the CTG Transaction was funded from cash on hand, would have been an increase in AFFO per basic share of approximately $0.06.

On a combined pro forma basis, giving effect to the CTG Transaction, the Company's home health care segment service volumes for 2024 would have been approximately 12.1 million hours and ADV of 33,164.

Agreement to Acquire Nine LTC Homes From Revera and Related Transactions

As previously announced, 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 Company's 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 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. Upon closing of the transaction, the Company's existing management agreements with Revera in respect of the nine homes, as well as related development agreements, will terminate in accordance with their terms.

Relatedly, Revera advised Extendicare that it completed a previously announced transaction to sell 21 of Revera's Class C LTC homes located in Ontario that were managed by Extendicare to a third party (the "Third-Party Sale"). Upon closing of the transaction on May 1, 2025, the Company's existing management agreements with Revera in respect of the 21 homes, as well as related development agreements, terminated in accordance with their terms.

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(1) of approximately $109.3 million and $6.8 million, respectively.

On the same basis, the annual impact on AFFO(1), assuming the LTC Acquisition is funded from cash on hand, would add approximately $1.4 million increasing AFFO per basic share by $0.02.

Ontario LTC Redevelopment Activities

As at May 6, 2025, the Company has six LTC redevelopment projects under construction in Ontario within the Joint Ventures, 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".

OPENED LTC HOME (256 BEDS) IN AXIUM JV AND INITIATED SALE OF VACATED CLASS C HOME

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 has initiated the sale process for the vacated West End Villa property.

COMPLETED SALE OF THREE LTC REDEVELOPMENT PROJECTS (576 beds) TO AXIUM JV

In May 2025, the Company completed the sale of its LTC redevelopment projects in Port Stanley (128 beds), London (192 beds) and St. Catharines (256 beds) to Axium JV for cash proceeds of $56.3 million, net of Extendicare's 15% retained interest, holdbacks and closing costs. The net book value of the projects was $43.0 million, resulting in an estimated gain of $12.5 million (before taxes of $1.4 million), net of holdbacks, closing and other costs (refer to *Note 16* of the consolidated financial statements).

Dividend Increase

The Company increased its dividend by 5.0% to 4.2 cents per month effective with the dividend declared in March 2025, reflecting improved performance and growth in all three business segments and a dividend payout ratio for 2024 below 50%. 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 2025 First Quarter Financial Review", "Liquidity and Capital Resources" and "Risks and Uncertainties".

Home Health Care Funding Increases Support Service Expansion

As previously disclosed, in November 2024, Ontario Health atHome ("OHH") confirmed a 4.0% bill rate increase for 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 were made in Q1 2025 that resulted in the recognition of out-of-period revenue and expense of $11.0 million, with no impact on NOI.

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

BUSINESS OVERVIEW

As at March 31, 2025, the Company operated 122 LTC homes, composed of 50 homes (6,751 beds) wholly owned by the Company and 72 homes (10,165 beds) under management contracts with third parties through Extendicare Assist, including 28 LTC homes owned by the Joint Ventures, in which the Company holds a 15% managed interest. The Company's network of 122 LTC homes has capacity for 16,916 residents across three provinces in Canada, with Ontario, Manitoba and Alberta accounting for 79.5%, 11.5% and 9.0% of residents served, respectively.

On a combined pro forma basis, giving effect to the pending LTC Acquisition and the Third-Party Sale that closed in Q2 2025, the Company would operate 101 LTC homes (14,538 beds), composed of 59 homes (8,147 beds) wholly owned by the Company and 42 homes (6,391 beds) managed through Extendicare Assist, including 28 operating LTC homes owned by the Joint Ventures. Refer to the discussion under "Significant Developments – Agreement to Acquire Nine LTC Homes From Revera and Related Transactions",

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 148,200 beds across Canada, as at March 31, 2025.

The Company's home health care operations, ParaMed, delivered approximately 11.2 million hours of home health care services for the trailing twelve months ended March 31, 2025. 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 March 31, 2025.

	# 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)	3	2	704	512	15 %	Equity method

(i) Subsequent to March 31, 2025, the Company completed the sale of three LTC redevelopment projects (576 beds) to Axium JV (refer to "Significant Developments – Ontario LTC Redevelopment Activities").

Environmental, Social and Governance ("ESG") Responsibility

The Company has a stated purpose of helping people live better. In 2024, Extendicare conducted a broad consultation with its team members, partners, residents, patients and their family members to renew its Mission, Vision and Values, which guide and reaffirm its approach to ESG. Driven by a mission to provide people with the care they need wherever they call home, the Company's approach is focused on people and the communities it serves, through its commitment to improve its care programs, and to meet growing demand growing demand for its services as more Canadians require long-term care and home health care for support. With this in mind, commitment to ESG and ESG conscious practices have long been interwoven throughout the Company's strategy and operations, from the way the Company designs its long-term care homes and invests in supports for its teams, to the diversity of Extendicare's personnel.

With support and engagement from the Board and management, the Human Resources, Governance and Sustainability Committee has oversight of ESG, while the Audit Committee ensures accurate ESG-related financial information disclosure. For more information on the Company's ESG initiatives, including a copy of its most recent ESG Insights report published in May 2025, please refer to the Company's website at www.extendicare.com under the "ESG" section.

