SHAREHOLDERS' QUARTERLY REPORT

Q1 2020

Extendicare Inc.
Dated: May 14, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Three months ended March 31, 2020
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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 700, Markham, Ontario, Canada, L3R 9W2.

The Company and its predecessors have been in operation since 1968 and is one of the largest private-sector owner/operators of long-term care (LTC) homes in Canada and the largest private-sector provider of publicly funded home health care services in Canada through its wholly owned subsidiary ParaMed Inc. (ParaMed). In addition, the Company owns and operates retirement communities in secondary markets under the Esprit Lifestyle Communities brand. As well, the Company provides business-to-business services through its Extendicare Assist division (contract and consulting) and SGP Purchasing Partner Network (SGP) division (group purchasing). The Company’s qualified and highly trained workforce of approximately 22,000 individuals is passionate about providing high quality services to help people live better.

The Company has prepared this MD&A 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, 2020. 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, 2020, and the notes thereto, together with the annual MD&A and the audited consolidated financial statements for the year ended 2019, and the notes thereto, prepared in accordance with International Financial Reporting Standards (IFRS), found in the Company’s 2019 Annual Report. The accompanying unaudited interim condensed consolidated financial statements for the three months ended March 31, 2020, including the notes thereto, have been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”, as issued by the International Accounting Standards Board (IASB).

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. Please 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 notes thereto are available on the Company’s website at www.extendicare.com. All currencies are in Canadian dollars unless otherwise indicated. Except as otherwise specified, references to years indicate the fiscal year ended December 31, 2019, or December 31 of the year referenced.

This MD&A is dated as of May 14, 2020, 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's website at www.sedar.com under the Company's issuer profile and on the Company's website at www.extendicare.com.

FORWARD-LOOKING STATEMENTS

This Quarterly Report contains certain 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 Quarterly Report 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 its business operations, business strategy, growth strategy, results of operations and financial condition; statements relating to the expected annual revenue, net operating income yield (NOI Yield) and adjusted funds from operations (AFFO) to be derived from development projects; statements relating to indemnification provisions in respect of disposed operations; and in particular statements in respect of the impact of measures taken to mitigate the impact of COVID-19, the availability of various government programs and financial assistance announced in respect of COVID-19, the impact of COVID-19 on the Company's operating costs, staffing, procurement, occupancy levels (primarily in its retirement communities) and volumes in its home health care business, the impact on the capital and credit markets and the Company's ability to access the credit markets as a result of COVID-19, and increased litigation and regulatory exposure. Forward-looking statements can often be identified by the expressions "anticipate", "believe", "estimate", "expect", "intend", "objective", "plan", "project", "will" 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, 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; the 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; changes in applicable accounting policies; 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 renew its government licenses and customer contracts; changes in labour relations and costs; 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 and local environment economies; changes in foreign exchange and 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 dispositions, acquisitions and development projects, including risks relating to completion; and those other risks, uncertainties and other factors identified in the Company's other public filings with the Canadian securities regulators available on SEDAR's website at www.sedar.com under the Company's issuer profile.

In particular, risks and uncertainties related to the effects of COVID-19 on Extendicare include: the length, spread and severity of the pandemic; the nature and extent of the measures taken by all levels of governments and public health officials, both short and long term, in response to COVID-19; domestic and global credit and capital markets; the Company's ability to access capital on favourable terms or at all due to the potential for reduced revenue and increased operating expenses as a result of COVID-19; litigation and/or regulatory action being commenced against the Company, regardless of merit; the health and safety of the Company's employees and its residents and clients; and domestic and global supply chains, particularly in respect of personal protective equipment (PPE). Given the evolving circumstances surrounding COVID-19, it is difficult to predict how significant the adverse impact will be on the global and domestic economy and the business operations and financial position of Extendicare.

Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although forward-looking statements contained in this Quarterly Report 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 Quarterly Report. 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.

BUSINESS STRATEGY

Our vision is to be the leading provider of care and services to seniors in Canada. We strive to provide quality, person-centred care through compassionate caregivers across the continuum of care – offering the services seniors need wherever they need it as they age and their care needs change – and to be an employer of choice in the communities in which we operate.

Our long-term care business provides high quality care in the homes we own and operate across the country. Capital investment is focused on redeveloping our older LTC homes in the portfolio; the timing and extent of such redevelopment depends primarily upon the government funding available and general development factors, such as construction costs. We also provide contract services and consulting to a growing list of third-party LTC homes and retirement communities through our Extendicare Assist division. Both our operations and those of our Extendicare Assist clients are supported by our SGP Purchasing Partner Network division. We intend to continue to grow our third-party services offerings to gain market share and capitalize on the organic growth in the Canadian seniors care market.

Our core long-term care services are complemented by a market leading home health care platform operating under the ParaMed brand. Demand for home care is growing in tandem with the aging of the population, trending at an average market growth of 4% per year, according to Statistics Canada. Strategic investments in systems and processes are designed to enable volume growth in line with the market, while improving efficiency and resulting profitability.

Our private-pay retirement business operates under the Esprit Lifestyle Communities brand. We continue to grow Esprit through new developments and expansions in secondary markets where supply and demand dynamics are favourable.

We are continually enhancing our operations to provide excellent care to the growing number of Canadian seniors. These enhancements broaden the range of services available to seniors, while driving improved profitability and greater diversification for the Company. We believe that the effective execution of this strategy will provide an appropriate and consistent return to our shareholders who have demonstrated their belief in our mission by investing in the Company.

SIGNIFICANT EVENTS

Impact of COVID-19 Pandemic

Since the beginning of the year, various levels of governments in Canada have enacted emergency protection measures designed to combat the spread of COVID-19. These measures include the implementation of travel bans, self-imposed quarantine periods, and social distancing, and a number of changes in the regulatory regimes in which our businesses operate, particularly in respect of health and labour requirements. We are working very closely with all levels of government, health authorities, our industry partners and advocacy groups on various initiatives to help ensure our collective response to the crisis is focused on the protection and care of our residents, clients and staff as we adapt our services and operations to address COVID-19.

As of today, of our 69 long-term care homes and retirement communities, 13 long-term care homes and two retirement communities have one or more positive cases of COVID-19, with a majority of these outbreaks limited to less than 10 residents and/or staff. In addition, five long-term care homes previously in outbreak have been declared clear of the virus by public health. We are also working with our Extendicare Assist clients to help them manage any outbreaks in their homes.

The various actions required to combat COVID-19 have led to increased costs, primarily in respect of PPE and labour, as self-isolation and single-site employer directives and the availability of the Federal Government's Canada Emergency Relief Benefit have impacted our staffing capacity. In addition, the Federal Government and the provinces in which we operate have all announced various programs and financial assistance to address these increased costs and other challenges, and we continue to assess the eligibility for and impact of these programs to mitigate the financial impacts of COVID-19.

Since the COVID-19 outbreak, our long-term care home occupancy has remained above 97% for the majority of our long-term care homes and full funding for homes in Ontario is preserved when homes are closed to admissions related to an outbreak and similar protocols are expected to be followed in other provinces. Our retirement communities have experienced a decline in occupancy as move-ins and tours have been impacted by COVID-19. The cancellation of all elective procedures in acute care hospitals, the impact of social distancing and self-isolation, restrictions on non-urgent care services and reductions in our workforce capacity, have resulted in a significant drop in our average daily volumes and increased the workload of the back-office staff in our home health care operations, primarily to manage suspended services and staff scheduling changes due to the impact of COVID-19.

We continue to evaluate the financial impacts of COVID-19, including, the various relief measures announced by the various levels of government. We have taken steps to improve our liquidity, including securing additional mortgage financings and deferring non-essential capital expenditures. In addition, the Company is deferring its plans for a 59-suite expansion of the Company's 63-suite Empire Crossing Retirement Community in Port Hope, Ontario until such time as societal and financial conditions are more favourable.

We believe that the financial impacts of COVID-19 that we are experiencing will reverse as we emerge from the pandemic. However, due to the uncertainty of its duration and magnitude, as well as the governments' response to it, it is currently not possible to reliably estimate the impacts to the Company's business, operating results and financial condition. The impacts could be adverse and material.

Dividend Reinvestment Plan

The Company has a Dividend Reinvestment Plan (the "DRIP") pursuant to which shareholders who are Canadian residents may elect to reinvest their cash distributions in additional Common Shares at a 3% discount. In March 2020, the Company announced the suspension of the DRIP in respect of any future declared dividends until further notice, as the Company believes it is in the best interests of the Company and its shareholders to not issue shares at current prices. Accordingly, the dividend paid on April 15, 2020 to shareholders of record on March 31, 2020, was the last dividend payment eligible for reinvestment by participating shareholders under the DRIP. Subsequent dividends will be paid only in cash.

Financing Activity

On March 26, 2020, the Company extended maturing mortgages of $21.7 million on certain long-term care homes. These extended mortgages mature in April 2025 with a fixed rate of 3.49% per annum.

On April 15, 2020, the Company secured a Canadian Mortgage and Housing Corporation (CMHC) insured mortgage of $47.8 million, inclusive of fees, on the Douglas Crossing Retirement Community in Uxbridge, Ontario. The mortgage matures in June 2030 and has a fixed rate of 2.19% per annum. The previously existing construction loan of $25.8 million was repaid on closing.

On May 8, 2020, the Company secured mortgages of $10.3 million, inclusive of fees, on the Yorkton Crossing Retirement Community in Yorkton, Saskatchewan and West Park Crossing Retirement Community in Moose Jaw, Saskatchewan. The mortgages mature in May 2023 and have a variable interest rate at either the Canadian Dollar Offered Rate plus 2.50% per annum or Prime plus 1.00% per annum.

ParaMed Transformation

Since the latter half of 2017, ParaMed has experienced declines in business volumes due largely to challenges in the Ontario operations as a result of legacy information technology systems and processes that led to scheduling inefficiencies. This, coupled with competition for personal support workers (PSWs) and nurses, has prevented us from accepting growing client referrals. To address these issues we have been investing over $12.0 million to transform ParaMed's business (the "ParaMed Transformation") which includes the implementation of a new cloud-based system to optimize scheduling and automate work processes, in an effort to increase workforce capacity, reduce staff turnover and in turn improve our business volumes.

To date we have incurred $11.6 million of the estimated project costs and have converted 95% of our business volumes onto the new cloud-based platform. Due to the impact of COVID-19, we made the decision to defer the roll-out of the new platform in Alberta, which represents approximately 5% of our business volumes, until business conditions are optimal to complete the work. It is anticipated that the new system, coupled with the ongoing training and optimization of the new platform, will drive volume increases as we emerge from the impacts of COVID-19.

The following table summarizes the costs incurred in respect of the ParaMed Transformation, which total $11.6 million, including the ongoing costs of the three legacy systems to be decommissioned once the new system is implemented in all ParaMed offices. For the three months ended March 31, 2020, Adjusted EBITDA was impacted by $0.8 million ($0.8 million at the NOI level), as compared to $1.7 million ($0.7 million at the NOI level) for the three months ended March 31, 2019.

ParaMed Transformation Costs	**Three months ended March 31**		**Years ended December 31**		
(millions of dollars)	**2020**	**2019**	**2019**	**2018**	**2017**
Operating expenses [1]	**0.8**	0.7	**2.3**	2.3	1.6
Administrative costs	**–**	1.0	**3.6**	1.0	–
Adjusted EBITDA	**0.8**	1.7	**5.9**	3.3	1.6

(1) The operating expenses reflect the impact on net operating income.

ParaMed B.C. Contract Expiration

As previously announced in March 2019, the Company received notice from the regional health authorities with whom it had contracts in British Columbia (B.C.) that they would be bringing their home support services in-house, and as a result, would not be renewing contracts with private sector home support agencies, including ParaMed. As a result, ParaMed ceased providing services to the B.C. health authorities at the end of January 2020 (the “ParaMed B.C. Contract Expiration”). In connection with the expiration of the contracts, the Company recorded a charge of $1.4 million in the three months ended March 31, 2019, primarily for facilities related costs.

For the three months ended March 31, 2020, ParaMed’s B.C. operations contributed revenue of $3.0 million and net operating income of less than $0.1 million, as compared to revenue of $11.6 million and a net operating loss of $0.3 million for the three months ended March 31, 2019. During 2019, the B.C. operations represented approximately 12% of ParaMed’s annual business volumes, generated $50.7 million of revenue, incurred a net operating loss of $0.3 million, and incurred lease costs of approximately $0.4 million.

BUSINESS OVERVIEW

As at March 31, 2020, the Company owned and operated 58 LTC homes and 11 retirement living communities, through its Extendicare and Esprit Lifestyle Communities divisions, respectively, and provided contract services to 53 LTC homes and retirement communities for third parties through Extendicare Assist. In total, Extendicare operated or provided contract services to a network of 122 LTC homes and retirement communities across four provinces in Canada, with capacity for 15,787 residents. The majority of these homes are in Ontario and Alberta, which accounted for approximately 77% and 11% of residents served, respectively.

In addition to providing group purchasing services to the Company’s own operations, SGP supports third-party clients representing approximately 72,900 senior residents across Canada, as at March 31, 2020.

With respect to the Company’s home health care operations, ParaMed delivered approximately 9.2 million hours of home health care services for the trailing twelve months ended March 31, 2020, excluding the B.C. operations, from 34 locations across five provinces (29 in Ontario, 2 in Alberta, 1 in Manitoba, 1 in Nova Scotia and 1 in Quebec). As noted in “Significant Events – Impact of COVID-19 Pandemic”, business volumes have been significantly impacted in ParaMed. While we are unable to predict with any certainty the extent and duration of these COVID-19 related factors on our volumes, we believe that the impacts we are experiencing will reverse as we emerge from the pandemic, particularly as elective health care services suspended as a result of COVID-19 resume.

