NEWS RELEASE

FOR IMMEDIATE RELEASE

Extendicare Announces 2017 Second Quarter Results

MARKHAM, ONTARIO – August 9, 2017 – Extendicare Inc. (“Extendicare” or the “Company”) (TSX: EXE) today reported results for the three and six months ended June 30, 2017. Results are presented in Canadian dollars unless otherwise noted.

Financial and Operational Highlights

- Q2 2017 financial results comparison over Q2 2016 *(from continuing operations unless otherwise noted)*:
  - Revenue of $273.8 million up 4.8% or $12.4 million resulting from higher home health care volumes, long-term care funding enhancements, and expansion of retirement operations.
  - Net operating income of $33.8 million down $0.9 million or 2.5%; negatively impacted by timing of statutory holiday pay and severance costs aggregating approximately $2.0 million.
  - Earnings from continuing operations of $9.9 million ($0.11 per basic share) up $0.2 million.
  - AFFO from continuing operations of $14.4 million ($0.162 per basic share) down $5.6 million; impacted by a reduction in income support and lower interest revenue in connection with the write-off of deferred consideration related to the prior sale of U.S. operations.
- Dividends declared of $21.3 million in the first six months of 2017, representing approximately 79% of AFFO of $27.1 million for the same period.

“We are pleased to see continued growth this year in our home health care volumes and improvement in margins as well as steady progress in occupancy at our Esprit Lifestyle Communities,” stated Elaine Everson, Vice President and CFO of Extendicare. “We will continue to spend significant efforts in executing on our productivity initiatives in home health care and on lease-up of our lifestyle communities. We are also very encouraged with a further release of reserves from our captive insurance company and a repatriation of US$10 million to Canada this quarter. With our year-to-date results and our strong balance sheet, we are well positioned to continue to execute on our strategy including development and acquisitions to expand Esprit and investment in long-term care redevelopment.”

Conference Call and Webcast

On August 10, 2017, at 11:00 a.m. (ET), we will hold a conference call to discuss our 2017 second quarter results. The call will be webcast live and archived on our website at www.extendicare.com under the “Investors/Events & Presentations” section. Alternatively, the call-in number is 1-800-806-5484 or 416-340-2217, followed by the passcode 2891135#. A replay of the call will be available until midnight on August 25, 2017. To access the rebroadcast, dial 1-800-408-3053 or 905-694-9451, followed by the passcode 6693209#. Slides accompanying remarks during the call will be posted to our website as part of the live webcast.

Selected Financial Information

The following is a summary of selected financial information for the three and six months ended June 30, 2017 and 2016.

	Three months ended June 30		Six months ended June 30	
(thousands of dollars, unless otherwise noted)	**2017**	**2016**	**2017**	**2016**
CONTINUING OPERATIONS				
Revenue				
Long-term care	**152,976**	149,960	**303,586**	298,720
Retirement living	**4,802**	3,687	**9,432**	7,038
Home health care	**110,133**	101,951	**217,927**	199,567
Management, consulting and other	**5,934**	5,827	**11,758**	10,483
Total revenue	**273,845**	261,425	**542,703**	515,808
Operating expenses	**239,978**	226,678	**477,232**	454,466
Net operating income (NOI) (1)	**33,867**	34,747	**65,471**	61,342
NOI margin (1)	***12.4%***	*13.3%*	***12.1%***	*11.9%*
Administrative costs	**7,524**	6,458	**16,037**	14,865
Lease costs	**1,755**	1,642	**3,417**	3,313
Adjusted EBITDA (1)	**24,588**	26,647	**46,017**	43,164
Adjusted EBITDA margin (1)	***9.0%***	*10.2%*	***8.5%***	*8.4%*
Earnings from continuing operations	**9,919**	9,695	**14,866**	8,212
per basic share *($)*	**0.11**	0.11	**0.17**	0.09
Loss from discontinued operations, net of income taxes	**(32,913)**	(4,947)	**(32,913)**	(6,712)
AFFO (continuing operations) (1)	**14,448**	20,012	**27,136**	32,356
per basic share *($)*	**0.162**	0.227	**0.305**	0.367
per diluted share *($)*	**0.158**	0.214	**0.299**	0.352
AFFO (1)	**14,448**	19,155	**27,136**	31,390
per basic share *($)*	**0.162**	0.217	**0.305**	0.356
per diluted share *($)*	**0.158**	0.206	**0.299**	0.343
Maintenance capex (continuing operations)	**1,858**	2,835	**2,765**	3,875
Cash dividends declared per share	**0.120**	0.120	**0.240**	0.240
Payout ratio (1) (2)	**74%**	55%	**79%**	67%
Weighted average number of shares *(thousands)*				
Basic	**88,938**	88,269	**88,873**	88,163
Diluted	**100,244**	99,513	**100,179**	99,408