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 for the three months ended March 31, 2025 and 2024. 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" and "2025 First Quarter Financial Review" for additional details to understand the impacts on the business segments.

	Three months ended March 31,				Year ended December 31,	
	2025		2024		2024	
Operating Segments as % of	**Revenue**	**NOI**	**Revenue**	**NOI**	**Revenue**	**NOI**
Long-term care	**52.8 %**	**42.2 %**	56.2 %	56.6 %	56.4 %	49.5 %
Home health care	**42.2 %**	**38.0 %**	39.1 %	24.0 %	38.6 %	31.2 %
Managed services	**5.0 %**	**19.8 %**	4.7 %	19.4 %	5.0 %	19.3 %
Total	**100.0 %**	**100.0 %**	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 50 LTC homes with capacity for 6,751 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 91 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 2,643 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.

As at May 6, 2025, there have been no significant government funding changes implemented for LTC in 2025 in Ontario, Alberta and Manitoba.

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

The following summarizes OHH funding changes announced for home health care during 2024 that resulted in retroactive adjustments in Q4 2024 and Q1 2025.

As previously disclosed, in November 2024, OHH confirmed a 4.0% bill rate increase for 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 March 31, 2025, this 4.0% rate increase represented incremental annual revenue of approximately $21.1 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 were made in Q1 2025 that resulted in the recognition of a out-of-period revenue and expense of $11.0 million, 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 March 31, 2025, Extendicare Assist held management contacts with 72 LTC homes with capacity for 10,165 residents including 1,131 private pay retirement beds, and provided 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 entered into agreements to sell 30 of its Class C homes operated by Extendicare Assist under management contracts, 21 of which were sold to third parties on May 1, 2025, and the remaining nine Class C homes are to be acquired by the Company, with closing anticipated in Q2 2025. Upon closing of the transactions, the management agreements in respect of the 30 homes, as well as related development arrangement agreements, will terminate in accordance with their terms. On a pro forma basis, giving effect to the two transactions, Extendicare Assist would provide management contract services to 42 LTC homes with capacity for 6,391 residents.

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 March 31, 2025, SGP provided services to third parties and joint ventures to which the Company is a party representing approximately 148,200 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. 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	**2025**				**2024**			**2023**
Average Occupancy(i) ***(%)***	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Total LTC	**97.5%**	98.0%	98.4%	97.8%	97.5%	97.8%	97.8%	97.2%
Change over prior year period (bps)	**—**	20	60	60	90	330	430	470
Sequential quarterly change (bps)	**(50)**	(40)	60	30	(30)	—	60	60
Ontario LTC								
Total ON LTC	**98.2%**	98.5%	99.1%	98.7%	98.6%	98.7%	98.9%	98.7%
Preferred Accommodation(ii)								
"New" homes – private	**96.8%**	95.9%	96.2%	95.4%	94.0%	91.9%	92.2%	92.2%
"C" homes – private	**92.3%**	94.5%	93.5%	94.8%	93.3%	92.7%	94.6%	92.7%
"C" homes – semi-private	**72.9%**	72.5%	70.8%	67.0%	66.6%	65.3%	63.4%	61.9%

(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 (91 ward-style beds at the end of Q1 2025; 99 ward-style beds at the end of Q4 2024; and 185 ward-style beds at the end of Q4 2023).

(ii) 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.

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 May 6, 2025.

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(iii)	Axium JV	15.0 %	152	256	Q3-24	Q1-27	106.4
Port Stanley(iii)	Axium JV	15.0 %	60	128	Q4-24	Q1-27	52.7
London(iii)	Axium JV	15.0 %	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.

(iii) Subsequent to March 31, 2025, the Company completed the sale of three LTC redevelopment projects (576 beds) to Axium JV (refer to "Significant Developments – Ontario LTC Redevelopment Activities")

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 Q1 2025, ADV increased to 31,603, up 8.9% from Q1 2024.

Our home health care operations have experienced sequential growth in ADV since 2022. 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	**2025**				**2024**			**2023**
Service Volumes	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Hours of service *(000's)*	**2,844.3**	2,851.4	2,776.7	2,732.5	2,639.7	2,590.5	2,518.8	2,466.3
ADV	**31,603**	30,993	30,181	30,027	29,007	28,158	27,378	27,102
Change over prior year period	**8.9 %**	10.1 %	10.2 %	10.8 %	11.4 %	10.2 %	9.3 %	7.7 %
Sequential quarterly change	**2.0 %**	2.7 %	0.5 %	3.5 %	3.0 %	2.8 %	1.0 %	4.1 %

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 March 31, 2025, Extendicare Assist held management contacts with 72 LTC homes with capacity for 10,165 residents, including 1,131 private pay retirement beds, and provided a further 24 homes with consulting and other services. During Q1 2025, the Company opened Crossing Bridge (256 beds), a new LTC home within Axium JV, bringing the total LTC homes in operation in the Joint Ventures to 28.

As discussed under the heading "Significant Developments – Agreement to Acquire Nine LTC Homes From Revera and Related Transactions", Revera entered into agreements to sell 30 of its Class C homes operated by Extendicare Assist under management contracts, 21 of which were sold to third parties on May 1, 2025, and the remaining nine Class C homes are to be acquired by the Company, with closing anticipated in Q2 2025. Upon closing of the transactions, the management agreements in respect of the 30 homes, as well as related development arrangement agreements, will terminate in accordance with their terms. On a pro forma basis, giving effect to the two transactions, Extendicare Assist would provide management contract services to 42 LTC homes with capacity for 6,391 residents.