Operating Segments

The Company reports the following segments within its Canadian operations: i) long-term care; ii) retirement living; iii) home health care; iv) contract services, consulting and group purchasing as “other Canadian operations”; and v) the Canadian corporate functions and any intersegment eliminations as “corporate Canada”. For financial reporting purposes, the Company’s owned and operated homes are reported under the “long-term care” or the “retirement living” operating segment based on the predominant level of care provided. The Company’s managed homes are reported under the “other Canadian operations” segment, as the revenue from those operations is earned on a fee-for-service basis.

The Company continues to group its remaining U.S. operations as one segment, consisting of its wholly owned Bermuda-based captive insurance company, Laurier Indemnity Company, Ltd. (the “Captive”) that insured the Company’s U.S. general and professional liability risks up to the date of the sale of the Company’s U.S. business in 2015 (the “U.S. Sale

Transaction”). The Captive’s expense incurred or release of reserves for U.S. self-insured liabilities as well as the disposed U.S. businesses are presented as discontinued operations, while the Captive’s costs to administer and manage the settlement of the remaining claims are reported as continuing operations within the U.S. segment.

The following summarizes the contribution of the business segments to the Company’s consolidated revenue and net operating income from total operations, as reported, and from operations excluding the ParaMed B.C. operations for the three months ended March 31, 2020 and 2019.

	Total as Reported				Excluding ParaMed B.C. Operations			
Three months ended March 31		**2020**		**2019**		**2020**		**2019**
Operating Segments as % of:	**Revenue**	**NOI**	**Revenue**	**NOI**	**Revenue**	**NOI**	**Revenue**	**NOI**
Long-term care	**59.0%**	**60.7%**	57.0%	55.4%	**59.6%**	**60.8%**	59.5%	54.9%
Retirement living	**4.4%**	**12.2%**	3.5%	8.5%	**4.5%**	**12.2%**	3.6%	8.4%
Home health care	**34.2%**	**14.2%**	37.4%	24.9%	**33.5%**	**14.1%**	34.7%	25.5%
Other Canadian	**2.4%**	**12.9%**	2.1%	11.2%	**2.4%**	**12.9%**	2.2%	11.2%
Total	**100.0%**	**100.0%**	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 Company owns and operates for its own account 58 LTC homes with capacity for 8,137 residents, inclusive of a stand-alone designated supportive living home (140 suites) and a designated supportive living wing (60 suites) in Alberta and two retirement wings (76 suites) in Ontario.

In Canada, provincial legislation and regulations closely control all aspects of the operation and funding of LTC homes and government-funded 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 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, generally based on an income test, is available for residents who are unable to afford the resident co-payment. 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 higher accommodation rates that vary according to the structural classification of the LTC home.

RETIREMENT LIVING

Under the Esprit Lifestyle Communities brand, the Company owns and operates 11 retirement communities with 1,049 suites. Four of these communities (341 suites) are located in Saskatchewan and seven communities (708 suites) are located in Ontario.

The Company’s retirement communities provide accommodation and services to private-pay residents at rates set by the Company based on the services provided and market conditions. The monthly fees vary depending on the type of accommodation, level of care and services chosen by the resident and the location of the retirement community. Residents are able to choose the living arrangements best suited to their personal preference and needs, as well as the level of care and support they receive as their needs evolve over time.

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 98% of its revenue from contracts tendered by locally administered provincial agencies, with the remainder coming from private clients.

OTHER CANADIAN OPERATIONS

The Company's leverages its size, scale and operational expertise in the senior care industry to provide contract services and consulting to third-parties through other Canadian operations, which are composed of its Extendicare Assist and SGP divisions.

Contract Services and Consulting

Through its Extendicare Assist division, the Company provides a wide range of contract services and consulting to third parties. Extendicare Assist partners with not-for-profit and for-profit organizations, hospitals and municipalities seeking to improve their management practices, quality of care practices and operating efficiencies. Extendicare Assist provides a broad range of services aimed at meeting the needs of its partners, including: financial administration, record keeping, regulatory compliance and purchasing. In addition, Extendicare Assist provides consulting services to third parties for the development and redevelopment of LTC homes. Extendicare Assist's contract services portfolio consisted of 53 LTC homes and retirement communities with capacity for 6,601 residents as at March 31, 2020.

Group Purchasing Services

Through its SGP division, the Company offers cost-effective purchasing contracts to other senior care providers for food, capital equipment, furnishings, cleaning and nursing supplies and office products. 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, 2020, SGP provided services to third parties representing approximately 72,900 senior residents across Canada.

U.S. REMAINING OPERATIONS – CAPTIVE INSURANCE COMPANY

Prior to the U.S. Sale Transaction, the Company self-insured certain risks related to general and professional liability of its disposed U.S. operations through the Captive. The obligation to settle such claims relating to the period prior to the closing of the U.S. Sale Transaction, including claims incurred but yet to be reported, remains with the Company, which continues to be funded through the Captive. The majority of the risks that the Company self-insured relating to the U.S. operations are long-term in nature, and accordingly, claim payments for any particular policy year can occur over a number of years. Any expense incurred or release of reserves for U.S. self-insured liabilities are presented as discontinued operations, while the costs to administer and manage the settlement of the remaining claims are reported as continuing operations within the U.S. segment. Management is considering accelerating the settlement and wind-up of the Captive in order to eliminate or reduce the self-insured general and professional liabilities and thereby repatriate the balance of the investments in the Captive.

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 continuing 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 from continuing operations.

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

"Occupancy" is measured as the percentage of the number of earned resident days (or the number of occupied suites in the case of a retirement community) relative to the total available resident days. Total available resident days is the number of beds (or suites in the case of a retirement community) available for occupancy multiplied by the number of days in the period;

"Stabilized" is the classification by the Company of an LTC home or retirement community that has achieved and sustained its expected stabilized occupancy level for three consecutive months, which level varies from project to project;

"Lease-up" is any LTC home or retirement community not classified as stabilized;

"Non same-store" or "NSS" generally refers to those homes, communities or businesses that were not continuously operated by the Company since the beginning of the previous fiscal year or have been classified as held for sale; and

"Same-store" or "SS" generally refers to those homes, communities or businesses that were continuously operated by the Company since the beginning of the previous fiscal year, and which are not classified as held for sale.

Long-term Care

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

Long-term Care Homes	**2020**				**2019**			**2018**
Average Occupancy *(%)*	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Total LTC	**97.0%**	97.8%	97.9%	97.5%	96.9%	97.6%	97.8%	97.2%
Change over prior year period	**10 bps**	20 bps	10 bps	30 bps	50 bps			
Sequential quarterly change	**(80) bps**	(10) bps	40 bps	60 bps	(70) bps			
Ontario LTC								
Total ON LTC	**97.6%**	98.2%	98.5%	98.2%	97.5%	98.2%	98.3%	97.7%
Preferred Accommodation (1)								
"New" homes – private	**95.4%**	95.8%	95.9%	96.3%	95.1%	96.6%	97.6%	96.7%
"C" homes – private	**92.8%**	93.1%	94.2%	93.8%	96.2%	97.6%	97.8%	97.3%
"C" homes – semi-private	**66.3%**	66.7%	66.5%	65.6%	65.3%	66.1%	66.5%	65.7%

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

The average occupancy at the Company's LTC homes was 97.0% for the first quarter of 2020, up slightly from the first quarter of 2019. In comparison to the fourth quarter of 2019, average occupancy declined this quarter by 80 bps. In terms of the quarterly trends throughout the year, slightly lower occupancy levels are to be expected during the winter months as a result of outbreaks, which can lead to a temporary freeze on admissions. However, occupancy levels for the first quarter of 2020 have been further impacted by COVID-19.

In Ontario, overall government funding is occupancy-based, but once the average occupancy level of 97% or higher for the calendar year is achieved, operators receive government funding based on 100% occupancy. In the event of closure to admissions related to an outbreak, full funding is preserved in Ontario and we expect similar protocols to be followed in other provinces. In 2019, the Company's LTC homes in Ontario achieved an overall average occupancy of 98.1%, with all but one home achieving the 97% occupancy threshold.

Retirement Living

The following table summarizes the composition of the Company's 11 retirement communities in operation as at March 31, 2020. The Barrieview opened in October 2019 and is classified as non same-store and in lease-up. Bolton Mills, which opened at the beginning of 2019, and West Park Crossing remain classified as lease-up.

Retirement Communities	**Location**	**Total**	**Stabilized**	**Lease-up**	**Same-store**	**Non Same-store**
Cedar Crossing	Simcoe, ON	68	68		68	
Douglas Crossing	Uxbridge, ON	148	148		148	
Empire Crossing	Port Hope, ON	63	63		63	
Harvest Crossing	Tillsonburg, ON	100	100		100	
Riverbend Crossing	Regina, SK	67	67		67	
Stonebridge Crossing	Saskatoon, SK	116	116		116	
Yorkton Crossing	Yorkton, SK	79	79		79	
Lynde Creek Manor	Whitby, ON	93	93		93	
West Park Crossing	Moose Jaw, SK	79		79	79	
The Barrieview	Barrie, ON	124		124		124
Bolton Mills	Bolton, ON	112		112	112	
Total suites		**1,049**	**734**	**315**	**925**	**124**
Total communities		**11**	**8**	**3**	**10**	**1**

AS AT OCCUPANCY

The following table provides the period end occupancy of the retirement communities in total and for each of the stabilized, lease-up, same-store and non same-store groupings for the past eight quarters, with the prior period information for such groupings restated based on the classifications as at March 31, 2020.

The improvement in total occupancy levels at March 31, 2020 from March 31, 2019, reflects the lease-up of Bolton Mills, Douglas Crossing, Yorkton Crossing and West Park Crossing, partially offset by the negative impact of COVID-19 on occupancy experienced in the latter part of the first quarter of 2020.

The stabilized occupancy levels experienced a sequential decline from December 31, 2019, which is generally to be expected during the winter months; however, occupancy levels were further impacted in the first quarter of 2020 by COVID-19, which has temporarily restricted move-ins and tours of prospective residents.

Other factors impacting the trends over the past eight quarters were the completion in November 2018 of the 45-suite addition at Douglas Crossing that resulted in a sequential decline in total and stabilized occupancy levels at the end of 2018; the opening at the beginning of 2019 of Bolton Mills (112 suites) that resulted in a sequential decline in total and lease-up occupancy levels at the end of the first quarter of 2019; and the opening of The Barrieview (124 suites) in October 2019 that resulted in a sequential decline in total occupancy at the end of the fourth quarter of 2019.

Retirement Living Communities	**2020**				**2019**			**2018**
As at Occupancy *(%)*	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Total communities	**86.0%**	85.6%	86.6%	83.8%	80.9%	88.6%	89.5%	86.0%
Change over prior year period	**510 bps**	(300) bps	(290) bps	(220) bps	10 bps			
Sequential quarterly change	**40 bps**	(100) bps	280 bps	290 bps	(770) bps			
Stabilized communities	**92.8%**	95.1%	94.1%	92.5%	91.0%	89.8%	91.6%	88.7%
Change over prior year period	**180 bps**	530 bps	250 bps	380 bps	780 bps			
Sequential quarterly change	**(230) bps**	100 bps	160 bps	150 bps	120 bps			
Lease-up communities	**70.2%**	63.5%	57.6%	50.3%	41.9%	77.2%	70.9%	62.0%
SS communities	**86.2%**	88.0%	86.6%	83.8%	80.9%	88.6%	89.5%	86.0%
NSS communities	**84.7%**	67.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

AVERAGE OCCUPANCY

The following table provides the average occupancy of the retirement communities in total and for each of the same-store, non same-store, stabilized and lease-up groupings for the past eight quarters, with the prior period information for such groupings restated based on the classifications as at March 31, 2020. The same factors discussed above under "As at Occupancy" contributed to the variances in average occupancy.

Retirement Living Communities	**2020**				**2019**			**2018**
Average Occupancy *(%)*	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Total communities	**85.7%**	81.7%	85.5%	82.0%	79.3%	88.4%	87.9%	84.4%
Change over prior year period	**630 bps**	(680) bps	(240) bps	(250) bps	(110) bps			
Sequential quarterly change	**400 bps**	(380) bps	350 bps	260 bps	(910) bps			
Stabilized communities	**93.5%**	94.9%	94.0%	91.4%	90.7%	89.8%	90.1%	87.1%
Change over prior year period	**280 bps**	510 bps	390 bps	430 bps	810 bps			
Sequential quarterly change	**(140) bps**	90 bps	260 bps	70 bps	90 bps			
Lease-up communities	**67.5%**	50.7%	52.7%	45.8%	35.7%	76.1%	69.0%	61.5%
SS communities	**86.7%**	87.0%	85.5%	82.0%	79.3%	88.4%	87.9%	84.4%
NSS communities	**77.9%**	41.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Home Health Care

The table set out below provides the service volumes of the Company’s home health care operations in total and on a same-store basis (i.e., excluding the B.C. operations that ceased in January 2020) for the past eight quarters. The following discussion of the variances in services volumes excludes those of the B.C. operations.

Since the latter half of 2017, ParaMed has experienced declines in business volumes due largely to challenges in the Ontario operations as a result of legacy information technology systems and processes, coupled with competition for PSWs and nurses. The implementation of the new cloud-based system to assist in addressing these issues was conducted in stages and completed across all provinces, other than Alberta, by the end of January 2020. However, as of May 10, 2020, ParaMed has experienced a decline in average daily volumes of 22.5% since March 15, 2020, as a result of the impact of COVID-19. The drop contributed to an overall volume decline for the first quarter of 2020 of 3.1% as compared to the first quarter of 2019 and 2.5% as compared to the fourth quarter of 2019 (refer to the discussions under “Significant Events – Impact of COVID-19 Pandemic” and “Significant Events – ParaMed Transformation”).

