



... helping people live better

April 26, 2019

FELLOW EXTENDICARE SHAREHOLDERS,

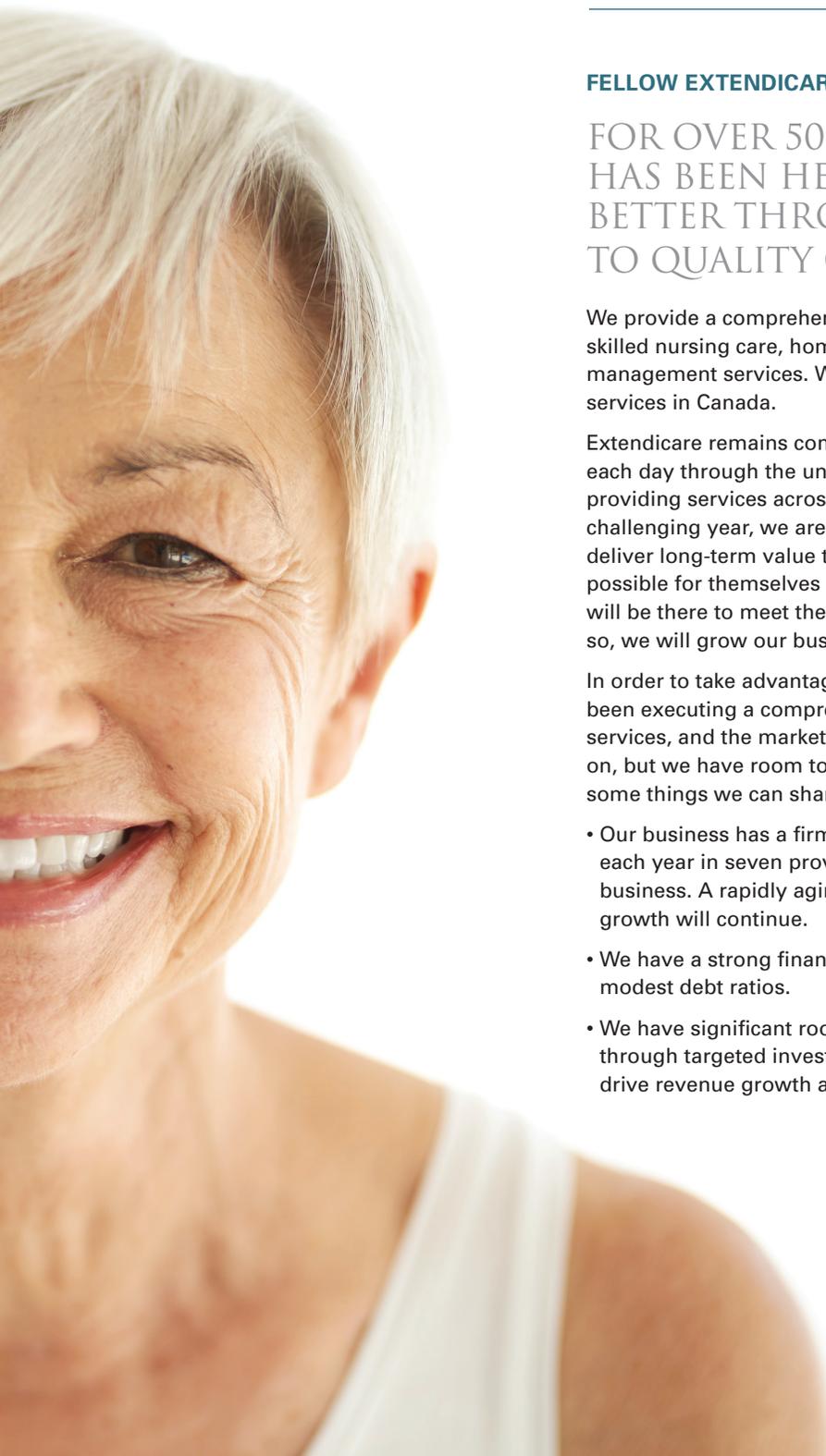
FOR OVER 50 YEARS, EXTENDICARE HAS BEEN HELPING CANADIANS LIVE BETTER THROUGH A COMMITMENT TO QUALITY CARE.

We provide a comprehensive array of senior care services, including skilled nursing care, home health care, retirement living, and contract management services. We aspire to be the best provider of senior care services in Canada.

Extendicare remains committed to this vision, which is exemplified each day through the unwavering dedication of our 23,000 employees providing services across the continuum of care. While 2018 was a challenging year, we are confident that we are on the right path to deliver long-term value to shareholders. Canadians look for the best care possible for themselves and their loved ones as they age. Extendicare will be there to meet their needs across the continuum of care. In doing so, we will grow our business and create value for shareholders.

In order to take advantage of this significant growth opportunity, we have been executing a comprehensive analysis of our business, its people, its services, and the markets we serve. We have a strong foundation to build on, but we have room to improve in a number of key areas. Here are some things we can share with confidence:

- Our business has a firm foundation – with over 85,000 seniors served each year in seven provinces across Canada, we have a solid base of business. A rapidly aging population ensures that opportunities for growth will continue.
- We have a strong financial base, with stable cash flow, liquidity, and modest debt ratios.
- We have significant room to improve our operational performance through targeted investments in systems and stronger execution to drive revenue growth and bottom-line results.



The work to return Extencicare to profitable growth is underway and starts with a strong leadership team. Our Board of Directors has been renewed with three new directors in 2016 and one new director in each of 2017 and 2018. This year's nominees, Samir Manji and Norma Beauchamp, will bring further strength to the Board with new perspectives and relevant experience. On the management side, in addition to Michael's appointment as CEO in 2018, we recently welcomed David Bacon as our new Senior Vice President and CFO. David will play a key strategic role in optimizing our deployment of capital and driving operational performance. Elaine Everson has taken on the newly created role of Vice President, Corporate Development, where she will provide leadership for our capital projects portfolio. And new leadership of our home health care business will be starting soon.