SGP continues to grow its market share, increasing its third-party, including joint-venture, beds served by 7.2% at the end of Q1 2025 from Q1 2024, and 1.3% from Q4 2024.

	2025				**2024**			**2023**
Managed Services	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Extendicare Assist Management Contracts								
Homes at period end								
Third party	**44**	44	44	45	45	47	48	50
Joint Ventures	**28**	27	26	26	26	25	25	—
Total homes at period end	**72**	71	70	71	71	72	73	50
Resident capacity								
Third party	**6,279**	6,279	6,279	6,339	6,339	6,601	6,780	5,959
Joint Ventures	**3,886**	3,630	3,438	3,438	3,438	3,182	3,182	—
Total resident capacity	**10,165**	9,909	9,717	9,777	9,777	9,783	9,962	5,959
Change over prior year period	**4.0 %**	1.3 %	(2.5)%	64.1 %	64.1 %	64.2 %	59.1 %	(4.9)%
Sequential quarterly change	**2.6 %**	2.0 %	(0.6)%	— %	(0.1)%	(1.8)%	67.2 %	— %
SGP Clients								
Third-party and joint-venture beds	**148,209**	146,292	143,547	140,937	138,250	136,164	128,901	115,455
Change over prior year period	**7.2 %**	7.4 %	11.4 %	22.1 %	23.7 %	24.1 %	20.5 %	12.9 %
Sequential quarterly change	**1.3 %**	1.9 %	1.9 %	1.9 %	1.5 %	5.6 %	11.6 %	3.3 %

SELECT QUARTERLY FINANCIAL INFORMATION

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

	2025				2024			2023
(thousands of dollars unless otherwise noted)	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Revenue	**374,654**	391,564	359,061	348,482	367,095	350,181	322,529	307,535
Net operating income(1)	**50,228**	53,822	50,117	52,807	44,743	42,778	35,210	28,470
NOI margin(1)	***13.4%***	*13.7%*	*14.0%*	*15.2%*	*12.2%*	*12.2%*	*10.9%*	*9.3%*
Adjusted EBITDA(1)	**35,606**	39,699	36,107	38,611	30,132	28,663	20,770	14,776
Adjusted EBITDA margin(1)	***9.5%***	*10.1%*	*10.1%*	*11.1%*	*8.2%*	*8.2%*	*6.4%*	*4.8%*
Share of (loss) profit from investment in joint ventures	**(126)**	107	431	265	1,130	(578)	598	—
Net earnings	**15,031**	19,928	16,295	25,890	13,096	8,620	11,831	1,951
per basic share *($)*	**0.178**	0.236	0.194	0.307	0.156	0.102	0.139	0.023
per diluted share *($)*	**0.176**	0.232	0.187	0.289	0.154	0.102	0.139	0.023
AFFO(1)	**19,807**	28,977	23,125	23,073	17,630	19,050	12,290	9,037
per basic share *($)*	**0.235**	0.344	0.274	0.274	0.210	0.225	0.145	0.106
per diluted share *($)*	**0.232**	0.318	0.253	0.254	0.197	0.211	0.140	0.105
Maintenance capex (including 15% share of joint ventures)	**2,709**	5,270	4,093	4,829	3,411	4,988	4,895	2,728
Cash dividends declared	**10,198**	10,016	10,016	10,013	9,988	10,000	10,122	10,104
per share *($)*	**0.122**	0.120	0.120	0.120	0.120	0.120	0.120	0.120
Weighted Average Number of Shares *(000's)*								
Basic	**84,345**	84,269	84,237	84,305	84,062	84,297	85,009	85,212
Diluted	**85,468**	94,079	95,556	95,248	95,146	95,507	95,870	96,009

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".

	2025				2024			2023
(thousands of dollars)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Earnings before income taxes	**18,919**	26,719	22,657	32,892	17,593	12,264	13,668	3,105
Add (Deduct):								
Depreciation and amortization	**8,273**	8,497	8,635	8,049	8,155	8,678	9,023	7,173
Net finance costs	**5,118**	4,336	4,164	3,627	3,608	4,429	3,725	3,096
Other expense (income)	**3,170**	254	1,082	(5,692)	1,906	2,714	(5,048)	1,402
Share of loss (profit) from investment in joint ventures	**126**	(107)	(431)	(265)	(1,130)	578	(598)	—
Adjusted EBITDA	**35,606**	39,699	36,107	38,611	30,132	28,663	20,770	14,776
Administrative costs	**14,622**	14,123	14,010	14,196	14,611	14,115	14,440	13,694
Net operating income	**50,228**	53,822	50,117	52,807	44,743	42,778	35,210	28,470

STATEMENT OF EARNINGS

The following provides the consolidated statement of earnings for the periods ended March 31, 2025 and 2024.