Home Health Care	**2020**				**2019**			**2018**
Service Volumes	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Total operations								
Hours of service *(000’s)*	**2,319.5**	2,661.2	2,652.7	2,660.5	2,595.3	2,750.0	2,708.6	2,734.8
Hours per day	**25,490**	28,926	28,834	29,236	28,837	29,891	29,441	30,053
Change over prior year period	**(11.6)%**	(3.2)%	(2.1)%	(2.7)%	(4.1)%			
Sequential quarterly change	**(11.9)%**	0.3%	(1.4)%	1.4%	(3.5)%			
Excluding B.C.								
Hours of service *(000’s)*	**2,246.1**	2,329.2	2,322.5	2,340.0	2,291.9	2,441.6	2,402.0	2,430.1
Hours per day	**24,683**	25,318	25,245	25,714	25,465	26,539	26,108	26,704
Change over prior year period	**(3.1)%**	(4.6)%	(3.3)%	(3.7)%	(4.8)%			
Sequential quarterly change	**(2.5)%**	0.3%	(1.8)%	1.0%	(4.0)%			

Other Canadian Operations

The following table provides information in respect of the third-party clients receiving services from Extendicare Assist and SGP at the end of each period for the past eight quarters. At March 31, 2020, Extendicare Assist was providing contract services to third-parties representing 53 LTC homes and retirement communities with capacity for 6,601 senior residents, a reduction of one home since the end of the first quarter of 2019. SGP continues to grow its market share, increasing its third-party residents served by 27.8% at March 31, 2020 over March 31, 2019, and by 12.5% since the beginning of the year.

	2020				**2019**			**2018**
Other Canadian Operations	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Extendicare Assist Contract Services								
Homes at period end	**53**	53	53	53	54	53	53	53
Resident capacity	**6,601**	6,601	6,601	6,601	6,661	6,497	6,632	6,632
Change over prior year period	**(0.9)%**	1.6%	(0.5)%	(0.5)%	0.4%			
Sequential quarterly change	**0.0%**	0.0%	0.0%	(0.9)%	2.5%			
SGP Clients								
Third-party client senior residents	**72,886**	64,762	64,261	58,673	57,050	51,071	50,961	50,332
Change over prior year period	**27.8%**	26.8%	26.1%	16.6%	24.8%			
Sequential quarterly change	**12.5%**	0.8%	9.5%	2.8%	11.7%			

SELECT QUARTERLY FINANCIAL INFORMATION

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

	2020				2019			2018
(thousands of dollars unless otherwise noted)	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Revenue	**271,818**	290,895	282,733	284,053	274,269	288,793	280,302	279,488
Net operating income	**30,383**	32,877	34,867	35,320	30,386	32,863	35,492	36,307
NOI margin	***11.2%***	*11.3%*	*12.3%*	*12.4%*	*11.1%*	*11.4%*	*12.7%*	*13.0%*
Adjusted EBITDA	**19,900**	22,998	23,588	24,973	19,552	22,538	24,393	27,330
Adjusted EBITDA margin	***7.3%***	*7.9%*	*8.3%*	*8.8%*	*7.1%*	*7.8%*	*8.7%*	*9.8%*
Earnings (loss) from continuing operations	**1,871**	4,893	5,247	5,854	1,057	(9,055)	7,598	5,975
per basic and diluted share *($)*	**0.02**	0.05	0.06	0.07	0.01	(0.10)	0.08	0.07
Earnings from discontinued operations	**4,035**	5,195	2,012	2,471	1,901	15,562	975	5,852
Net earnings	**5,906**	10,088	7,259	8,325	2,958	6,507	8,573	11,827
per basic and diluted share *($)*	**0.07**	0.11	0.08	0.10	0.03	0.07	0.10	0.14
AFFO	**11,630**	11,365	13,693	14,927	12,615	12,570	13,379	17,133
per basic share *($)*	**0.130**	0.127	0.153	0.168	0.142	0.142	0.151	0.194
Maintenance Capex	**1,756**	6,028	3,056	2,312	916	4,202	3,639	3,783
Cash dividends declared	**10,731**	10,701	10,680	10,657	10,634	10,612	10,591	10,570
per share *($)*	**0.120**	0.120	0.120	0.120	0.120	0.120	0.120	0.120
Weighted Average Number of Shares								
Basic	**89,644**	89,467	89,253	89,039	88,825	88,612	88,412	88,208
Diluted	**100,023**	99,850	99,614	99,415	99,186	98,962	98,788	98,595

The following is a reconciliation of "earnings (loss) from continuing operations before income taxes" to Adjusted EBITDA and "net operating income".

	2020				2019			2018
(thousands of dollars)	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Earnings (loss) from continuing operations before income taxes	**2,237**	6,878	7,488	8,057	1,813	(12,327)	10,135	9,131
Add (Deduct):								
Depreciation and amortization	**9,853**	10,597	9,861	9,705	9,427	10,184	9,014	8,235
Net finance costs	**7,810**	5,523	6,239	6,236	6,883	8,039	5,244	6,591
Other expense	**–**	–	–	975	1,429	16,642	–	3,373
Adjusted EBITDA	**19,900**	22,998	23,588	24,973	19,552	22,538	24,393	27,330
Administrative costs	**10,483**	9,879	11,279	10,347	10,834	10,325	11,099	8,977
Net operating income	**30,383**	32,877	34,867	35,320	30,386	32,863	35,492	36,307

There are a number of factors affecting the trend of the Company's quarterly results from continuing operations. 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 trends. 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 the first quarter and at their highest in the fourth quarter;
- Ontario long-term care providers generally receive annual flow-through funding increases and case mix index adjustments effective April 1st and accommodation funding increases effective July 1st, and Alberta long-term care providers generally receive annual inflationary rate increases and acuity-based funding adjustments on April 1st and accommodation funding increases effective July 1st;
- 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 the first quarter and its highest in the fourth quarter;
- utility costs are generally at their highest in the first quarter and their lowest in the second and third quarters; 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 expense" and "foreign exchange and fair value adjustments".

2020 FIRST QUARTER FINANCIAL REVIEW

The following provides a breakdown of the consolidated statement of earnings between the Canadian and remaining U.S. operations.

	Three months ended March 31						
			2020			**2019**	**Total**
(thousands of dollars)	**Canada**	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**	**Change**
Revenue	**271,818**	**–**	**271,818**	274,269	–	274,269	(2,451)
Operating expenses	**241,435**	**–**	**241,435**	243,883	–	243,883	(2,448)
Net operating income	**30,383**	**–**	**30,383**	30,386	–	30,386	(3)
Administrative costs	**10,252**	**231**	**10,483**	10,612	222	10,834	(351)
Adjusted EBITDA	**20,131**	**(231)**	**19,900**	19,774	(222)	19,552	348
Depreciation and amortization	**9,853**	**–**	**9,853**	9,427	–	9,427	426
Other expense	**–**	**–**	**–**	1,429	–	1,429	(1,429)
Earnings (loss) before net finance costs and income taxes	**10,278**	**(231)**	**10,047**	8,918	(222)	8,696	1,351
Interest expense (net of capitalized interest)	**7,041**	**–**	**7,041**	6,882	–	6,882	159
Interest revenue	**(930)**	**–**	**(930)**	(864)	–	(864)	(66)
Accretion	**304**	**–**	**304**	302	234	536	(232)
Foreign exchange and fair value adjustments	**2,260**	**(865)**	**1,395**	1,829	(1,500)	329	1,066
Net finance costs (income)	**8,675**	**(865)**	**7,810**	8,149	(1,266)	6,883	927
Earnings from continuing operations before income taxes	**1,603**	**634**	**2,237**	769	1,044	1,813	424
Income tax expense (recovery)							
Current	**2,073**	**–**	**2,073**	1,524	–	1,524	549
Deferred	**(1,707)**	**–**	**(1,707)**	(768)	–	(768)	(939)
Total income tax expense	**366**	**–**	**366**	756	–	756	(390)
Earnings from continuing operations	**1,237**	**634**	**1,871**	13	1,044	1,057	814
Earnings from discontinued operations	**–**	**4,035**	**4,035**	–	1,901	1,901	2,134
Net earnings	**1,237**	**4,669**	**5,906**	13	2,945	2,958	2,948
Earnings from continuing operations	**1,237**	**634**	**1,871**	13	1,044	1,057	814
Add (Deduct) [(1)]**:**							
Foreign exchange and fair value adjustments	**1,489**	**(865)**	**624**	1,461	(1,500)	(39)	663
Other expense	**–**	**–**	**–**	1,353	–	1,353	(1,353)
Earnings (loss) from continuing operations before separately reported items, net of taxes	**2,726**	**(231)**	**2,495**	2,827	(456)	2,371	124

(1) The separately reported items being added to or deducted from earnings (loss) from continuing operations are net of income taxes, and are non-GAAP measures. Refer to the discussion of non-GAAP measures.

The following provides a reconciliation of "earnings (loss) from continuing operations before income taxes" to "Adjusted EBITDA" and "net operating income".

	Three months ended March 31						
			2020			**2019**	**Total**
(thousands of dollars)	**Canada**	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**	**Change**
Earnings from continuing operations before income taxes	**1,603**	**634**	**2,237**	769	1,044	1,813	424
Add (Deduct):							
Depreciation and amortization	**9,853**	**–**	**9,853**	9,427	–	9,427	426
Net finance costs (income)	**8,675**	**(865)**	**7,810**	8,149	(1,266)	6,883	927
Other expense	**–**	**–**	**–**	1,429	–	1,429	(1,429)
Adjusted EBITDA	**20,131**	**(231)**	**19,900**	19,774	(222)	19,552	348
Administrative costs	**10,252**	**231**	**10,483**	10,612	222	10,834	(351)
Net operating income	**30,383**	**–**	**30,383**	30,386	–	30,386	(3)

The following is an analysis of the consolidated results from operations for the three months ended March 31, 2020, as compared to the three months ended March 31, 2019. Refer to the discussion that follows under “Summary of Results of Operations by Segment” for an analysis of the revenue and net operating income by operating segment.

Revenue

Revenue of $271.8 million for the first quarter of 2020 declined by $2.4 million or 0.9% from the first quarter of 2019. Excluding the ParaMed B.C. operations, revenue increased by $6.1 million or 2.3% to $268.8 million this quarter from $262.7 million in the same prior year period, driven primarily by LTC funding enhancements, including funding related to COVID-19 costs incurred in respect of LTC homes in Ontario, expansion of the retirement living operations, growth in other Canadian operations and the impact of the leap day this year, partially offset by a decline in home health care volumes.

Operating Expenses

Operating expenses decreased by $2.4 million or 1.0% to $241.4 million for the first quarter of 2020. Excluding the ParaMed B.C. operations, operating expenses increased by $6.4 million or 2.8% to $238.5 million this quarter from $232.1 million in the same prior year period. The increase in operating expenses was driven by increased costs of resident care, expansion of the retirement living operations, higher labour costs and increased costs due to COVID-19, partially offset by the impact of lower home health care volumes.

Net Operating Income

Net operating income was unchanged at $30.4 million for the first quarter of 2020 and represented 11.2% of revenue as compared to 11.1% for the first quarter of 2019. Excluding the ParaMed B.C. operations, net operating income declined by $0.3 million to $30.4 million this quarter from $30.7 million in the same prior year period, reflecting funding enhancements, timing of spending under the Ontario flow-through envelopes, growth of the retirement living and other Canadian operations and the impact of the leap day this year, offset by lower volumes and increased back office operating costs in the home health care operations and higher costs due to COVID-19.

Administrative Costs

Administrative costs declined by $0.3 million or 3.2% to $10.5 million for the first quarter of 2020. Excluding the impact of ParaMed Transformation costs of $1.0 million incurred in the same prior year period, administrative costs increased by $0.7 million this quarter, primarily due to higher labour costs associated with increased management and support staff of key back office functions.

Adjusted EBITDA

Adjusted EBITDA increased by $0.3 million to $19.9 million for the first quarter of 2020 as compared to $19.6 million for the first quarter of 2019, and represented 7.3% of revenue as compared to 7.1%, respectively, reflecting flat net operating income and lower administrative costs of $0.3 million, as discussed above.

Depreciation and Amortization

Depreciation and amortization costs increased by $0.5 million to $9.9 million for the first quarter of 2020 due to higher capital expenditures and the impact of the opening of The Barrieview retirement community in October 2019.

Other Expense

Other expense of $1.4 million recorded in the first quarter of 2019 related to costs associated with the ParaMed B.C. Contract Expiration.

Net Finance Costs

Net finance costs increased by $0.9 million for the first quarter of 2020, primarily due to a net unfavourable change in foreign exchange and fair value adjustments related to the Captive’s investments and to the Company’s interest rate swaps aggregating to $1.1 million and higher net interest costs of $0.1 million, partially offset by lower accretion costs in connection with the decline in the accrual for U.S. self-insured liabilities. Net interest costs were negatively impacted by a reduction in the amount of capitalized interest of $0.2 million.

Income Taxes

The income tax provision was $0.4 million for the first quarter of 2020, representing an effective tax rate of 16.4%, as compared to a provision of $0.8 million and an effective tax rate of 41.7% for the first quarter of 2019. The effective tax rate of the Canadian operations was 22.8% this quarter as compared to 98.3% for the same prior year period, and was impacted by, among other things, foreign exchange and fair value adjustments and other items reported separately as "other expense", as noted above. The effective tax rate of the Canadian operations, excluding the impact of separately reported items, was 29.4% for the first quarter of 2020 as compared to 29.8% for the first quarter of 2019.