Our strengthened leadership team is already driving a transformation in how we operate. We are working with the management team and our fellow Directors to cement a culture of execution discipline across all our lines of business. Let's look at some highlights from our key business areas.

PARAMED – TRANSFORMATION IN PROGRESS

11M
Home Health
Care hours
delivered (TTM)

Our home health care business, ParaMed, accounted for 39% of our revenue in 2018. Demand for home health care services in Canadian markets is continuing to increase, but legacy systems and processes are preventing us from fully exploiting this opportunity. Our

legacy scheduling technology has impaired our ability to give our staff full time hours, adversely impacting staff retention. This in turn has prevented us from accepting growing client referrals.

WE ARE INVESTING OVER \$12 MILLION TO TRANSFORM OUR PARAMED BUSINESS, INCLUDING THE IMPLEMENTATION OF A NEW CLOUD-BASED SYSTEM TO OPTIMIZE SCHEDULING AND AUTOMATE WORK PROCESSES.

This will improve scheduling for our valued staff, reduce turnover, increase capacity and allow for more care referrals to be accepted.

We are halfway through the system implementation, which will be completed by the end of the year. We expect this investment will drive increased revenue growth and ultimately improve margins in the business. Early results are promising, and our focus now is on scaling this approach to all our offices in the coming months. We anticipate patient volumes beginning to increase in the third quarter of this year, and margin improvements by the end of 2019.

LONG-TERM CARE – PROCEEDING CAREFULLY, FOCUSED ON FUNDAMENTALS

58

Long-term care
centres owned

Long-Term Care (LTC) is a key segment of our business, having generated 56% of revenue in 2018. Moving forward, it will continue to be very important, with significant opportunities for growth. The Provincial Government in Ontario, our

largest LTC market, recently announced \$1.75 billion in additional funding to add 15,000 LTC beds over 5 years and to redevelop another 15,000 existing beds. We are encouraged by the importance the new Ontario Government has put on LTC, and we will continue to apply for allocations of new beds to leverage the redevelopment of our older centres and to initiate new campus of care opportunities.

As previously announced, we have completed the planning process for the redevelopment of our Stittsville and Sudbury centres, both of which house 256 beds. These are two of our 21 LTC centres in the queue for redevelopment in Ontario. We were granted 158 new LTC licenses in connection with the redevelopment of centres in Sault Ste. Marie, Sudbury, and Peterborough, which are still in the government's review process. Each project is being carefully appraised to ensure strong economic fundamentals before we proceed with construction.

As for our current operations, we have great people in place and we are working to improve processes and technology. We are making targeted investments that improve results for residents and for our business. The implementation of a new bedside clinical system is almost complete, having deployed it in 50 of our 58 centres. This system will support quality improvement plans in our LTC operations, ensuring that our staff have the tools necessary to provide residents with the care they need.

RETIREMENT LIVING – DISCIPLINED EXPANSION

10

Retirement living communities owned

Esprit Lifestyle Communities saw some challenges in 2018, but our new Ontario facilities are moving forward and finding success. We currently have six retirement communities in operation in Ontario and four in Saskatchewan. Our Saskatchewan communities

have not met our expectations, as they are facing challenging local market conditions. However, the performance of our Ontario communities has exceeded our expectations.

Following the successful opening of our Douglas Crossing Retirement Community in 2017, we embarked on a 45-suite expansion that opened this past November. Our new 112-suite Bolton Mills Retirement Community opened this January, and we are eagerly anticipating the opening of our 124-suite community in Barrie in Q3 of this year. We are currently planning an expansion at our Port Hope community, which we hope to break ground on later this year. We will continue to assess the potential of future growth opportunities in a disciplined fashion.

CONTRACT MANAGEMENT – ENGINE OF GROWTH

Our Extendicare Assist contract management services and SGP group purchasing services are small parts of our business today but will be increasingly important as growth drivers for our business.

THESE SERVICES GREW BY 19% IN 2018, REPRESENTING 2% OF REVENUE BUT 10% OF NET OPERATING INCOME.

53

Extendicare Assist centres under management

The growth we are seeing in this business line is a testament to the value of the talent, skills and experience we have built at Extendicare.

Customers report a high degree of satisfaction, evidenced by our high rate of client retention.

Once third-party owners experience Extendicare Assist, they see the benefits and they stay with us. We now have 53 homes under management through Extendicare Assist and SGP is now purchasing on behalf of 57,000 resident suites.

57K

SGP third-party residents served

We have responded to these positive trends, working to reinforce success by adding significant resources to this business line and expanding the sales team. Our target is to drive continuing double-digit growth in this business into the future.



POSITIONING EXTENDICARE FOR FUTURE GROWTH

The foundation of our business is strong. Our priority is building the capabilities we need to capitalize on the positive market conditions that we are encountering. We are focused on acquiring and retaining top talent, developing and investing in leadership that will support our team, and implementing the technologies that will drive operational quality and efficiency into the future. That is our path forward.

WE ARE TAKING DECISIVE ACTION
TO ADDRESS OUR CHALLENGES,
DELIVER BEST-IN-CLASS SERVICES
TO OUR RESIDENTS AND CLIENTS
AND GROW LONG-TERM VALUE FOR
OUR SHAREHOLDERS.

On behalf of the Board of Directors and management team, we thank you for your investment in Extendicare and your continued support.



Dr. Michael Guerriere
PRESIDENT & CEO



Alan Torrie
CHAIRMAN

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