	Three months ended March 31,		
(thousands of dollars unless otherwise noted)	2025	2024	Change
Revenue	**374,654**	367,095	7,559
Operating expenses	**324,426**	322,352	2,074
Net operating income(1)	**50,228**	44,743	5,485
Administrative costs	**14,622**	14,611	11
Adjusted EBITDA(1)	**35,606**	30,132	5,474
Depreciation and amortization	**8,273**	8,155	118
Other expense	**3,170**	1,906	1,264
Share of loss (profit) from investment in joint ventures	**126**	(1,130)	1,256
Earnings before net finance costs and income taxes	**24,037**	21,201	2,836
Interest expense (net of capitalized interest)	**4,214**	4,988	(774)
Interest revenue	**(1,377)**	(1,453)	76
Accretion	**585**	393	192
Fair value adjustments	**1,696**	(320)	2,016
Net finance costs	**5,118**	3,608	1,510
Earnings before income taxes	**18,919**	17,593	1,326
Current income tax expense	**6,329**	5,773	556
Deferred income tax recovery	**(2,441)**	(1,276)	(1,165)
Total income tax expense	**3,888**	4,497	(609)
Net earnings	**15,031**	13,096	1,935
Net earnings	**15,031**	13,096	1,935
Add (Deduct)(i)**:**			
Fair value adjustments	**1,247**	(235)	1,482
Other expense	**2,327**	1,401	926
Earnings before separately reported items, net of taxes(1)	**18,605**	14,262	4,343

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

2025 FIRST QUARTER FINANCIAL REVIEW

The following is an analysis of the consolidated results from operations for Q1 2025, as compared to Q1 2024.

Revenue

Revenue of $374.7 million increased by $7.6 million or 2.1% from $367.1 million in Q1 2024. Excluding a net reduction in out-of-period funding of $12.4 million, revenue increased by $20.0 million or 5.8% to $363.7 million from $343.7 million, driven primarily by LTC funding enhancements, timing of spend under flow-through care envelopes, growth in home health care ADV of 8.9%, higher bill rates, and growth in managed services, partially offset by the closure of three Class C LTC homes since the beginning of 2024 in connection with the opening of newly developed LTC homes in Axium JV. The net reduction in out-of-period funding of $12.4 million ($11.0 million in Q1 2025 compared to $23.4 million in Q1 2024), related to $9.8 million recognized by the LTC operations in Q1 2024 and year-over-year change in home health care retroactive funding of $2.6 million ($11.0 million in Q1 2025 compared to $13.6 million in Q1 2024).

Operating Expenses

Operating expenses of $324.4 million increased by $2.1 million or 0.6% from Q1 2024. Excluding the impact of out-of-period costs of $9.2 million, operating expenses increased by $11.3 million or 3.7% to $320.0 million from $308.8 million, largely 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 the impact of closed Class C LTC homes that were redeveloped in Axium JV and one less statutory holiday in Q1 2025 compared to Q1 2024. The year-over-year change in out-of-period costs of $9.2 million related to workers compensation rebates of $6.6 million recognized in Q1 2025 and the reduction in one-time compensation for home health care staff supported by retroactive funding of $2.6 million.

Net Operating Income

Net operating income increased by $5.5 million or 12.3% to $50.2 million (13.4% of revenue) from $44.7 million (12.2% of revenue) in Q1 2024. Excluding the net reduction in out-of-period items of $3.2 million, NOI increased by $8.7 million to $43.6 million (12.0% of revenue) from $34.9 million (10.2% of revenue) in Q1 2024. The 24.9% increase in NOI reflects LTC funding enhancements, growth in home health care ADV of 8.9%, higher bill rates, and growth in managed services, partially offset by higher operating costs across all business segments and a reduction in NOI of approximately $1.0 million from the closed Class C LTC homes that were replaced by redeveloped homes in Axium JV.

Administrative Costs

Administrative costs of $14.6 million in Q1 2025 were comparable to those in the prior year period.

Adjusted EBITDA

Adjusted EBITDA increased by $5.5 million or 18.2% to $35.6 million (9.5% of revenue) from $30.1 million (8.2% of revenue) in Q1 2024, reflecting the increase in NOI. Excluding the impact of out-of-period items of $3.2 million, Adjusted EBITDA increased by $8.7 million or 42.7% to $29.0 million (8.0% of revenue) in Q1 2025 from $20.3 million (5.9% of revenue) in Q1 2024.

Depreciation and Amortization

Depreciation and amortization costs increased by $0.1 million to $8.3 million.

Other Expense

Other expense increased by $1.3 million to $3.2 million in Q1 2025, reflecting higher strategic transformation costs in connection with the Revera and Axium transactions entered into in 2023. The strategic transformation costs incurred include IT integration and management transition costs in both periods. The amounts for Q1 2025, together with those incurred in 2024, were within the original estimate for 2024 of between $7.0 million and $9.0 million, and no further costs are anticipated beyond Q1 2025.

Share of Loss (Profit) From Investment in Joint Ventures

Share of loss (profit) from joint ventures was a loss of $0.1 million in Q1 2025, compared to a profit of $1.1 million in Q1 2024. The decline of $1.2 million largely related to out-of-period items of approximately $0.7 million recognized in Q1 2024, an increase in depreciation and amortization costs and higher net finance costs following the opening of three new LTC homes since the beginning of 2024. Refer to *Note 5* of the consolidated financial statements.

Net Finance Costs

Net finance costs increased by $1.5 million in Q1 2025, reflecting a decrease of $2.0 million in the fair value of interest rate swaps, partially offset by lower interest expense due to a decline in long-term debt and higher interest revenue from cash on hand.