Earnings from Continuing Operations

Earnings from continuing operations of $1.9 million ($0.02 per basic share) for the first quarter of 2020, was up by $0.8 million from $1.1 million ($0.01 per basic share) for the first quarter of 2019, largely impacted by the ParaMed B.C. contract expiration costs recorded in 2019, net of the unfavourable change in foreign exchange and fair value adjustments for the current period.

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**	**Retirement Living**	**Home Health Care**	**Other Canadian Operations**	**Total**
2020					
Revenue	**160,240**	**12,039**	**93,100**	**6,439**	**271,818**
Operating expenses	**141,804**	**8,330**	**88,783**	**2,518**	**241,435**
Net operating income	**18,436**	**3,709**	**4,317**	**3,921**	**30,383**
NOI margin %	***11.5%***	***30.8%***	***4.6%***	***60.9%***	***11.2%***
2019					
Revenue	156,221	9,508	102,665	5,875	274,269
Operating expenses	139,383	6,929	95,112	2,459	243,883
Net operating income	16,838	2,579	7,553	3,416	30,386
NOI margin %	*10.8%*	*27.1%*	*7.4%*	*58.1%*	*11.1%*
Change					
Revenue	4,019	2,531	(9,565)	564	(2,451)
Operating expenses	2,421	1,401	(6,329)	59	(2,448)
Net operating income	1,598	1,130	(3,236)	505	(3)

LONG-TERM CARE OPERATIONS

Revenue from long-term care operations grew by $4.0 million or 2.6% to $160.2 million for the first quarter of 2020, of which approximately $2.2 million was driven by the Ontario flow-through funding envelopes that is directly offset by increased costs of resident care, including funding for COVID-19 of $0.4 million, and the balance from other funding enhancements, including incremental funding of $0.8 million in certain provinces for the leap day in the first quarter of 2020.

Net operating income from the long-term care operations was $18.4 million for the first quarter of 2020 as compared to $16.8 million for the first quarter of 2019, an increase of $1.6 million or 9.5%, with an NOI margin of 11.5% and 10.8%, respectively. Higher net operating income was attributable to funding enhancements, timing of spending under the Ontario flow-through envelopes and the leap day in the first quarter of 2020, partially offset by higher labour, supply and food costs and costs associated with COVID-19 of $0.3 million that have yet to be funded by certain provinces.

RETIREMENT LIVING OPERATIONS

The following table summarizes the breakdown of the same-store and non same-store operating results of the retirement living operations.

Three months ended March 31					**Retirement Living**	
(thousands of dollars unless otherwise noted)	**Same-store**		**Non Same-store**			**Total**
2020						
Revenue	**10,682**		**1,357**		**12,039**	
Operating expenses	**7,439**		**891**		**8,330**	
Net operating income / margin %	**3,243**	***30.4%***	**466**	***34.3%***	**3,709**	***30.8%***
Average occupancy / weighted average available suites	***86.7%***	***925***	***77.9%***	***124***	***85.7%***	***1,049***
2019						
Revenue	9,508		–		9,508	
Operating expenses	6,839		90		6,929	
Net operating income / margin %	2,669	*28.1%*	(90)		2,579	*27.1%*
Average occupancy / weighted average available suites	*79.3%*	*925*	*0.0%*	*–*	*79.3%*	*925*
Change						
Revenue	1,174		1,357		2,531	
Operating expenses	600		801		1,401	
Net operating income	574	–	556	124	1,130	124

Revenue from retirement living operations grew by $2.5 million or 26.6% to $12.0 million for the first quarter of 2020, of which $1.2 million was due to organic growth from same-store operations, primarily due to lease-up activity, partially offset by the impact of COVID-19 on occupancy levels of the stabilized communities. Revenue from non same-store operations reflects the opening of The Barrieview in October 2019.

Net operating income from the retirement living operations was $3.7 million for the first quarter of 2020 as compared to $2.6 million for the first quarter of 2019, an increase of $1.1 million or 43.8%, reflecting growth in occupancy of same-store operations to 86.7% from 79.3%, and the contribution from The Barrieview.

HOME HEALTH CARE OPERATIONS

ParaMed B.C. operations revenue for the first quarter of 2020 was $3.0 million ($11.6 million for the first quarter 2019) and net operating income of less than $0.1 million for the first quarter of 2020 (net operating loss of $0.3 million for the first quarter 2019). The following discussion of the home health care operations excludes the impact of the B.C. operations (refer to the discussion under “Significant Events – ParaMed B.C. Contract Expiration”).

Revenue from the home health care operations declined by $1.0 million or 1.1% to $90.1 million for the first quarter of 2020, primarily due to a decline in average daily volumes of 3.1%, partially offset by approximately $1.0 million of incremental leap day revenue in the first quarter of 2020 and improvements in service mix.

Net operating income from the home health care operations was $4.3 million for the first quarter of 2020 as compared to $7.8 million for the first quarter of 2019, a decrease of $3.5 million or 45.2%, with an NOI margin of 4.8% and 8.6%, respectively. Higher back-office operating costs, due to a combination of increased staff and increased workload in connection with the impact of COVID-19, and lower business volumes contributed to the decline in net operating income (refer to the discussion under “Significant Events – Impact of COVID-19 Pandemic”).

OTHER CANADIAN OPERATIONS

Revenue from other Canadian operations increased by $0.6 million or 9.6% to $6.4 million, largely due to the increase in group purchasing clients.

Net operating income from other Canadian operations increased by $0.5 million to $3.9 million for the first quarter of 2020, due to revenue growth from an increase in clients, partially offset by increased operating expenses.

ADJUSTED FUNDS FROM OPERATIONS

The following provides a reconciliation of "net earnings" to FFO and AFFO. A reconciliation of "net cash from operating activities" to AFFO is also provided under "Reconciliation of Net Cash from Operating Activities to AFFO".

(thousands of dollars unless otherwise noted)	**Three months ended March 31** **2020**	**2019**	**Change**
Net earnings	**5,906**	2,958	2,948
Add (Deduct):			
Depreciation and amortization	**9,853**	9,427	426
Depreciation for FFEC (maintenance capex) (1)	**(1,840)**	(1,641)	(199)
Depreciation for office leases (2)	**(624)**	(673)	49
Other expense (continuing operations)	**–**	1,429	(1,429)
Other income (discontinued operations)	**(4,035)**	(1,901)	(2,134)
Foreign exchange and fair value adjustments	**1,395**	329	1,066
Current income tax expense (recovery) on other expense, foreign exchange and fair value adjustments (3)	**10**	53	(43)
Deferred income tax recovery	**(1,717)**	(825)	(892)
FFO	**8,948**	9,156	(208)
Amortization of deferred financing costs	**442**	385	57
Accretion costs	**304**	536	(232)
Non-cash share-based compensation	**174**	219	(45)
Principal portion of government capital funding	**1,447**	1,372	75
Amounts offset through investments held for self-insured liabilities (4)	**231**	222	9
Additional maintenance capex (1)	**84**	725	(641)
AFFO	**11,630**	12,615	(985)
Per Basic Share *($)*			
FFO	**0.100**	0.103	(0.003)
AFFO	**0.130**	0.142	(0.012)
Per Diluted Share *($)*			
FFO	**0.100**	0.103	(0.003)
AFFO	**0.127**	0.138	(0.011)
Dividends *($)*			
Declared	**10,731**	**10,634**	97
Declared per share *($)*	**0.120**	0.120	–
Weighted Average Number of Shares *(thousands)*			
Basic	**89,644**	88,825	
Diluted	**100,023**	99,186	
Current income tax expense included in FFO	**2,073**	1,528	545
Total maintenance capex (1)	**1,756**	916	840

(1) The aggregate of the items "depreciation for FFEC" and "additional maintenance capex" represents total actual maintenance capex incurred in the period. 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.

(2) Represents depreciation related to office leases under IFRS 16.

(3) Represents current income tax with respect to items that are excluded from the computation of FFO and AFFO, such as foreign exchange and fair value adjustments, and other expense.

(4) Represents AFFO of the Captive that decreases/(increases) the Captive's investments held for self-insured liabilities not impacting the Company's reported cash and cash equivalents.

AFFO 2020 Financial Review

For the first quarter of 2020, AFFO declined by $1.0 million, or 7.8%, to $11.6 million ($0.130 per basic share) from $12.6 million ($0.142 per basic share) for the first quarter of 2019, impacted by an increase in maintenance capex of $0.8 million and current taxes of $0.5 million, partially offset by an improvement in Adjusted EBITDA.

Compared to AFFO of $11.6 million for the first quarter of 2020, dividends declared of $10.7 million represented a payout ratio of 92%, as compared to a payout ratio of 84% for the first quarter of 2019.

A discussion of the factors impacting net earnings and Adjusted EBITDA can be found under "2020 First Quarter Financial Review".

The effective tax rate on FFO was 18.8% for the first quarter of 2020 as compared to 14.3% for the first quarter of 2019. The Company's current income taxes for the first quarter of 2019 benefitted from favourable timing differences and the utilization of tax losses. With respect to the effective tax rate in 2020, the impacts of COVID-19 on the Company's financial results are difficult to predict. In particular, lower volumes and increased back-office costs in ParaMed as a result of COVID-19 will have an impact on that legal entity's level of taxable income and resulting effective tax rate on the Company's FFO. 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.

Maintenance capex was $1.8 million for the first quarter of 2020 as compared to $0.9 million for the first quarter of 2019 and to $6.0 million for the fourth quarter of 2019, representing 0.6%, 0.3% and 2.1% of revenue, respectively. These costs fluctuate on a quarterly and annual basis with the timing of projects and seasonality. Management monitors and prioritizes the capital expenditure requirements of its properties throughout the year, taking into account the urgency and necessity of the expenditure. In 2020, the Company expects to spend in the range of $11 million to $13 million in maintenance capex, as compared to $12.3 million in 2019.

Reconciliation of Net Cash from Operating Activities to AFFO

The following provides a reconciliation of "net cash from operating activities" to AFFO.

	Three months ended March 31	
(thousands of dollars)	**2020**	**2019**
Net cash from operating activities	**18,809**	12,512
Add (Deduct):		
Net change in operating assets and liabilities, including interest, taxes and payments for U.S. self-insured liabilities	**(6,486)**	45
Current income tax on items excluded from AFFO (1)	**10**	53
Depreciation for office leases (2)	**(624)**	(673)
Depreciation for FFEC (maintenance capex) (3)	**(1,840)**	(1,641)
Additional maintenance capex (3)	**84**	725
Principal portion of government capital funding	**1,446**	1,372
Amounts offset through investments held for self-insured liabilities (4)	**231**	222
AFFO	**11,630**	12,615

(1) Represents current income tax with respect to items that are excluded from the computation of AFFO, such as foreign exchange and fair value adjustments, and other expense.

(2) Represents depreciation recognized on adoption of IFRS 16 related to office leases.

(3) The aggregate of the items "depreciation for FFEC" and "additional maintenance capex" represents total actual maintenance capex incurred in the period. 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.

(4) Represents AFFO of the Captive that decreases/(increases) its investments held for self-insured liabilities not impacting the Company's reported cash and cash equivalents.

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

The following summarizes the sources and uses of cash between continuing and discontinued operations for 2020 and 2019.

	Three months ended March 31, 2020			Three months ended March 31, 2019		
(thousands of dollars unless otherwise noted)	**Continuing**	**Discontinued**	**Total**	**Continuing**	**Discontinued**	**Total**
Net cash from (used in) operating activities	**18,848**	**(39)**	**18,809**	21,406	(8,894)	12,512
Net cash from (used in) investing activities	**5,632**	**39**	**5,671**	(4,296)	8,894	4,598
Net cash used in financing activities	**(13,490)**	**–**	**(13,490)**	(12,066)	–	(12,066)
Foreign exchange gain (loss) on U.S. cash held	**382**	**–**	**382**	(437)	–	(437)
Increase in cash and cash equivalents	**11,372**	**–**	**11,372**	4,607	–	4,607
Cash and cash equivalents at beginning of year	**94,457**	**–**	**94,457**	65,893	–	65,893
Cash and cash equivalents at end of period	**105,829**	**–**	**105,829**	70,500	–	70,500

As at March 31, 2020, the Company had cash and cash equivalents on hand of $105.8 million, reflecting an increase in cash of $11.4 million from the beginning of the year. Cash flow generated from operating activities of the continuing operations of $18.8 million was in excess of cash dividends paid of $9.3 million.

Net cash from operating activities of the continuing operations was a source of cash of $18.8 million in the first quarter of 2020, down $2.6 million or 11.9% as compared to a source of cash of $21.4 million in the first quarter of 2019. The decline in cash between periods was primarily due to an unfavourable net change in working capital between periods.

Net cash from investing activities of the continuing operations was a source of cash of $5.6 million in the first quarter of 2020 as compared to a use of cash of $4.3 million in the first quarter of 2019. The 2020 activity included the repatriation of $9.9 million (US$7.0 million) from the Captive and collection of other assets, offset by purchases of property, equipment and other intangible assets of $5.4 million. The 2019 activity included purchases of property, equipment and other intangible assets of $6.0 million, partially offset by the collection of other assets. The table that follows summarizes the capital expenditures. Growth capex relates to the construction of new beds, building improvements or other capital projects, all of which are aimed at earnings growth. Maintenance capex relates to the actual capital expenditures incurred to sustain and upgrade existing property and equipment. Management monitors and prioritizes the capital expenditure requirements of its properties throughout the year, taking into account the urgency and necessity of the expenditure.