(1) NOI, NOI margin, Adjusted EBITDA, Adjusted EBITDA margin, AFFO, AFFO per share and "payout ratio" are measures used by management in evaluating operating performance. Please refer to the cautionary statements under the heading "Non-GAAP Measures" in this press release. Detailed descriptions of these terms can be found in the Company's disclosure documents, including its Management's Discussion and Analysis, filed with the securities regulatory authorities; these documents are available at www.sedar.com and on Extendicare's website at www.extendicare.com.

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

2017 Second Quarter Summary

Consolidated net operating income from continuing operations declined by $0.9 million or 2.5% to $33.8 million in the 2017 second quarter, and represented 12.4% of revenue compared to 13.3% in the same 2016 period. This period's net operating income reflected the impact of the timing of the Easter statutory holiday of an estimated $1.4 million, increased severance costs of $0.6 million in connection with productivity initiatives of our home health care operations, increased costs of resident care, and timing of recognition of funding under the Ontario envelope system, partially offset by the expansion of the retirement living operations, and an increase in investment income from our captive insurance subsidiary (the "Captive").

Consolidated Adjusted EBITDA from continuing operations declined by $2.1 million or 7.7% to $24.5 million this quarter from $26.6 million in the same 2016 period. Adjusted EBITDA from the Canadian operations reflected the net operating income changes noted above, as well as an increase in administrative and lease costs of $1.4 million that included higher share-based compensation of $0.6 million, higher wages of $0.4 million, and increased consulting fees in respect of productivity initiatives in our home health care operations.

Earnings (loss) from continuing operations improved by $0.2 million in the 2017 second quarter to $9.9 million, primarily due to the Adjusted EBITDA changes being offset by lower net finance costs, which included a foreign exchange gain this period on repatriation of funds from the Captive, and a gain on the valuation of interest rate swaps, partially offset by lower interest revenue.

2017 Six Month Summary

Consolidated net operating income from continuing operations improved by $4.1 million or 6.7% to $65.5 million in the first six months of 2017, and represented 12.1% of revenue compared to 11.9% in the same 2016 period. This period's net operating income reflected growth from home health care business volumes, an increase in investment income from the Captive, and a favourable prior period revenue adjustment of $0.8 million in our long-term care operations, partially offset by increased severance costs of $1.0 million in connection with the productivity initiatives of our home health care operations, increased costs of resident care, and one less day this year.

Consolidated Adjusted EBITDA from continuing operations improved by $2.8 million or 6.6% to $46.0 million in the first six months of 2017, and represented 8.5% of revenue compared to 8.4% in the same 2016 period. Adjusted EBITDA from the U.S. operations improved by $2.1 million due to the increase in investment income and reduction in administrative costs. Adjusted EBITDA from the Canadian operations improved by $0.7 million to $44.0 million this period, and represented 8.2% of revenue compared to 8.4% in the same 2016 period, reflecting growth in net operating income of $2.5 million, partially offset by an increase in administrative and lease costs that included higher share-based compensation of $1.0 million, higher wages of $0.7 million, and increased consulting fees in respect of productivity initiatives in our home health care operations.

Earnings (loss) from continuing operations improved by $6.7 million in the first six months of 2017 to $14.9 million, reflecting the improvement in Adjusted EBITDA, a decline in other expenses in respect of proxy contest, integration and acquisition costs incurred in the first six months of 2016, a gain on the valuation of interest rate swaps and a positive change in the loss (gain) on foreign exchange which included a gain this period on repatriation of funds from the Captive, partially offset by lower interest revenue.

2017 AFFO Three and Six Month Summary

AFFO declined by $4.7 million in the 2017 second quarter and by $4.3 million in the first six months of 2017, over the same 2016 periods, representing a decline in AFFO from continuing operations, partially offset by a reduction in losses from discontinued operations. The decline in AFFO from continuing operations was primarily driven by the reduction in Adjusted EBITDA and income support, after the elimination of the impact of the earnings of the Captive, in addition to higher net finance costs, partially offset by lower maintenance capex. The increase in net financing costs in the three and six months ended June 30, 2017, included lower interest revenue of $1.6 million and $3.6 million, respectively, in connection with deferred consideration from the sale of our U.S. operations (refer to the discussion below under the heading "Discontinued Operations").