Income Taxes

The income tax provision of $3.9 million for Q1 2025 represented an effective tax rate of 20.6%, as compared to a tax provision of $4.5 million and an effective tax rate of 25.6% in Q1 2024. Excluding the impact of separately reported “other (income) expense” and “fair value adjustments”, the effective tax rate was 21.8% in Q1 2025, compared to 25.6% in Q1 2024.

Net Earnings

The Company reported net earnings of $15.0 million ($0.178 per basic share) compared to $13.1 million ($0.156 per basic share) in Q1 2024. The increase in net earnings of $1.9 million largely resulted from the increase in Adjusted EBITDA of $5.5 million, partially offset by the share of loss from joint ventures, an increase in other expense of $1.3 million ($0.9 million net of tax) and higher net finance 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.

Three months ended March 31 *(thousands of dollars unless otherwise noted)*	**Long-term Care**	**Home Health Care**	**Managed Services**	**Total**
2025				
Revenue	**197,753**	**158,258**	**18,643**	**374,654**
Operating expenses	**176,553**	**139,192**	**8,681**	**324,426**
Net operating income(1)	**21,200**	**19,066**	**9,962**	**50,228**
NOI margin(1)	***10.7%***	***12.0%***	***53.4%***	***13.4%***
2024				
Revenue	206,489	143,531	17,075	367,095
Operating expenses	181,160	132,778	8,414	322,352
Net operating income(1)	25,329	10,753	8,661	44,743
NOI margin(1)	*12.3%*	*7.5%*	*50.7%*	*12.2%*
Change				
Revenue	(8,736)	14,727	1,568	7,559
Operating expenses	(4,607)	6,414	267	2,074
Net operating income(1)	(4,129)	8,313	1,301	5,485

LONG-TERM CARE OPERATIONS

Revenue from LTC operations declined by $8.7 million to $197.8 million in Q1 2025. Excluding $9.8 million in out-of-period funding recognized in Q1 2024, revenue increased by $1.1 million, largely driven by funding increases, timing of spend and improved preferred occupancy, partially offset by lower revenue of approximately $9.8 million due to the closure of three Class C LTC homes since the beginning of 2024, in connection with the opening of newly developed LTC homes in Axium JV.

Net operating income from LTC operations declined by $4.1 million to $21.2 million in Q1 2025 as compared to $25.3 million in Q1 2024, with NOI margins of 10.7% and 12.3%, respectively. Excluding workers compensation rebates of $2.7 million recognized in Q1 2025 and the out-of-period funding of $9.8 million recognized in Q1 2024, NOI improved by $3.0 million or 19.1% to $18.5 million (9.4% of revenue) in Q1 2025 from $15.5 million (7.9% of revenue) in the prior year period, reflecting funding enhancements, timing of spend, improved preferred occupancy, and the impact of one less statutory holiday this quarter (approximately $0.8 million), partially offset by higher operating costs and a reduction in NOI of approximately $1.0 million from the closed Class C LTC homes that were replaced by redeveloped homes in Axium JV.

HOME HEALTH CARE OPERATIONS

Revenue from home health care operations increased by $14.7 million or 10.3% to $158.3 million in Q1 2025 from $143.5 million in Q1 2024. Excluding a reduction in retroactive funding of $2.6 million, revenue increased by $17.3 million or 13.3% to $147.3 million in Q1 2025 from $129.9 in the prior year period, largely driven by 8.9% growth in ADV and bill rate increases. The reduction in retroactive funding of $2.6 million ($11.0 million in Q1 2025 compared to $13.6 million in Q1 2024) related to changes in 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 $8.3 million to $19.1 million (12.0% of revenue) in Q1 2025 from $10.8 million (7.5% of revenue) in Q1 2024. Excluding workers compensation rebates of $3.9 million recognized in Q1 2025 and the reduction in retroactive funding of $2.6 million, NOI improved by $4.4 million or 41.0% to $15.2 million (10.3% of revenue) in Q1 2025 from $10.8 million (8.3% of revenue) in the prior year period, reflecting an 8.9% increase in ADV, rate increases, and one less statutory holiday this quarter (approximately $1.5 million), partially offset by increased wages and benefits.

MANAGED SERVICES

Revenue from managed services increased by $1.6 million or 9.2% to $18.6 million in Q1 2025 compared to Q1 2024, 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 $1.3 million or 15.0% to $10.0 million in Q1 2025 compared to Q1 2024, with NOI margins of 53.4% and 50.7%, respectively, reflecting the increase in revenue, 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 March 31,		
(thousands of dollars unless otherwise noted)	**2025**	**2024**	**Change**
Net earnings	**15,031**	13,096	1,935
Add (Deduct):			
Depreciation and amortization	**8,273**	8,155	118
Depreciation for FFEC (maintenance capex)	**(1,888)**	(1,956)	68
Depreciation for office leases	**(732)**	(737)	5
Other expense	**3,170**	1,906	1,264
Fair value adjustments	**1,696**	(320)	2,016
Current income tax recovery on other expense and fair value adjustments	**(843)**	(505)	(338)
Deferred income tax recovery	**(2,441)**	(1,276)	(1,165)
FFO adjustments for joint ventures[(i)]	**687**	403	284
FFO	**22,953**	18,766	4,187
Amortization of deferred financing costs	**289**	283	6
Accretion costs	**585**	393	192
Non-cash share-based compensation	**(3,912)**	(970)	(2,942)
Principal portion of government capital funding	**403**	468	(65)
Additional maintenance capex	**(697)**	(1,246)	549
AFFO adjustments for joint ventures[(i)]	**186**	(64)	250
AFFO	**19,807**	17,630	2,177
Per Basic Share *($)*			
FFO	**0.272**	0.223	0.049
AFFO	**0.235**	0.210	0.025
Per Diluted Share *($)*			
FFO	**0.269**	0.214	0.055
AFFO	**0.232**	0.197	0.035
Dividends			
Declared	**10,198**	9,988	210
Declared per share *($)*	**0.122**	0.120	0.002
Weighted Average Number of Shares			
Basic *(000's)*	**84,345**	84,062	
Diluted *(000's)*	**85,468**	95,146	
Current income tax expense included in FFO	**7,172**	6,278	894
FFO effective tax rate	***23.8 %***	*25.1 %*	