	Three months ended March 31	
(thousands of dollars)	**2020**	**2019**
Growth capex	**3,670**	5,336
Deduct: capitalized interest	**–**	(214)
Growth capex, excluding capitalized interest	**3,670**	5,122
Maintenance capex	**1,756**	916
	5,426	6,038

Net cash from financing activities of the continuing operations was a use of cash of $13.5 million for the first quarter of 2020, up $1.4 million, as compared to a use of cash of $12.1 million for the first quarter of 2019. The 2020 activity included debt repayments of $6.6 million and cash dividends paid of $9.3 million, partially offset by draws on construction financing of $2.7 million. The 2019 activity included debt repayments of $7.7 million, cash dividends paid of $9.4 million, partially offset by draws on construction financing of $5.2 million.

Discontinued operations reflect the payment of claims for U.S. self-insured liabilities as a component of net cash from operating activities, which payments are funded by the Captive's investments held for self-insured liabilities. Changes in the Captive's investments are reported as a component of net cash from investing activities, as those invested funds are not included in cash and cash equivalents.

Capital Structure

SHAREHOLDERS' EQUITY

Total shareholders' equity as at March 31, 2020, was $112.2 million as compared to $115.4 million at December 31, 2019. The decline was primarily attributable to dividends declared of $10.7 million, partially offset by contributions from net earnings and dividend reinvestments pursuant to the DRIP.

As at March 31, 2020, the Company had 89.5 million Common Shares issued and outstanding (carrying value – $500.1 million) as compared to 89.2 million Common Shares (carrying value – $498.1 million) as at December 31, 2019. The increase in Common Shares was attributable to dividend reinvestments pursuant to the DRIP (187,658 Common Shares) and 46,128 Common Shares issued under the Company's equity-based compensation plan. Subsequent to March 31, 2020, 44,155 Common Shares were issued pursuant to the DRIP.

Share Information *(thousands)*	**May 13, 2020**	**March 31, 2020**	**December 31, 2019**
Common Shares (TSX symbol: EXE) (1)	**89,510.5**	**89,466.3**	89,232.5

(1) Closing market value per the TSX on May 13, 2020, was $5.42.

As at May 13, 2020, the Company had $126.5 million in aggregate principal amount of convertible subordinate debentures outstanding that mature in April 2025 (the "2025 Debentures"), which in the aggregate are convertible into 10,326,531 Common Shares.

DIVIDENDS

The Company declared cash dividends of $0.12 per share in the first quarter of 2020, consistent with that declared in the same 2019 period, representing dividends declared of $10.7 million and $10.6 million in each period respectively. During the first quarter of 2020, pursuant to the DRIP, the Company issued Common Shares at a value of $1.4 million as compared with $1.3 million in the same prior year period. In March 2020, the Company announced the suspension of the DRIP effective in respect of any future dividends declared (refer to "Significant Events – Dividend Reinvestment Plan").

NORMAL COURSE ISSUER BID (NCIB)

In January 2020, the Company received approval from the TSX to renew its NCIB to purchase for cancellation up to 8,000,000 Common Shares (representing approximately 10% of its public float) through the facilities of the TSX, and through alternative Canadian trading systems, in accordance with TSX rules. The NCIB commenced on January 15, 2020, and provides the Company with flexibility to purchase Common Shares for cancellation until January 14, 2021, 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, on any trading day, purchases under the NCIB will not exceed 42,703 Common Shares. As at May 14, 2020, the Company has not acquired any Common Shares under its NCIB.

Long-term Debt

Long-term debt totalled $554.4 million as at March 31, 2020, as compared to $556.3 million as at December 31, 2019, representing a decrease of $1.9 million, due to debt repayments of $6.6 million, partially offset by draws on construction loans of $2.7 million and an increase in lease liabilities. The current portion of long-term debt as at March 31, 2020, was $116.1 million and included $64.3 million drawn on demand construction loans. The Company intends to fund repayments of construction loans from proceeds of permanent mortgage financing upon occupancy stabilization, as was the case with $25.8 million that was refinanced in April 2020 (refer to "Significant Events – Financing Activity". The Company is subject to debt service coverage covenants on certain of its loans and was in compliance with all of these covenants as at March 31, 2020. Details of the components, maturities dates, terms and conditions of long-term debt are provided in *Note 6* of the unaudited interim condensed consolidated financial statements.

CREDIT FACILITIES

The Company has two demand credit facilities totalling $112.3 million, one of which is secured by 13 Class C long-term care homes in Ontario and the other is secured by the assets of the home health care business. Neither of these facilities has financial covenants but do contain normal and customary terms. As at March 31, 2020, $38.1 million of the facilities secure the Company's defined benefit pension plan obligations and $5.5 million was issued in connection with obligations relating to long-term care homes and retirement communities, leaving $68.7 million unutilized.

LONG-TERM DEBT KEY METRICS

Management has limited the amount of debt that may be subject to changes in interest rates, with all of the debt currently at fixed rates, other than the construction loans of $67.3 million. The Company's variable-rate mortgages and term loan, aggregating $81.3 million as at March 31, 2020, have effectively been converted to fixed rate financings with interest rate swaps over the full term. As at March 31, 2020, the net carrying value of the interest rate swaps was a liability of $2.4 million.

The following summarizes key metrics of consolidated long-term debt as at March 31, 2020, and December 31, 2019.

(thousands of dollars unless otherwise noted)	**March 31, 2020**	**December 31, 2019**
Weighted average interest rate of long-term debt outstanding	**4.6%**	4.7%
Weighted average term to maturity of long-term debt outstanding	**6.6 yrs**	6.7 yrs
Trailing twelve months consolidated net interest coverage ratio(1)	**3.6 X**	3.5 X
Trailing twelve months consolidated interest coverage ratio(2)	**3.1 X**	3.1 X
Debt to Gross Book Value (GBV)		
Total assets (carrying value)	**874,047**	888,800
Accumulated depreciation on property and equipment	**251,305**	251,403
Accumulated amortization on other intangible assets	**25,779**	23,951
GBV	**1,151,131**	1,164,154
Debt (3)	**567,991**	570,536
Debt to GBV	**49.3%**	49.0%

(1) Net interest coverage ratio is defined as Adjusted EBITDA divided by net interest (interest expense before reduction of capitalized interest, net of interest revenue).

(2) Interest coverage ratio is defined as Adjusted EBITDA divided by interest expense before reduction of capitalized interest.

(3) Debt includes convertible debentures at face value of $126.5 million and excludes deferred financing costs.

Future Liquidity and Capital Resources

The Company's consolidated cash and cash equivalents on hand was $105.8 million as at March 31, 2020, as compared with $94.4 million as at December 31, 2019, representing an increase of $11.4 million. In addition, the Company has access to a further $70.2 million in undrawn demand credit facilities. Cash and cash equivalents exclude restricted cash of $2.6 million and $19.8 million (US$14.1 million) of investments held by the Captive to support the accrual for U.S. self-insured liabilities of $8.9 million (US$6.3 million).

As discussed under "Significant Events – Financing Activity", subsequent to March 31, 2020, the Company refinanced the $25.8 million of construction financing on the Douglas Crossing Retirement Community, securing a $47.8 million CMHC-insured mortgage for a term of 10 years. Also, subsequent to March 31, 2020, the Company closed $10.3 million in mortgages on two Saskatchewan retirement communities. During the first quarter of 2020, the Company extended maturing mortgages of $21.7 million on certain long-term care homes in Manitoba. As a result of these financing activities, the only scheduled debt maturities the Company has remaining for the balance of 2020, are $23.0 million of CMHC mortgages maturing in the fourth quarter.

Management believes that cash from operating activities and future debt financings will be sufficiently available to support the Company's ongoing business operations, maintenance capex and debt repayment obligations. Growth through redevelopment of the LTC homes over the next few years, strategic acquisitions and developments will necessitate the raising of funds through debt and equity financings. Decisions will be made on a specific transaction basis and will depend on market and economic conditions at the time. However, given COVID-19's potential impact on the Company's financial performance and operations, as well as on the economy such that capital and credit markets and industry sentiment are adversely affected, it may be 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 credit facilities. In addition, reduced revenue and higher operating costs due to the impact of COVID-19 may result in reductions or early prepayments of existing financings if covenants contained therein are unable to be met (refer to "Risks and Uncertainties").

OTHER CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

There were no material changes to the Company's other contractual obligations and contingences, which are detailed in the Company's 2019 Annual Report.

Legal Proceedings, Claims 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. The potential outcome of legal proceedings and claims is uncertain and could have a materially adverse impact on the Company's business, results of operations and financial condition (refer to "Risks and Uncertainties").

DISCONTINUED OPERATIONS

Earnings from Discontinued Operations

Earnings from discontinued operations relate to the former U.S. operations and were $4.0 million for the first quarter of 2020 as compared to $1.9 million for the same prior year period, both of which related to a release of the Captive's reserves.

Accrual for U.S. Self-insured Liabilities

The obligation to settle U.S. self-insured general and professional liability claims relating to the period prior to the closing of the U.S. Sale Transaction, including claims incurred but yet to be reported, remains with the Company, which continues to be funded through the Captive. Consequently, the balance of the accrual for self-insured liabilities and the related investments held for self-insured liabilities remain on the consolidated statement of financial position. However, any expense incurred or release of reserves for U.S. self-insured liabilities are presented as discontinued operations, while the Captive's costs to administer and manage the settlement of the remaining claims are reported as continuing operations within the U.S. segment.

Management regularly evaluates and semi-annually engages an independent third-party actuary to determine the appropriateness of the carrying value of this liability. The most recent independent actuarial review was conducted at the end of 2019, which confirmed the adequacy of the Company's reserves.

As at March 31, 2020, the accrual for U.S. self-insured general and professional liabilities was $8.9 million (US$6.3 million) as compared to $12.2 million (US$9.4 million) at the beginning of the year. The decline of US$3.1 million was attributable to a release of reserves of US$3.0 million and to claims payments.

Most of the risks that the Company self-insures are long-term in nature, and accordingly, claim payments for any particular policy year can occur over a number of years. However, management estimates and allocates a current portion of the accrual for self-insured liabilities on the statement of financial position. As at March 31, 2020, management estimated that approximately $5.4 million of the accrual for U.S. self-insured general and professional liabilities will be paid within the next twelve months. As the timing of payments is not directly within management's control, estimates could change in the future. Management is considering accelerating the settlement and wind-up of the Captive in order to eliminate or reduce the self-insured general and professional liabilities and thereby repatriate the balance of the investments in the Captive.

The Captive holds investments sufficient to support the accrual for self-insured liabilities and to meet required statutory solvency and liquidity ratios. These invested funds are reported in other assets and totalled $19.8 million (US$14.1 million) as at March 31, 2020, as compared to $27.6 million (US$21.2 million) at the beginning of the year. During the first quarter of 2020, the Captive transferred $9.9 million (US$7.0 million) of cash previously held for investment to the Company for general corporate use. Management believes there are sufficient invested funds held to meet estimated current claims payment obligations.

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, 2019, contained in the Company's 2019 Annual Report. The disclosures in such report have not materially changed since that report was filed, with the exception of the new accounting policies adopted as described below under "New Accounting Policies Adopted", and to the extent there have been any changes in management's estimates, they are discussed under "Significant Events".

New Accounting Policies Adopted

The following new standard was adopted effective January 1, 2020, and has been applied in preparing the financial results for the three months ended March 31, 2020, the nature and effect of which is provided in *Note 2* of the unaudited interim condensed consolidated financial statements, and described below:

DEFINITION OF A BUSINESS

Beginning on January 1, 2020, the Company adopted the IASB amendment regarding the definition of a business under IFRS 3 Business Combinations. This amendment narrowed and clarified the definition of a business, as well as permitted a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The adoption of the amendment to IFRS 3 did not have a material impact on the consolidated financial statements.

NON-GAAP MEASURES

The Company assesses and measures operating results and financial position based on performance measures referred to as "net operating income", "net operating income margin", "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA margin", "earnings before depreciation, amortization, and other expense", "earnings (loss) from continuing operations before separately reported items, net of taxes", "Funds from Operations" and "Adjusted Funds from Operations". These measures are commonly used by the Company and its investors as a means of assessing the performance of the core operations in comparison to prior periods. They are presented by the Company on a consistent basis from period to period, thereby allowing for consistent comparability of its operating performance. In addition, the Company assesses its return on investment in development activities using the non-GAAP financial measure "NOI Yield". These measures are not 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 for users of the Company's financial statements to assess the Company's operating performance and ability to pay cash dividends; or (ii) certain ongoing rights and obligations of the Company 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.

References to "net operating income", or "NOI", in this document are to revenue less operating expenses, and this value represents the underlying performance of the operating business segments. References to "net operating income margin" are to net operating income as a percentage of revenue.

References to "EBITDA" in this document are to earnings (loss) from continuing operations before net finance costs, income taxes, depreciation and amortization. References to "Adjusted EBITDA" in this document are to EBITDA adjusted to exclude the line item "other expense", and as a result, is equivalent to the line item "earnings before depreciation, amortization, and other expense" reported on the consolidated statements of earnings. References to "Adjusted EBITDA Margin" are to Adjusted EBITDA as a percentage of revenue. 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.