Discontinued Operations

The loss from discontinued operations, net of tax, of $32.9 million for the three and six months ended June 30, 2017, related to the previously disposed U.S. operations, and included the write-off of deferred consideration of $37.5 million ($32.2 million after tax), an increase in indemnification provisions of $5.1 million ($3.3 million after tax), partially offset by a $2.6 million (US$1.9 million) release of the Captive's reserves.

As previously disclosed, as part of the proceeds from the sale by the Company of substantially all of its U.S. operations in July 2015, the Company was entitled to receive an ongoing cash stream for a period of 15 years relating to certain U.S. skilled nursing centres that were leased prior to the closing (the "Leased Centres"). The present value ascribed to these proceeds was reflected as deferred consideration, and was recorded at amortized cost using the effective interest method. Subsequent to the 2017 second quarter, the Company was notified that the operator of the Leased Centres had failed to make its required minimum lease payments. As a result of this event and related discussions, the Company does not expect to receive any further amounts and has written off the balance of the deferred consideration of US$27.9 million.

Since the sale of the U.S. operations in 2015, the Company has released US$17.2 million of the Captive's reserves for U.S. self-insured liabilities. Following the release of these reserves, the Captive has transferred US$15.0 million of its funds previously held for investment to the Company for general corporate use, of which US$10.0 million was transferred in April 2017.

Financial Position

Extendicare's consolidated cash and short-term investments on hand was $136.9 million as at June 30, 2017, and excluded the investments held by our Captive of $106.3 million to support the accrual for U.S. self-insured liabilities of $76.3 million.

Our long-term debt totalled $533.8 million as at June 30, 2017 (December 31, 2016 – $503.6 million), representing approximately 46% of our gross book value, including convertible debentures.

Our consolidated net interest coverage ratio for the trailing twelve months ended June 30, 2017, was 4.5 times. Net interest coverage is defined as Adjusted EBITDA divided by net interest, which represents interest expense, with capitalized interest added back, net of interest revenue. Excluding interest revenue, our interest coverage ratio was 3.4 times.

Extendicare's financial reports, including its Management's Discussion and Analysis are available on our website at www.extendicare.com under the "Investors/Financial Reports" section. Also, a supplemental information package containing historical quarterly financial results and operating statistics and a list of our senior care centres can be found on the website under the same section.

August 2017 Dividend Declared

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

ABOUT EXTENDICARE

Extendicare is a leading provider of care and services for seniors throughout Canada. Through our network of 114 operated senior care and living centres (65 owned/49 managed), as well as our home health care operations, we are committed to delivering care throughout the health care continuum to meet the needs of a growing seniors' population in Canada. Our qualified and highly trained workforce of 23,800 individuals is dedicated to helping people live better through a commitment to quality service and a passion for what we do.

Non-GAAP Measures

Extendicare assesses and measures operating results and financial position based on performance measures referred to as "net operating income", "NOI", "NOI margin", "Adjusted EBITDA", "Adjusted EBITDA margin", "AFFO", "AFFO per share", and "payout ratio". These are not measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. These non-GAAP measures are presented in this document because either: (i) management believes that they are a relevant measure of the ability of Extendicare to make cash distributions; or (ii) certain ongoing rights and obligations of Extendicare may be calculated using these measures. Such non-GAAP measures may differ from similar computations as reported by other issuers and, accordingly, may not be comparable to similarly titled measures as reported by such issuers. They are not intended to replace earnings (loss) from continuing operations, net earnings (loss), cash flow, or other measures of financial performance and liquidity reported in accordance with GAAP. Detailed descriptions of these terms can be found in Extendicare's disclosure documents, including its Management's Discussion and Analysis, filed with the securities regulatory authorities; these documents are available at www.sedar.com and on Extendicare's website at www.extendicare.com.

Forward-looking Statements

Information provided by Extendicare from time to time, including this release, contains or may contain forward-looking statements concerning anticipated financial events, results, circumstances, economic performance or expectations with respect to Extendicare and its subsidiaries, including, without limitation, statements regarding its business operations, business strategy, and financial condition. Forward-looking statements can be identified because they generally contain the words "expect", "intend", "anticipate", "believe", "estimate", "project", "plan" or "objective" or other similar expressions or the negative thereof. Forward-looking statements reflect management's beliefs and assumptions and are based on information currently available, and Extendicare assumes no obligation to update or revise any forward-looking statement, except as required by applicable securities laws. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of Extendicare to differ materially from those expressed or implied in the statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on Extendicare's forward-looking statements. Further information can be found in the disclosure documents filed by Extendicare with the securities regulatory authorities, available at www.sedar.com and on Extendicare's website at www.extendicare.com.

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