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NEWS RELEASE

Extendicare Announces 2018 Year End Results and Leadership Changes

MARKHAM, ONTARIO – February 28, 2019 – Extendicare Inc. ("Extendicare" or the "Company") (TSX: EXE) today reported results for the fourth quarter and year ended December 31, 2018. Results are presented in Canadian dollars unless otherwise noted.

Financial and Operational Highlights

- Q4 2018 financial results comparison over Q4 2017 *(from continuing operations unless otherwise noted)*:
  - Revenue of $288.8 million up 2.6% or $7.4 million.
  - Net operating income from Canadian operations down 2.2% or $0.7 million, with margin of 11.3%, impacted by lower home health volumes and higher labour costs. Consolidated NOI down 7.7% or $2.7 million, further impacted by nominal investment income from the Captive.
  - Average occupancy of stabilized retirement communities was 94.8% up from 93.4% in Q4 2017 and for lease-up communities was 80.6% up from 55.5% in Q4 2017.
  - Earnings (loss) from continuing operations down $19.4 million and included an after-tax impairment charge of $11.8 million primarily related to Saskatchewan retirement communities.
  - AFFO of $12.6 million ($0.142 per basic share) down $3.1 million; impacted by lower earnings and increased maintenance capex of $0.9 million.
- 2018 financial results comparison over 2017 *(from continuing operations unless otherwise noted)*:
  - Revenue of $1,120.0 million up 2.1% or $22.7 million moderated by impact of one-time prior period LTC funding of $0.8 million received in 2017, and lower investment income of $4.8 million from the Captive. Prior to those items revenue growth was 2.6%.
  - Net operating income from Canadian operations up 2.3% or $3.0 million, with margin of 11.9% compared to 12.0% in 2017, including improvement from non same-store retirement living NOI of $3.1 million, partially offset by a decline from home health care operations. Consolidated NOI down $1.8 million, impacted by lower investment income from the Captive.
  - Average occupancy of stabilized retirement communities of 93.3% up from 86.5% in 2017 and lease-up communities of 75.9% up from 46.0% in 2017. Occupancy on December 31, 2018 was 95.0% at stabilized communities and 81.0% at lease-up communities.
  - Earnings (loss) from continuing operations down $23.6 million and included an after-tax impairment charge of $11.8 million.
  - AFFO of $57.8 million ($0.653 per basic share) down $0.7 million; impacted by the level of lump-sum executive cash compensation charges, and maintenance capex.
- Dividends declared of $42.4 million in 2018, representing approximately 73% of AFFO.
- Completed 45-suite expansion of Douglas Crossing Retirement Community in Uxbridge; the expanded 148-suite community was 80% leased at end of January; expected stabilized NOI yield of 11.4%.
- Completed 112-suite Bolton Mills Retirement Community in Bolton; expected stabilized NOI yield of 7.8%.

Leadership Changes

Extendicare today announced changes to its senior leadership team. David Bacon will be joining Extendicare as Senior Vice President and Chief Financial Officer (CFO) effective April 1, 2019. Mr. Bacon has a wealth of experience as a senior executive in a number of industries, ranging from environmental services, logistics, renewable energy and telecommunications. Most recently, he served as the Executive Vice President, CFO of GFL Environmental Inc. With over 25 years of business experience in public markets, equity and debt financings, and mergers and acquisitions, Mr. Bacon will play a key strategic role in driving Extendicare's growth across the continuum of seniors care. Mr. Bacon is a CPA, CA with a BA from the University of Western Ontario, MBA from the Schulich School of Business at York University and holds the ICD.D. designation.

Elaine Everson will be moving into the newly created position of Vice President, Corporate Development. In this role, Ms Everson will lead our capital projects portfolio, specifically the long-term care C-bed redevelopment program and retirement community projects. A 35-year Extendicare veteran, Ms. Everson will build our project development capacity to accelerate our redevelopment projects and capitalize on the growth opportunities in the market. Ms. Everson will leverage her deep experience in the seniors care market to identify new initiatives to grow the Company's pipeline of development opportunities.

Continued Progress with ParaMed Enterprise Software

Progress continues with the implementation of new enterprise software in the ParaMed home health care division, now complete for over 50% of the business, up from 20% last November. The project is on target for completion by the end of 2019. One-time costs for training and implementation resources, and costs of operating three legacy systems will continue until they are decommissioned at project completion. In 2018, such costs impacted EBITDA by approximately $3.3 million ($2.3 million at the NOI level), as compared to $1.6 million in 2017. Management anticipates these costs will total approximately $5.0 million in 2019 ($2.8 million at the NOI level) after which the implementation will be complete. As the new system is increasingly used in 2019, service volumes are expected to improve, followed by enhanced productivity. For the 2018 fourth quarter, ParaMed's average daily hours of service increased by 1.5% from the 2018 third quarter, the first quarter-over-quarter sequential increase in the past six quarters.