References to "earnings (loss) from continuing operations before separately reported items, net of tax" in this document are to earnings (loss) from continuing operations, excluding the following separately reported line items: "foreign exchange and fair value adjustments" and "other expense". These line items are reported separately and excluded from certain performance measures, because they are transitional in nature and would otherwise distort historical trends. They relate to the change in the fair value of or gains and losses on termination of convertible debentures and interest rate agreements, as well as gains or losses on the disposal or impairment of assets and investments, and foreign exchange gains or losses on capital items. In addition, these line items may include acquisition related costs, restructuring charges, proxy related costs and the write-off of unamortized deferred financing costs on early retirement of debt. 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.

"Funds from Operations", or "FFO", is defined as Adjusted EBITDA 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. Depreciation for FFEC is considered representative of the amount of maintenance (non-growth) capital expenditures, or "maintenance capex", to be used in determining "Funds from Operations", 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.

"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 are funded through investments held for 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. Management believes that AFFO is a relevant measure of the ability of the Company to earn cash and pay cash dividends to shareholders.

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.

References to "payout ratio" in this document are to the ratio of dividends declared per share to AFFO per basic share.

References to "NOI Yield" in this document are to a financial measure used by the Company to assess its return on investment in development activities. NOI Yield is defined by the Company as the estimated stabilized NOI of a development property in the first year it achieves expected stabilized occupancy divided by the estimated Adjusted Development Costs, as defined below. Management believes that this is a relevant measure of the Company's total economic return of a development project.

"Adjusted Development Costs" is defined as development costs on a GAAP basis (which includes the cost of land, hard and soft development costs, furniture, fixtures and equipment) plus/minus cumulative net operating losses/earnings generated by the development property prior to achieving expected stabilized occupancy, plus an estimated imputed cost of capital during the development period through to the expected stabilized occupancy.

Reconciliations of "earnings (loss) from continuing operations before income taxes" to "Adjusted EBITDA" and "net operating income" are provided under "Select Quarterly Financial Information" and "2020 First Quarter Financial Review".

Reconciliations of "earnings from continuing operations" to "FFO" and "AFFO" are provided under "Adjusted Funds from Operations".

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

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 2019 Annual Information Form, including without limitation, "Risks Related to a Pandemic, Epidemic or Outbreak of a Contagious Illness, such as COVID-19", "Risks Related to Liability and Insurance" and "Risks Related to Government Funding and Regulatory Changes" found under the section "Risk Factors – Risks Related to the Business". 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 Events".

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

Q1 2020

Extendicare Inc.
Dated: May 14, 2020

Extendicare Inc.
Interim Condensed Consolidated Financial Statements

Three months ended March 31, 2020 and 2019

Extendicare Inc.
Interim Condensed Consolidated Statements of Financial Position
(Unaudited)

(in thousands of Canadian dollars)	*notes*	**March 31, 2020**	**December 31, 2019**
Assets			
Current assets			
Cash and cash equivalents		**105,829**	94,457
Restricted cash		**2,645**	2,441
Accounts receivable		**36,284**	50,382
Income taxes recoverable		**16,626**	15,958
Other assets	*4*	**20,571**	20,661
Total current assets		**181,955**	183,899
Non-current assets			
Property and equipment	*3*	**528,847**	530,527
Goodwill and other intangible assets		**88,425**	89,874
Other assets	*4*	**61,103**	71,752
Deferred tax assets		**13,717**	12,748
Total non-current assets		**692,092**	704,901
Total assets		**874,047**	888,800
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities		**129,385**	136,922
Income taxes payable		**902**	1,606
Long-term debt	*6*	**116,126**	133,771
Provisions	*5*	**5,390**	3,572
Total current liabilities		**251,803**	275,871
Non-current liabilities			
Long-term debt	*6*	**438,247**	422,535
Provisions	*5*	**21,040**	25,541
Other long-term liabilities	*7*	**37,441**	35,187
Deferred tax liabilities		**13,285**	14,252
Total non-current liabilities		**510,013**	497,515
Total liabilities		**761,816**	773,386
Share capital	*9*	**500,068**	498,116
Equity portion of convertible debentures		**7,085**	7,085
Contributed surplus		**3,331**	3,675
Accumulated deficit		**(387,014)**	(382,189)
Accumulated other comprehensive loss		**(11,239)**	(11,273)
Shareholders' equity		**112,231**	115,414
Total liabilities and equity		**874,047**	888,800

See accompanying notes to unaudited interim condensed consolidated financial statements.
Commitments and contingencies (Note 15).
Subsequent event (Note 6).

Extendicare Inc.
Interim Condensed Consolidated Statements of Earnings
(Unaudited)

		Three months ended March 31,	
(in thousands of Canadian dollars except for per share amounts)	***notes***	**2020**	**2019**
CONTINUING OPERATIONS			
Revenue	*17*	**271,818**	274,269
Operating expenses		**241,435**	243,883
Administrative costs		**10,483**	10,834
Total expenses	*10*	**251,918**	254,717
Earnings before depreciation, amortization, and other expense		**19,900**	19,552
Depreciation and amortization		**9,853**	9,427
Other expense	*11*	**—**	1,429
Earnings before net finance costs and income taxes		**10,047**	8,696
Interest expense		**7,041**	6,882
Interest revenue		**(930)**	(864)
Accretion		**304**	536
Foreign exchange and fair value adjustments	*12*	**1,395**	329
Net finance costs		**7,810**	6,883
Earnings before income taxes		**2,237**	1,813
Income tax expense (recovery)			
Current		**2,073**	1,524
Deferred		**(1,707)**	(768)
Total income tax expense		**366**	756
Earnings from continuing operations		**1,871**	1,057
DISCONTINUED OPERATIONS			
Earnings from discontinued operations, net of income taxes	*14*	**4,035**	1,901
Net earnings		**5,906**	2,958
Basic and Diluted Earnings per Share (in dollars)			
Earnings from continuing operations	*13*	**$0.02**	$0.01
Net earnings	*13*	**$0.07**	$0.03

See accompanying notes to unaudited interim condensed consolidated financial statements.

Extendicare Inc.
Interim Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

	Three months ended March 31,	
(in thousands of Canadian dollars)	**2020**	**2019**
Net earnings	**5,906**	2,958
Other comprehensive income (loss), net of taxes		
Items that will not be reclassified to profit or loss:		
Defined benefit plan actuarial gains (losses)	**(779)**	(1,739)
Tax recovery (expense) on defined benefit plan actuarial losses	**206**	461
Defined benefit plan actuarial losses, net of taxes	**(573)**	(1,278)
Items that are or may be reclassified subsequently to profit or loss:		
Net change in foreign currency translation adjustment	**607**	(626)
Other comprehensive income (loss), net of taxes	**34**	(1,904)
Total comprehensive income	**5,940**	1,054

See accompanying notes to unaudited interim condensed consolidated financial statements.

Extendicare Inc.

Interim Condensed Consolidated Statements of Changes in Equity

(Unaudited)

(in thousands of Canadian dollars, except for number of shares)	***notes***	***Number of Shares***	**Share Capital**	**Equity Portion of Convertible Debentures**	**Contributed Surplus**	**Accumulated Deficit**	**Accumulated Other Comprehensive Income (Loss)**	**Shareholders' Equity**
Balance at January 1, 2020		***89,232,512***	**498,116**	**7,085**	**3,675**	**(382,189)**	**(11,273)**	**115,414**
DRIP		***187,658***	**1,434**	**—**	**—**	**—**	**—**	**1,434**
Share-based compensation	***8***	***46,128***	**518**	**—**	**(344)**	**—**	**—**	**174**
Net earnings		**—**	**—**	**—**	**—**	**5,906**	**—**	**5,906**
Dividends declared		**—**	**—**	**—**	**—**	**(10,731)**	**—**	**(10,731)**
Other comprehensive income		**—**	**—**	**—**	**—**	**—**	**34**	**34**
Balance at March 31, 2020		**89,466,298**	**500,068**	**7,085**	**3,331**	**(387,014)**	**(11,239)**	**112,231**

(in thousands of Canadian dollars, except for number of shares)	***notes***	***Number of Shares***	**Share Capital**	**Equity Portion of Convertible Debentures**	**Contributed Surplus**	**Accumulated Deficit**	**Accumulated Other Comprehensive Income (Loss)**	**Shareholders' Equity**
Balance at January 1, 2019		*88,489,984*	492,064	7,085	2,706	(368,147)	(7,717)	125,991
DRIP		*183,762*	1,271	—	—	—	—	1,271
Share-based compensation	*8*	—	—	—	218	—	—	218
Net earnings		—	—	—	—	2,958	—	2,958
Dividends declared		—	—	—	—	(10,634)	—	(10,634)
Other comprehensive loss		—	—	—	—	—	(1,904)	(1,904)
Balance at March 31, 2019		88,673,746	493,335	7,085	2,924	(375,823)	(9,621)	117,900

See accompanying notes to unaudited interim condensed consolidated financial statements.

Extendicare Inc.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)

		Three months ended March 31,	
(in thousands of Canadian dollars)	***notes***	**2020**	**2019**
Operating Activities			
Net earnings		**5,906**	2,958
Adjustments for:			
Depreciation and amortization	*3*	**9,853**	9,427
Share-based compensation	*8*	**174**	218
Deferred taxes		**(1,707)**	(825)
Current taxes		**2,073**	1,581
Net finance costs		**6,415**	6,554
Other income	*14*	**(4,035)**	(472)
Foreign exchange and fair value adjustments	*12*	**1,395**	329
		20,074	19,770
Net change in operating assets and liabilities			
Accounts receivable		**14,097**	5,963
Other assets	*4*	**184**	984
Accounts payable and accrued liabilities		**(8,993)**	1,785
		25,362	28,502
Interest paid		**(5,039)**	(4,948)
Interest received		**931**	867
Income taxes paid		**(2,406)**	(3,015)
Payments of self-insured liabilities		**(39)**	(8,894)
Net cash from operating activities		**18,809**	12,512
Investing Activities			
Purchase of property, equipment and other intangible assets	*3*	**(5,426)**	(6,038)
Decrease in investments held for self-insured liabilities		**9,648**	9,266
Decrease in other assets	*4*	**1,449**	1,370
Net cash from investing activities		**5,671**	4,598
Financing Activities			
Issuance of long-term debt	*6*	**2,677**	5,183
Repayment of long-term debt	*6*	**(6,625)**	(7,741)
Increase in restricted cash		**(204)**	(153)
Dividends paid		**(9,284)**	(9,355)
Financing costs		**(54)**	—
Net cash used in financing activities		**(13,490)**	(12,066)
Increase in cash and cash equivalents		**10,990**	5,044
Cash and cash equivalents at beginning of period		**94,457**	65,893
Foreign exchange gain (loss) on cash held in foreign currency		**382**	(437)
Cash and cash equivalents at end of period		**105,829**	70,500

See accompanying notes to unaudited interim condensed consolidated financial statements.

1. GENERAL INFORMATION AND NATURE OF THE BUSINESS

The common shares (the "Common Shares") of Extendicare Inc. ("Extendicare" or the "Company") are listed on the Toronto Stock Exchange (TSX) under the symbol "EXE". The Company and its predecessors have been operating since 1968, providing care and services to seniors throughout Canada. The Company is a leading provider of care and services for seniors across Canada, operating under the Extendicare, Esprit Lifestyle, ParaMed, Extendicare Assist and SGP Partner Network brands and is committed to delivering quality care throughout the health continuum to meet the needs of a growing seniors population. The registered office of the Company is located at 3000 Steeles Avenue East, Suite 700, Markham, Ontario, Canada, L3R 9W2.

2. BASIS OF PREPARATION

a) Statement of Compliance

The interim condensed consolidated financial statements (the "consolidated financial statements") have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB), and were approved by the board of directors of the Company on May 14, 2020.

The consolidated financial statements do not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the Company's 2019 annual audited consolidated financial statements. These consolidated financial statements follow the same accounting policies and methods of application as the consolidated financial statements for the year-ended December 31, 2019, except for those identified below. Certain comparative information has been reclassified to conform to the current year presentation.

b) Basis of Measurement

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

The Company's consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in dollars has been rounded to the nearest thousand, unless otherwise noted.

c) Use of Estimates and Judgement

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

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In March 2020, a global pandemic was declared related to a new strain of coronavirus (COVID-19). In response, the federal and provincial governments and public health officials initiated a number of measures to mitigate against the severity and spread of the virus. Any estimate of the length and severity of these impacts is therefore subject to significant uncertainty, and accordingly estimates of the extent to which COVID-19 may materially and adversely effect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty. The areas of estimation and judgement uncertainty for the Company which may be impacted by the uncertainty of COVID-19 include estimates used to determine the recoverable amounts for long-lived assets subject to an impairment test which rely on the outlook for future financial performance of the CGU and estimates regarding deferred income taxes and valuation allowances.

The more subjective of such estimates are:

- determination of the lease term for leases that include renewal options and the appropriate discount rate used to recognize lease liability;
- valuation of indemnification provisions;
- valuation of self-insured liabilities;
- valuation of equity portion of convertible debentures;
- valuation of financial assets and liabilities;
- valuation of share-based compensation;

- determination of the recoverable amount of cash generating units (CGUs) subject to an impairment test;
- accounting for tax uncertainties and the tax rates used for valuation of deferred taxes; and
- determination of the amount and timing of proposed government funding enhancements to address the increased costs of operations as a result of COVID-19.

In addition, the assessment of contingencies (*Note 15*) and provisions are subject to judgement. The recorded amounts for such items are based on management's best available information and are subject to assumptions and judgement, which may change as time progresses; accordingly, actual results could differ from estimates.

d) Accounting Standards Adopted during the Period

Beginning on January 1, 2020, the Company adopted certain IFRS and amendments. As required by IAS 34 Interim Financial Reporting and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the nature and the effect of these changes are disclosed below:

Definition of a Business

Beginning on January 1, 2020, the Company adopted the IASB amendment regarding the definition of a business under IFRS 3 Business Combinations. This amendment narrowed and clarified the definition of a business, as well as permitted a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The adoption of the amendment to IFRS 3 did not have a material impact on the consolidated financial statements.