(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 March 31,		
(thousands of dollars)	**2025**	**2024**	**Change**
Net cash from operating activities	**18,421**	39,416	(20,995)
Add (Deduct):			
Net change in operating assets and liabilities, including interest and taxes	**1,226**	(21,185)	22,411
Other expense	**3,170**	1,906	1,264
Current income tax on items excluded from AFFO	**(843)**	(505)	(338)
Depreciation for office leases	**(732)**	(737)	5
Depreciation for FFEC (maintenance capex)(i)	**(1,888)**	(1,956)	68
Additional maintenance capex(i)	**(697)**	(1,246)	549
Principal portion of government capital funding	**403**	468	(65)
Adjustments for joint ventures(ii)	**747**	1,469	(722)
AFFO	**19,807**	17,630	2,177
Total maintenance capex(i)	**2,709**	3,411	(702)

(i) Total maintenance capex represents the aggregate of the items classified as "depreciation for FFEC" and "additional maintenance capex", and includes $0.1 million and $1.3 million in respect of the Company's 15% managed interest in joint ventures for the three months ended March 31, 2025, 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 2025 First Quarter Financial Review

In Q1 2025, AFFO increased by $2.2 million to $19.8 million ($0.235 per basic share) from $17.6 million ($0.210 per basic share) in Q1 2024, largely reflecting the improvement in Adjusted EBITDA, reduced interest expense and lower maintenance capex, partially offset by an increase in the adjustment for non-cash share-based compensation, increased current income taxes, and share of loss from joint ventures. Excluding the impact of out-of-period items recognized in both periods, AFFO improved by $5.2 million to $15.0 million ($0.177 per basic share) from $9.7 million ($0.116 per basic share).

A discussion of the factors impacting net earnings and Adjusted EBITDA can be found under "2025 First Quarter Financial Review".

Dividends declared as a percentage of AFFO for the three months ended March 31, 2025 represented a payout ratio of 51%. The Company increased its dividend by 5.0% to $0.042 per month effective with the dividend declared in March 2025. In addition to cash on hand of $109.5 million as at March 31, 2025, and ongoing cash generated from operations, the Company had available undrawn credit facilities totalling $108.5 million as at March 31, 2025. Refer to the discussions under "Significant Developments – Dividend Increase" and "Liquidity and Capital Resources".

The current income tax expense included in AFFO was $7.2 million for the three months ended March 31, 2025, compared to $6.3 million in the prior year period, representing effective tax rates on FFO of 23.8% and 25.1%, 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 $2.7 million for Q1 2025 compared to $3.4 million for Q1 2024 and to $5.3 million for Q4 2024, representing 0.7%, 0.9% and 1.3% 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 March 31,		
(thousands of dollars)	**2025**	**2024**	**Change**
Adjusted EBITDA	**35,606**	30,132	5,474
Add (Deduct):			
Depreciation for FFEC (maintenance capex)	**(1,888)**	(1,956)	68
Depreciation for office leases	**(732)**	(737)	5
Accretion costs	**(585)**	(393)	(192)
Interest expense	**(4,214)**	(4,988)	774
Interest revenue	**1,377**	1,453	(76)
FFO adjustments for joint ventures	**561**	1,533	(972)
	30,125	25,044	5,081
Current income tax expense	**7,172**	6,278	894
FFO	**22,953**	18,766	4,187
Amortization of deferred financing costs	**289**	283	6
Accretion costs	**585**	393	192
Non-cash share-based compensation	**(3,912)**	(970)	(2,942)
Principal portion of government capital funding	**403**	468	(65)
Additional maintenance capex	**(697)**	(1,246)	549
AFFO adjustments for joint ventures	**186**	(64)	250
AFFO	**19,807**	17,630	2,177

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 March 31,		
(thousands of dollars)	**2025**	**2024**	**Change**
Depreciation and amortization	**673**	472	201
Depreciation for FFEC (maintenance capex)	**(136)**	(69)	(67)
Fair value adjustments	**150**	—	150
FFO adjustments for joint ventures	**687**	403	284
Amortization of deferred financing costs	**39**	—	39
Principal portion of government capital funding	**135**	76	59
Additional maintenance capex	**12**	(140)	152
AFFO adjustments for joint ventures	**186**	(64)	250