"I'm encouraged by the progress we are making on the ParaMed software implementation," said Michael Guerriere, President and Chief Executive Officer of Extendicare. "We have a lot of work to do to return Extendicare to its potential for growth and profitability. The new systems and leadership changes we are making are the foundation for a transformation in how we operate. I look forward to working with David, Elaine and the rest of the Extendicare team to bring a culture of execution discipline to all of our lines of business."

Selected Financial Information

The following is a summary of selected financial information for the three and twelve months ended December 31, 2018 and 2017.

(unaudited) *(thousands of dollars, unless otherwise noted)*	Three months ended December 31 2018	Three months ended December 31 2017	Twelve months ended December 31 2018	Twelve months ended December 31 2017
Revenue				
Long-term care	**164,656**	158,694	**632,533**	616,887
Retirement living	**9,039**	6,098	**33,412**	20,673
Home health care	**109,012**	109,141	**431,343**	435,718
Management, consulting and other	**6,086**	7,465	**22,719**	24,053
Total revenue	**288,793**	281,398	**1,120,007**	1,097,331
Operating expenses	**255,930**	245,776	**986,023**	961,509
Net operating income (NOI) (1)	**32,863**	35,622	**133,984**	135,822
NOI margin (1)	***11.4%***	*12.7%*	***12.0%***	*12.4%*
Administrative costs	**8,601**	6,372	**33,004**	31,467
Lease costs	**1,724**	1,695	**6,742**	6,758
Adjusted EBITDA (1)	**22,538**	27,555	**94,238**	97,597
Adjusted EBITDA margin (1)	***7.8%***	*9.8%*	***8.4%***	*8.9%*
Earnings (loss) from continuing operations	**(9,055)**	10,301	**8,084**	31,712
per basic and diluted share *($)*	**(0.10)**	0.12	**0.09**	0.36
Earnings (loss) from discontinued operations, net of tax	**15,562**	3,333	**23,654**	(29,580)
Net earnings	**6,507**	13,634	**31,738**	2,132
per basic and diluted share *($)*	**0.07**	0.15	**0.36**	0.02
AFFO (1)	**12,570**	15,713	**57,751**	58,495
per basic share *($)*	**0.142**	0.178	**0.653**	0.659
per diluted share *($)*	**0.138**	0.171	**0.634**	0.640
Maintenance capex (continuing operations)	**4,202**	3,271	**12,675**	8,813
Cash dividends declared per share	**0.120**	0.120	**0.480**	0.480
Payout ratio (1) (2)	**84%**	67%	**73%**	73%
Weighted average number of shares *(thousands)*				
Basic	**88,612**	88,633	**88,403**	88,805
Diluted	**98,962**	99,916	**98,753**	100,088

(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, together with reconciliations to the nearest GAAP measures, 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.

2018 Fourth Quarter Summary

Consolidated net operating income from continuing operations declined by $2.7 million or 7.7% to $32.9 million in the 2018 fourth quarter, and represented 11.4% of revenue compared to 12.7% in the same 2017 period. Net operating income from the Canadian operations declined by $0.7 million. Net operating income was favourably impacted by home health care funding enhancements, and growth of our retirement living, management and group purchasing operations, offset by lower home health care volumes and higher labour related costs, including the impact of legislative amendments resulting from the *Fair Workplaces, Better Jobs Act, 2017* (Ontario), or Bill 148. Net operating income from our U.S. operations was down by $2.0 million, reflecting nominal investment income from our captive insurance company (the "Captive) this quarter compared to the same 2017 period.

Administrative and lease costs from continuing operations increased by $2.3 million in the 2018 fourth quarter, and were impacted by increased costs of approximately $0.4 million to support the implementation of new enterprise software, a non-recurring reinsurance premium refund of $0.5 million received by the Captive in 2017, and other higher compensation costs and professional fees.

Consolidated Adjusted EBITDA from continuing operations declined by $5.0 million to $22.5 million this quarter, and represented 7.8% of revenue compared to 9.8% in the same 2017 period, of which $2.5 million was from the Canadian operations, reflecting the $0.7 million decline in net operating income and increase in administrative and lease costs.

2018 Year End Summary

Consolidated net operating income from continuing operations declined by $1.8 million or 1.4% to $134.0 million in 2018, and represented 12.0% of revenue compared to 12.4% in 2017. Net operating income from the Canadian operations improved by $3.0 million or 2.3% to $133.6 million, and as a percentage of revenue was 11.9% this year compared to 12.0% in 2017, reflecting growth of our retirement living, management and group purchasing operations, partially offset by a decline in contribution from our LTC operations of $0.9 million due to prior period adjustments and higher costs of resident care, and a decline of $5.8 million from our home health care operations due to higher labour related costs and lower business volumes. Net operating income from our U.S. operations reflects investment income from the Captive, which was nominal this period compared to $5.2 million in 2017.