3. PROPERTY AND EQUIPMENT

	Land & Land Improvements	**Buildings**	**Furniture & Equipment**	**Leasehold Improvements**	**Construction in Progress (CIP)**	**Total**
Cost or Deemed Cost						
January 1, 2019	58,280	587,161	63,047	1,927	30,851	741,266
Recognition of right-of-use assets on initial application of IFRS 16	—	5,780	—	—	—	5,780
Adjusted January 1, 2019	58,280	592,941	63,047	1,927	30,851	747,046
Additions	247	13,763	6,147	406	21,666	42,229
Write-off of fully depreciated assets	(197)	(906)	(5,213)	(1,029)	—	(7,345)
Transfer from CIP	3,080	33,746	2,543	—	(39,369)	—
December 31, 2019	61,410	639,544	66,524	1,304	13,148	781,930
January 1, 2020	**61,410**	**639,544**	**66,524**	**1,304**	**13,148**	**781,930**
Additions	**—**	**1,966**	**858**	**—**	**3,397**	**6,221**
Write-off of fully depreciated assets	**(12)**	**(6,664)**	**(496)**	**(827)**	**—**	**(7,999)**
Transfer from CIP	**127**	**169**	**334**	**—**	**(630)**	**—**
March 31, 2020	**61,525**	**635,015**	**67,220**	**477**	**15,915**	**780,152**

	Land & Land Improvements	Buildings	Furniture & Equipment	Leasehold Improvements	Construction in Progress (CIP)	Total
Accumulated Depreciation						
January 1, 2019	4,580	191,780	28,251	1,806	—	226,417
Recognition of right-of-use assets on initial application of IFRS 16	—	—	—	—	—	—
Adjusted January 1, 2019	4,580	191,780	28,251	1,806	—	226,417
Additions	647	24,775	6,474	435	—	32,331
Write-off of fully depreciated	(197)	(906)	(5,213)	(1,029)	—	(7,345)
December 31, 2019	5,030	215,649	29,512	1,212	—	251,403
January 1, 2020	**5,030**	**215,649**	**29,512**	**1,212**	**—**	**251,403**
Additions	**167**	**5,990**	**1,720**	**24**	**—**	**7,901**
Write-off of fully depreciated assets	**(12)**	**(6,664)**	**(496)**	**(827)**	**—**	**(7,999)**
March 31, 2020	**5,185**	**214,975**	**30,736**	**409**	**—**	**251,305**
Carrying amounts						
At December 31, 2019	56,380	423,895	37,012	92	13,148	530,527
At March 31, 2020	**56,340**	**420,040**	**36,484**	**68**	**15,915**	**528,847**

The right-of-use assets included in buildings were $99.2 million (December 31, 2019 – $97.8 million) with accumulated depreciation of $38.4 million (December 31, 2019 – $37.1 million).

During 2020, new and renewed leases have been recognized as right-of-use asset within Buildings of $1.4 million (three months ended March 31, 2019 – $Nil).

During 2020, no borrowing costs were capitalized related to development projects under construction (three months ended March 31, 2019 – $0.2 million at an average capitalization rate of 4.5%).

4. OTHER ASSETS

	March 31, 2020	December 31, 2019
Investments held for self-insured liabilities	**19,787**	27,562
Amounts receivable and other assets	**61,887**	63,371
Interest rate swaps	**—**	1,480
	81,674	92,413
less: current portion	**(20,571)**	(20,661)
	61,103	71,752

Investments Held for Self-insured Liabilities

After the sale of the U.S. business in 2015 (the "U.S. Sale Transaction"), as part of its continuing operations, the Company retained its wholly owned Bermuda-based captive insurance company, Laurier Indemnity Company, Ltd. (the "Captive"), which, along with third-party insurers, insured the Company's U.S. general and professional liability risks up to the date of the U.S. Sale Transaction.

The Company holds U.S. dollar-denominated investments within the Captive for settlements of the self-insured liabilities that are subject to insurance regulatory requirements.

As at March 31, 2020, the investment portfolio comprises cash of $6.6 million (December 31, 2019 – $6.3 million) and money market funds of $13.2 million (December 31, 2019 – $21.2 million). Certain of these investments in the amount of $2.9 million (December 31, 2019 – $2.7 million), have been pledged as collateral for letters of credit issued by the banker of the Captive in favour of ceding companies. As at March 31, 2020, all investments were carried at fair value, with changes in fair value reflected in net earnings.

Amounts Receivable and Other Assets

Amounts receivable and other assets include discounted amounts receivable due from the government of Ontario with respect to construction funding subsidies for long-term care homes, totalling $46.4 million (December 31, 2019 – $47.9 million) of which $5.7 million (December 31, 2019 – $5.8 million) is current. These subsidies represent funding for a portion of long-term care home construction costs over a 20-year or 25-year period. The weighted average remaining term of this funding is 14 years.

Also included in amounts receivable and other assets is a $1.3 million receivable as at March 31, 2020 (December 31, 2019 – $1.3 million), resulting from the U.S. Sale Transaction. The remaining balance of $14.2 million primarily relates to prepaid expenses and deposits (2019 – $14.2 million).

Interest Rate Swaps

The interest rate swaps include swap contracts relating to mortgages, with notional amount totalling $81.3 million (December 31, 2019 – $82.1 million), to lock in the rates between 3.11% and 5.04% for the full term of the loans being five to ten years (*Note 6*).

All interest rate swap contracts are measured at fair value through profit or loss, and hedge accounting has not been applied. Changes in fair value are recorded in the statements of earnings (*Note 16)*. As at March 31, 2020, the interest rate swaps were valued at a liability of $2.4 million (December 31, 2019 – $0.8 million net asset, including a liability of $0.7 million) (*Note 7*).

5. PROVISIONS

	Accrual for Self-insured	Indemnification Provisions	Decommissioning Provisions	Total
January 1, 2019	37,138	13,713	9,365	60,216
Provisions released	(11,579)	—	—	(11,579)
Provisions used	(12,769)	(5,757)	(34)	(18,560)
Accretion	648	—	195	843
Effect of movements in exchange rates	(1,277)	(530)	—	(1,807)
December 31, 2019	12,161	7,426	9,526	29,113
Less: current portion	(3,572)	—	—	(3,572)
	8,589	7,426	9,526	25,541
January 1, 2020	**12,161**	**7,426**	**9,526**	**29,113**
Provisions released	**(4,035)**	**—**	**—**	**(4,035)**
Provisions used	**(39)**	**(61)**	**(4)**	**(104)**
Accretion	**—**	**—**	**49**	**49**
Effect of movements in exchange rates	**819**	**588**	**—**	**1,407**
March 31, 2020	**8,906**	**7,953**	**9,571**	**26,430**
Less: current portion	**(5,390)**	**—**	**—**	**(5,390)**
	3,516	**7,953**	**9,571**	**21,040**

Accrual for Self-Insured Liabilities

The obligation to settle U.S. self-insured general and professional liability claims relating to the period prior to the closing of the U.S. Sale Transaction, including claims incurred but yet to be reported, remains with the Company, which it intends to fund through the Captive. Consequently, the balance of the accrual for self-insured liabilities and the related investments held for self-insured liabilities (*Note 4*) remain on the consolidated statement of financial position. However, any expense incurred or release of reserves for U.S. self-insured liabilities are presented as discontinued operations; while the Captive's costs to administer and manage the settlement of the remaining claims are reported as continuing operations within the U.S. segment.

The accrual for self-insured liabilities is based on management's best estimate of the ultimate cost to resolve general and professional liability claims. Actual results can differ materially from the estimates made due to a number of factors including the assumptions used by management and other market forces.

As at March 31, 2020, the accrual for self-insured general and professional liabilities was $8.9 million (US$6.3 million) (December 31, 2019 – $12.2 million (US$9.4 million)). The decline represented mainly claim payments and the release of reserves (*Note 14*).

Indemnification Provisions

As a result of the U.S. Sale Transaction, the Company agreed to indemnify certain obligations of the U.S. operations related to tax, a corporate integrity agreement (the "CIA"), and other items. Any revisions to these estimates are reflected as part of other expense in discontinued operations (*Note 14*). As at March 31, 2020, the remaining provisions totalled $8.0 million (US $5.7 million) (December 31, 2019 – $7.4 million or US$5.7 million).

Decommissioning Provisions

The decommissioning provisions relate to possible asbestos remediation of the Company's pre-1980 constructed homes. An estimated undiscounted cash flow amount of approximately $10.7 million (December 31, 2019 – $10.7 million) was discounted using a rate of 1.64% (December 31, 2019 – 1.64%) over an estimated time to settle of 6 years. This represents management's best estimate and actual amounts may differ.

6. LONG-TERM DEBT

	Interest Rate	Year of Maturity	March 31, 2020	December 31, 2019
Convertible unsecured subordinated debentures	5.00 %	2025	**120,908**	120,675
CMHC mortgages	2.49% - 7.70%	2020 - 2037	**126,063**	128,878
Non-CMHC mortgages	3.11% - 5.64%	2022 - 2038	**162,980**	164,349
Construction loans	Variable	on demand	**67,279**	64,601
Lease liabilities	0.92% - 7.06%	2020 - 2034	**85,169**	86,208
			562,399	564,711
Deferred financing costs			**(8,026)**	(8,405)
Total debt, net of deferred financing costs			**554,373**	556,306
Less: current portion			**(116,126)**	(133,771)
Long-term debt, net of deferred financing costs			**438,247**	422,535

Convertible Unsecured Subordinated Debentures

In April 2018, the Company issued $126.5 million aggregate principal amount of 5.00% convertible unsecured subordinated debentures due April 30, 2025 (the "2025 Debentures"), with a conversion price of $12.25 per Common Share (the "Offering"). The initial offering for $110.0 million of the 2025 Debentures closed on April 17, 2018, and the exercise of the over-allotment option for $16.5 million debentures closed on April 25, 2018. The debt and equity components of the 2025 Debentures were bifurcated as the financial instrument is considered a compound instrument with $119.2 million classified as a liability and the residual $7.3 million classified as equity attributable to the conversion option. The liability portion of the 2025 Debentures is recorded at amortized cost. The fees and transaction costs allocated to the debt component are amortized over the term of the 2025 Debentures using the effective interest rate method and are recognized as part of net finance costs.

Interest on the 2025 Debentures is payable semi-annually in April and October. The 2025 Debentures may not be redeemed by the Company prior to April 30, 2021, except in the event of the satisfaction of certain conditions after a change of control has occurred. On or after May 1, 2021 but prior to April 30, 2023, these debentures may be redeemed by the Company in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest, on a notice of not more than 60 days and not less than 30 days prior, provided that the volume-weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending on the fifth trading day immediately preceding the date on which notice of redemption is given is not less than 125% of the conversion price. On and after May 1, 2023, these debentures may be redeemed by the Company in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest, on a notice of not more than 60 days and not less than 30 days prior.

Upon the occurrence of a change of control, whereby more than 66.67% of the Common Shares are acquired by any person, or group of persons acting jointly, each holder of the 2025 Debentures may require the Company to purchase their debentures at 101% of the principal plus accrued and unpaid interest. If 90% or more of the debentureholders do so, the Company has the right, but not the obligation, to redeem all the remaining outstanding 2025 Debentures.

CMHC Mortgages

The Company has various mortgages insured through the Canada Mortgage and Housing Corporation (CMHC) program. The CMHC mortgages are secured by several Canadian financial institutions at rates ranging from 2.49% to 7.70% with maturity dates through to 2037.

In April 2019, the Company secured a CMHC-insured mortgage of $16.0 million, inclusive of fees, on the Lynde Creek Manor Retirement Community, that matures in September 2029, with a fixed rate of 2.81% per annum.

In October 2019, the Company secured a CMHC-insured mortgage of $9.3 million, inclusive of fees, on the Cedar Crossing Retirement Community, that matures in September 2029, with a fixed rate of 2.49% per annum.

Non-CMHC Mortgages

The Company has a number of conventional mortgages on certain long-term care homes, at rates ranging from 3.11% to 5.64%. Some of these mortgages have a requirement to maintain a minimum debt service coverage ratio.

On March 26, 2020, the Company extended maturing mortgages of $21.7 million on certain long-term care homes. These extended mortgages mature in April 2025 with a fixed rate of 3.49% per annum.

Construction Loans

Construction loans of $77.7 million are available for three retirement home developments at Bolton, Uxbridge, and Barrie and provide for additional letter of credit facilities of $0.8 million, $0.8 million and $1.0 million respectively, at rates ranging from 2.25% to 2.50% if utilized. Construction loans are interest-only based on 30-day banker’s acceptance (BA) plus 2.25% to 2.50%, with no standby fee.

The construction loans are payable on demand and, in any event, are to be fully repaid by the earlier of achieving stabilized occupancy as defined by the agreements and specified dates between 2020 and 2021 for Bolton and Uxbridge; and by the earlier of September 2023 and three months following stabilized occupancy as defined by the agreement for Barrie.

All construction loans have been reflected as current.

As at March 31, 2020, an aggregate of $67.3 million was drawn on the construction loans (December 31, 2019 – $64.6 million), leaving $10.4 million available (December 31, 2019 – $13.1 million); in addition, as at March 31, 2020, letters of credit totalling $1.1 million were issued under credit facilities (December 31, 2019 – $1.3 million), leaving $1.5 million available (December 31, 2019 – $1.3 million).