	Three months ended March 31,		
(thousands of dollars)	**2025**	**2024**	**Change**
Net cash from operating activities	**1,207**	1,970	(763)
Net change in operating assets and liabilities, including interest and taxes	**(471)**	(368)	(103)
Depreciation for FFEC (maintenance capex)	**(136)**	(69)	(67)
Additional maintenance capex	**12**	(140)	152
Principal portion of government capital funding	**135**	76	59
Adjustments for joint ventures	**747**	1,469	(722)
Total maintenance capex for joint ventures	**124**	209	(85)

(thousands of dollars)	Three months ended March 31, 2025	2024	Change
Adjusted EBITDA	**1,207**	1,970	(763)
Depreciation for FFEC (maintenance capex)	**(136)**	(69)	(67)
Interest expense	**(735)**	(477)	(258)
Interest revenue	**225**	109	116
FFO adjustments for joint ventures	**561**	1,533	(972)
Amortization of deferred financing costs	**39**	—	39
Principal portion of government capital funding	**135**	76	59
Additional maintenance capex	**12**	(140)	152
AFFO adjustments for joint ventures	**186**	(64)	250

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

The following summarizes the sources and uses of cash for the three months ended March 31, 2025 and 2024.

(thousands of dollars)	Three months ended March 31, 2025	2024
Net cash from operating activities	**18,421**	39,416
Net cash used in investing activities	**(14,620)**	(8,666)
Net cash used in financing activities	**(16,175)**	(15,388)
(Decrease) increase in cash and cash equivalents	**(12,374)**	15,362

As at March 31, 2025, the Company had cash and cash equivalents on hand of $109.5 million, reflecting a decrease in cash of $12.4 million from the beginning of the year. Cash flow from operating activities of $18.4 million for the three months ended March 31, 2025 was in excess of cash dividends paid of $10.0 million.

Net cash from operating activities was a source of cash of $18.4 million for the three months ended March 31, 2025, down $21.0 million from a source of cash of $39.4 million in the prior year, reflecting income taxes paid for a favourable increase in earnings for the prior year, partially offset by 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 $14.6 million for the three months ended March 31, 2025 as compared to a use of cash of $8.7 million in the prior year. The 2025 activity included purchases of property, equipment and other intangible assets of $15.4 million. Of this amount, $12.7 million pertains to construction costs associated with the three LTC redevelopment projects that were sold to Axium JV subsequent to the quarter end. This was partially offset by the collection of other assets of $0.4 million and distributions from investments in the Joint Ventures of $0.4 million. The 2024 activity included purchases of property, equipment and other intangible assets of $9.4 million, partially offset by the collection of other assets of $0.5 million and distributions from investments in the Joint Ventures of $0.2 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)	Three months ended March 31, 2025	2024
Growth capex	**13,542**	6,739
Maintenance capex	**2,585**	3,202
	16,127	9,941

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 $16.2 million for the three months ended March 31, 2025, an increase of $0.8 million from a use of cash of $15.4 million in the prior year. The 2025 activity included cash dividends paid of $10.0 million, and debt and lease liability repayments of $6.0 million. The 2024 activity included cash dividends paid of $10.0 million and debt and lease liability repayments of $5.1 million.

Capital Structure

SHAREHOLDERS' EQUITY

Total shareholders' equity as at March 31, 2025, was $125.2 million as compared to $124.4 million at December 31, 2024, reflecting the contributions from net earnings and comprehensive income, offset by dividends declared of $10.2 million.

As at March 31, 2025, the Company had 83,817,909 Common Shares issued and outstanding (carrying value – $469.5 million), as compared to 83,466,978 Common Shares (carrying value – $469.3 million) as at December 31, 2024, reflecting 350,931 Common Shares issued under the Company's equity-based compensation plan.

Share Information *(000's)*	**May 5, 2025**	**March 31, 2025**	**December 31, 2024**
Common Shares (TSX symbol: EXE)(i)	**83,817.9**	**83,817.9**	83,467.0

(i) Closing market value per TSX on May 5, 2025, was $14.45.

As at May 6, 2025, the Company had an aggregate of 3,225,017 Common Shares reserved and available for issuance pursuant to the Company's long-term incentive plan, of which there were in aggregate 2,242,698 performance share units and deferred share units outstanding as at March 31, 2025 (refer to *Note 7* of the consolidated financial statements).

Dividends

The Company declared cash dividends of $0.122 per share in the three months ended March 31, 2025, compared with $0.120 per share in the same prior year period, representing $10.2 million and $10.0 million in each period, respectively.

As announced on February 27, 2025, the Company increased its 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 May 5, 2025, the Company had not acquired any Common Shares under its renewed NCIB.

Long-term Debt

Long-term debt totalled $286.9 million as at March 31, 2025, as compared to $292.5 million as at December 31, 2024, representing a decrease of $5.6 million, largely reflecting regular debt and lease liability repayments of $6.0 million. The current portion of long-term debt as at March 31, 2025 was $16.5 million.

The Company is subject to debt service coverage covenants on its $275.0 million senior secured credit facility (the "Senior Secured Credit Facility"), and certain of its loans and was in compliance with all covenants as at March 31, 2025. Details of the components, maturities dates, terms and conditions of long-term debt are provided in *Note 6* of the consolidated financial statements.