Administrative and lease costs from continuing operations increased by $1.6 million in 2018, and were impacted by increased costs of approximately $1.0 million to support the implementation of new enterprise software. Both periods included lump-sum executive compensation charges, net of the impact of forfeited non-cash share-based awards, of $1.7 million in 2018 and $2.0 million in 2017.

Consolidated Adjusted EBITDA from continuing operations declined by $3.4 million or 3.4% to $94.2 million this year, representing 8.4% of revenue compared to 8.9% in 2017. Adjusted EBITDA from the Canadian operations improved by $1.5 million, and as a percentage of revenue was 8.5% compared to 8.6% in 2017. Adjusted EBITDA from the U.S. operations declined by $4.9 million reflecting lower investment income from the Captive.

2018 Other Expense

Other expense of $20.2 million in 2018 ($16.6 million this quarter), included an impairment charge of $16.2 million in respect of certain of the Company’s retirement and long-term care centres, $2.5 million expensed in connection with the redemption of the 2019 Debentures and transaction costs associated with the Lynde Creek Acquisition.

2018 Earnings from Continuing Operations

Earnings from continuing operations of $8.1 million ($0.09 per basic share) in 2018 was down by $23.6 million from 2017, largely impacted by the above noted other expense of $20.2 million ($15.2 million after tax), a net change in fair value adjustments and foreign exchange gains and losses of $3.1 million ($1.9 million after tax) and the decline in Adjusted EBITDA. Earnings (loss) from continuing operations for the quarter was a loss of $9.1 million and similarly included the other expenses as outlined.

2018 Discontinued Operations

Earnings from discontinued operations of $23.6 million in 2018 ($15.5 million this quarter), included $14.1 million related to a reduction of the Captive’s reserves, of which $6.0 million was booked this quarter. Also recorded this quarter was a $3.6 million decrease in indemnification provisions and other items and a $5.9 million net tax recovery.

2018 AFFO Fourth Quarter Summary

AFFO declined by $3.1 million in the 2018 fourth quarter over the same 2017 period, reflecting a decline in Adjusted EBITDA (excluding the impact of any earnings from the Captive and any non-cash share-based compensation), and an increase in maintenance capex and current income taxes.

2018 AFFO Year End Summary

AFFO for the year declined by $0.7 million over 2017, reflecting an improvement in Adjusted EBITDA (excluding the impact of any earnings from the Captive and any non-cash share-based compensation), as well as lower current income taxes of $1.9 million and higher maintenance capex of $3.9 million. AFFO for both years was impacted by lump-sum executive cash compensation charges of $2.1 million and $1.5 million on an after-tax basis in 2018 and 2017, respectively. Our current income taxes have benefitted this year from favourable timing differences, and the utilization of tax loss carryforwards. We anticipate our effective tax rate on FFO will be in the range of 17% to 19% for 2019.

Maintenance capex was $12.7 million in 2018, compared to $8.8 million in 2017, representing 1.1% and 0.8% of revenue, respectively. These costs fluctuate on a quarterly and annual basis with the timing of projects and seasonality. In 2019, we are expecting to spend in the range of $10 million to $12 million in maintenance capex, and in the range of $50 million to $55 million in growth capex, excluding acquisitions, related primarily to retirement development and LTC redevelopment projects.

Financial Position

As at December 31, 2018, Extendicare’s consolidated cash and short-term investments on hand was $65.9 million, which excluded the investments held by our Captive of $67.9 million to support the accrual for U.S. self-insured liabilities of $37.1 million.

Our long-term debt, including convertible debentures, totalled $529.0 million as at December 31, 2018 (December 31, 2017 – $536.1 million), with a weighted average interest rate of 4.9%, and represented approximately 48% of our gross book value.

Our consolidated net interest coverage ratio for the trailing twelve months ended December 31, 2018, was 3.7 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 3.2 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.

Conference Call and Webcast

On March 1, 2019, at 11:00 a.m. (ET), we will hold a conference call to discuss our 2018 fourth quarter and year end 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 5648891#. A replay of the call will be available until midnight on March 15, 2019. To access the rebroadcast, dial 1-800-408-3053 or 905-694-9451, followed by the passcode 6736616#. Slides accompanying remarks during the call will be posted to our website as part of the live webcast.

ABOUT EXTENDICARE

A leading provider of care and services for seniors across Canada, Extendicare is committed to delivering quality care throughout the health continuum to meet the needs of a growing seniors population, through its network of 120 senior care and retirement living centres (67 owned/53 managed) and home health care operations, under the Extendicare, Esprit Lifestyle and ParaMed brands. Our qualified and highly trained workforce of approximately 23,000 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”. In addition, the Company assesses its return on investment in development activities using the non-GAAP financial measure “NOI Yield”. 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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