NON-CMHC MORTGAGES

In March 2025, the Company renewed three of its mortgages. These renewed mortgages each have a maturity date of April 1, 2030 and a fixed interest rate of 5.05%.

SENIOR SECURED CREDIT FACILITIES

The Company's Senior Secured Credit Facility, consisting of a Revolving Facility ($145.0 million) and a Delayed Draw Facility ($130.0 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.

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.

The Delayed Draw Facility was fully utilized in December 2024 and has a remaining balance of $126.8 million as at March 31, 2025. As at March 31, 2025, the Company 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. For more information, refer to *Note 6* of the consolidated financial statements.

LONG-TERM DEBT KEY METRICS

Management has limited the amount of debt that may be subject to changes in interest rates, with $19.7 million of mortgage debt at variable rates. The Company’s $126.8 million borrowing under the Delayed Draw Facility and term loan of $27.4 million as at March 31, 2025, have effectively been converted to fixed-rate financings with interest rate swaps over the full respective terms. As at March 31, 2025, the interest rate swaps were classified as a liability of $2.3 million.

The following summarizes key metrics of consolidated long-term debt as at March 31, 2025, and December 31, 2024.

	March 31, 2025			**December 31, 2024**		
(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	**5.2%**		**5.3%**	5.1%		5.3%
Weighted average term to maturity of long-term debt outstanding	**5.6 yrs**		**7.5 yrs**	5.5 yrs		7.3 yrs
Trailing twelve months consolidated interest coverage ratio(i) (1)	**8.5 X**		**7.1 X**	7.9 X		6.5 X
Debt to Gross Book Value (GBV)						
Total assets (carrying value)	**713,588**	**101,295**	**814,883**	719,788	96,573	816,361
Accumulated depreciation on property and equipment	**292,889**	**4,338**	**297,227**	286,699	3,795	290,494
Accumulated amortization on other intangible assets	**54,958**	**1,307**	**56,265**	52,875	1,225	54,100
GBV	**1,061,435**	**106,940**	**1,168,375**	1,059,362	101,593	1,160,955
Debt(iii)	**290,505**	**80,007**	**370,512**	296,388	75,963	372,351
Debt to GBV	**27.4%**		**31.7%**	28.0%		32.1%

(i) Capitalized interest included in the calculation of the interest coverage ratio before adjustments for joint ventures was nil for the trailing twelve months ended March 31, 2025 (nil for the three months ended March 31, 2025). The calculation adjusted for joint ventures includes the Company’s 15% share of the joint ventures’ Adjusted EBITDA and interest expense of $5.4 million and $4.2 million, respectively, the latter of which is inclusive of $1.7 million of capitalized interest ($0.3 million for the three months ended March 31, 2025).

(ii) The adjustments to GBV represent the Company’s 15% share of the joint ventures’ GBV of $131.1 million less the Company’s carrying value in the joint ventures of $24.2 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.

Future Liquidity and Capital Resources

The Company’s consolidated cash and cash equivalents on hand was $109.5 million as at March 31, 2025, as compared with $121.8 million as at December 31, 2024, representing a decrease of $12.4 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 $0.8 million.

The Company had a working capital deficiency (current liabilities less current assets) of $45.0 million as at March 31, 2025, including the current portion of long-term debt of $16.5 million.

Subsequent to March 31, 2025, the Company completed the sale of three LTC redevelopment projects in Ontario to Axium JV for cash proceeds of $56.3 million, net of Extendicare’s 15% managed interest, holdbacks and closing costs. For further details, refer to “Significant Developments – Ontario LTC Redevelopment Activities” and to *Note 16* of the consolidated financial statements.

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 March 31, 2025, the Company had outstanding commitments in connection with construction contracts for its LTC redevelopment projects of $165.2 million. This included $164.3 million in connection with fixed-price construction agreements for three LTC redevelopment projects (576 beds) in St. Catharines, Port Stanley and London, Ontario that were assumed by Axium JV as part of the sale of those projects completed in May 2025. The Company also had outstanding commitments of $31.3 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.

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 12* 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 March 31, 2025, 25 LTC homes within the Joint Ventures have existing credit facilities available of up to $682.7 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 March 31, 2025, the Company has provided unsecured guarantees of $242.9 million in support of the credit facilities held by the Joint Ventures (refer to *Note 12* 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 March 31, 2025.

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 was provided in the MD&A and the accompanying notes to the audited consolidated financial statements for the year ended December 31, 2024, contained in the Company's 2024 Annual Report. The disclosures in such report have not materially changed since that report was filed, and to the extent there have been any changes in management's estimates, they are discussed under "Significant Developments".

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.

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, which investors should carefully consider before investing in the Company. Risks and uncertainties are disclosed in the Company's 2024 Annual Information Form, including without limitation, "Risks Related to Inflationary Pressures and Supply Chain Interruptions", "Risks Related to Liability and Insurance", "Risks Related to Government Oversight, Funding and Regulatory Changes", and "Risks Related to a Pandemic, Epidemic or Outbreak of a Contagious Illness, such as COVID-19", found under the section "Risk Factors – Risks Related to the Business" and "Cash Dividends Are Not Guaranteed", found under the section "Risk Factors – Risks Related to the Common Shares". To the extent there have been any changes to those risks or uncertainties as of the date of this MD&A, they are discussed under "Forward-looking Statements" and "Significant Developments".

Endnote

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