Lease Liabilities

Lease liabilities as at March 31, 2020 include leases on long-term care homes and the liability related to office leases. The Company operates nine Ontario long-term care homes, which were built between 2001 and 2003, under 25-year lease arrangements. The liability associated with the office leases will be amortized over the remaining lease terms ranging up to 15 years.

Credit Facilities

The Company has two demand credit facilities totalling $112.3 million. One is secured by 13 Class C long-term care homes in Ontario and the other is secured by the assets of the home health care business. Neither of these facilities has financial covenants but do contain normal and customary terms. As at March 31, 2020, $38.1 million of the facilities secure the Company’s defined benefit pension plan obligations (December 31, 2019 – $38.1 million), $5.5 million was issued in connection with obligations relating to long-term care homes and retirement living communities (December 31, 2019 – $5.5 million), leaving $68.7 million unutilized (December 31, 2019 – $68.7 million).

Deferred Financing Costs

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

Subsequent Events

On April 15, 2020, the Company secured a CMHC-insured mortgage of $47.8 million, inclusive of fees, on the Douglas Crossing Retirement Community in Uxbridge, Ontario that matures in June 2030 with a fixed rate of 2.19% per annum. The previously existing construction loan of $25.8 million was repaid in full on closing.

On May 8, 2020, the Company secured mortgages of $10.3 million, inclusive of fees, on the Yorkton Crossing Retirement Community in Yorkton, Saskatchewan and West Park Crossing Retirement Community in Moose Jaw, Saskatchewan that mature in May 2023 and have a variable interest rate at either the Canadian Dollar Offered Rate plus 2.50% per annum or Prime plus 1.00% per annum.

Principal Repayments

	Debt Principal	**Lease Liabilities**	**Total**
Within one year	107,017	16,066	123,083
One to two years	37,900	15,349	53,249
Two to three years	46,793	14,138	60,931
Three to four years	37,267	13,644	50,911
Four to five years	6,804	13,377	20,181
Thereafter	247,041	36,024	283,065
Total debt principal and lease liability repayments	482,822	108,598	591,420
Unamortized accretion of 2025 convertible debentures	(5,592)	—	(5,592)
Interest on lease liabilities	—	(23,429)	(23,429)
	477,230	85,169	562,399

Long-term Debt Continuity

	Amount
January 1, 2019	528,970
Initial recognition of lease liabilities upon transition to IFRS 16	5,780
Issuance of long-term debt	45,987
New lease liabilities	10,316
Accretion and other	900
Repayments	(35,658)
Addition - deferred financing costs	(1,628)
Amortization of deferred financing costs and other	1,639
December 31, 2019	556,306
January 1, 2020	**556,306**
Issuance of long-term debt	**2,677**
New lease liabilities	**1,409**
Accretion and other	**227**
Repayments	**(6,625)**
Addition - deferred financing costs	**(54)**
Amortization of deferred financing costs and other	**433**
March 31, 2020	**554,373**

Interest Rates

The weighted average interest rate of all long-term debt as at March 31, 2020, was approximately 4.6% (December 31, 2019 – 4.7%). As at March 31, 2020, 88.0% of the long-term debt, including interest rate swaps, was at fixed rates (December 31, 2019 – 88.6%).

Financial Covenants

The Company is subject to debt service coverage covenants on certain of its loans. The Company was in compliance with all of these covenants as at March 31, 2020.

7. OTHER LONG-TERM LIABILITIES

	March 31, 2020	December 31, 2019
Accrued pension plan obligation	**33,135**	32,609
Interest rate swaps (*Note 4*)	**2,412**	702
Other	**1,894**	1,876
	37,441	35,187

8. SHARE-BASED COMPENSATION

Equity-settled Long-term Incentive Plan

The Company's long-term incentive plan (the "LTIP") provides for a share-based component of executive and director compensation designed to encourage a greater alignment of the interests of the Company's executives and directors with its shareholders, in the form of performance share units (PSUs) for employees and deferred share units (DSUs) for non-employee directors.

PSUs and DSUs granted under the LTIP do not carry any voting rights. DSUs vest immediately upon grant and PSUs vest three years from the date of grant. During the three months ended March 31, 2020, the Company settled PSUs and DSUs totalling 69,833, of which 23,705 were settled in cash to cover withholding taxes payable ($0.2 million) and 46,128 were settled with Common Shares issued from treasury.

The Company's DSUs and PSUs were an expense of $0.4 million for the three months ended March 31, 2020 (three months ended March 31, 2019 – $0.2 million).

The carrying amounts of the Company's DSUs and PSUs are recorded in the consolidated statements of financial position as follows:

	March 31, 2020	December 31, 2019
Contributed surplus – DSUs	**2,364**	2,594
Contributed surplus – PSUs	**967**	1,081
	3,331	3,675

As at March 31, 2020, an aggregate of 4,292,784 Common Shares are reserved and available for issuance pursuant to the LTIP.

DSU and PSU activity is as follows:

	Deferred Share Units		Performance Share Units	
	Three months ended March 31, 2020	Twelve months ended December 31, 2019	Three months ended March 31, 2020	Twelve months ended December 31, 2019
Units outstanding, beginning of period	**337,029**	239,725	**399,521**	188,909
Granted	**24,689**	82,384	**323,168**	292,581
Reinvested dividend equivalents	**4,443**	14,920	**7,674**	17,889
Forfeited	**—**	—	**(33,898)**	(38,573)
Settled	**(48,234)**	—	**(21,599)**	(61,285)
Units outstanding, end of period	**317,927**	337,029	**674,866**	399,521
Weighted average fair value of units granted during the period at grant date	**$5.78**	$8.26	**$7.44**	$9.62

DSUs are fair valued at the date of grant using the previous day's closing trading price of the Common Shares. The grant date values of PSUs awarded were based on the fair values of one award comprised of two equal components being the adjusted funds from operations (AFFO) and total shareholder return (TSR). The fair values of the AFFO component were measured using the previous day's closing trading price of the Common Shares. The fair values of the TSR component were measured using the Monte Carlo simulation method.

PSUs granted and the assumptions used to determine the grant date values are as follows:

	Three months ended March 31, 2020	**Twelve months ended December 31, 2019**
Grant date	**March 10, 2020**	May 31, 2019
Vesting date	**March 10, 2023**	May 31, 2022
PSUs granted	**323,168**	292,581
Fair value of AFFO component	**$3.64**	$4.04
Fair value of TSR component	**$3.80**	$5.58
Grant date fair value	**$7.44**	$9.62
Expected volatility of the Company's Common Shares	**19.79 %**	20.49 %
Expected volatility of the Index	**11.05 %**	9.42 %
Risk-free rate	**0.55 %**	1.40 %
Dividend yield	**nil**	nil

9. SHARE CAPITAL

Common Shares

Each Common Share is transferable and represents an equal and undivided beneficial interest in the assets of the Company. Each Common Share entitles the holder to one vote at all meetings of shareholders of the Company. Shareholders are entitled to receive dividends from the Company if, as and when declared by the Board. During the three months ended March 31, 2020 and 2019, the Company declared cash dividends of $0.12 per share.

Dividend Reinvestment Plan

The Company has a Dividend Reinvestment Plan (DRIP) pursuant to which shareholders who are Canadian residents may elect to reinvest their cash distributions in additional Common Shares. During the three months ended March 31, 2020, the Company issued 187,658 Common Shares at a value of $1.4 million in connection with the DRIP (three months ended March 31, 2019 – 183,762 Common Shares at a value of $1.3 million).

On March 19, 2020, the Company suspended its DRIP in respect of any future declared dividends until further notice. Accordingly, the dividend paid on April 15, 2020 to shareholders of record on March 31, 2020 will be the last dividend payment eligible for reinvestment by participating shareholders under the DRIP. Subsequent dividends will be paid only in cash.

Normal Course Issuer Bid (NCIB)

In January 2020, the Company received approval from the TSX to renew its NCIB to purchase for cancellation up to 8,000,000 Common Shares (representing approximately 10% of its public float) through the facilities of the TSX, and through alternative Canadian trading systems, in accordance with TSX rules. The NCIB commenced on January 15, 2020, and provides the Company with flexibility to purchase Common Shares for cancellation until January 14, 2021, 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, on any trading day, purchases under the NCIB will not exceed 42,703 Common Shares.

During the three months ended March 31, 2020, the Company did not purchase any Common Shares under the NCIB.

10. EXPENSES BY NATURE

	Three months ended March 31,	
	2020	**2019**
Employee wages and benefits	**212,581**	215,256
Food, drugs, supplies and other variable costs	**13,469**	12,271
Property based and leases	**12,509**	12,545
Other	**13,359**	14,645
Total operating expenses and administrative costs	**251,918**	254,717

11. OTHER EXPENSE

Termination of B.C. market home health care contracts

In the first quarter of 2019, the Company was informed by the health authorities in British Columbia with whom it had contracts with, that such contracts would not be renewed in March 2020. Accordingly, the Company ceased its home care operations in British Columbia during the first quarter of 2020. The Company recognized a $1.4 million provision in the first quarter of 2019 for costs to be incurred in connection with the contract expiration.

12. FOREIGN EXCHANGE AND FAIR VALUE ADJUSTMENTS

Gain on Foreign Exchange and Investments

Foreign exchange gains related to deferred consideration and other balances in connection with the U.S. Sale Transaction denominated in U.S. dollars for the three months ended March 31, 2020 is $0.9 million (three months ended March 31, 2019 – loss of $0.4 million) (*Note 14*). Foreign exchange gain recognized upon repatriation of funds from the Captive for the three months ended March 31, 2020 is $0.9 million (three months ended March 31, 2019 – $nil).

Fair Value Adjustments

Fair value adjustments relate to interest rate swap contracts on certain mortgages are a loss of $3.2 million for the three months ended March 31, 2020 (three months ended March 31, 2019 – loss of $1.4 million) (*Note 4, 7*).

Fair value gain on investments held for self-insured liabilities for the three months ended March 31, 2020 is $ nil (three months ended March 31, 2019 – $1.5 million).

13. EARNINGS PER SHARE

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

The Company’s potentially dilutive instruments include the convertible debentures and equity-settled compensation arrangements. The number of shares included with respect to the PSUs is computed using the treasury stock method. The convertible debentures and equity-settled compensation arrangements would be antidilutive and as such, these are not included in the calculation of diluted EPS.

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

	Three months ended March 31,	
	2020	**2019**
Numerator for Basic and Diluted Earnings per Share		
Earnings from continuing operations		
Net earnings for basic earnings per share	**5,906**	2,958
Less: earnings from discontinued operations, net of tax	**(4,035)**	(1,901)
Earnings from continuing operations for basic earnings per share	**1,871**	1,057
Add: after-tax interest on convertible debt	**1,537**	1,524
Earnings from continuing operations for diluted earnings per share	**3,408**	2,581
Net earnings		
Net earnings for basic earnings per share	**5,906**	2,958
Add: after-tax interest on convertible debt	**1,537**	1,524
Net earnings for diluted earnings per share	**7,443**	4,482
Denominator for Basic and Diluted Earnings per Share		
Actual weighted average number of shares	**89,351,972**	88,583,070
DSUs	**291,677**	242,007
Weighted average number of shares for basic earnings per share	**89,643,649**	88,825,077
Shares issued if all convertible debt was converted	**10,326,531**	10,326,531
PSUs	**52,717**	34,313
Total for diluted earnings per share	**100,022,897**	99,185,921
Basic and Diluted Earnings per Share *(in dollars)*		
Earnings from continuing operations	**$0.02**	$0.01
Earnings from discontinued operations	**$0.05**	$0.02
Net earnings	**$0.07**	$0.03

14. DISCONTINUED OPERATIONS

Earnings from discontinued operations includes the release of a portion of the accrual for self-insured liabilities of $4.0 million for the three months ended March 31, 2020 (three months ended March 31, 2019 – $1.9 million).

15. COMMITMENTS AND CONTINGENCIES

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. The potential outcome of legal proceedings and claims is uncertain and could have a materially adverse impact on the Company’s business, results of operations and financial condition.

16. MANAGEMENT OF RISKS AND FINANCIAL INSTRUMENTS

(a) Management of Risks

LIQUIDITY RISK

Liquidity risk is the risk that the Company will encounter difficulty in meeting its contractual obligations. The Company manages our liquidity risk through the use of budgets and forecasts. Cash requirements are monitored regularly based on actual financial results and actual cash flows to ensure that there are sufficient resources to meet operational requirements. In addition, since there is a risk that current borrowings and long-term debt may not be refinanced or may not be refinanced on as favourable terms or with interest rates as favourable as those of the existing debt, the Company attempts to appropriately structure the timing of contractual long-term debt renewal obligations and exposures. The impact of COVID-19 have increased the uncertainty of the Company's outlook on revenue and operating costs which impact the budgets and forecasts used to manage liquidity risk. In addition, the impact of COVID-19 on the capital and credit markets and our ability to access sufficient capital or capital on favourable terms are also subject to significant uncertainty.

During the three months ended March 31, 2020, the Company renewed mortgages on three retirement homes for a total of $21.7 million. Subsequent to March 31, 2020, additional mortgage financing transactions were completed for a total of $58.1 million *(Note 6)*.

In addition to cash generated from its operations and cash on hand, the Company has available undrawn credit facilities totalling $70.2 million (December 31, 2019 – $70.0 million).

CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Cross-border transactions are subject to exchange rate fluctuations that may result in realized gains or losses as and when payments are made.

As a result of the U.S. Sale Transaction, our exposure to foreign currency risk has been significantly reduced. The following table outlines the net asset exposure to both the U.S. continuing operations and other items retained from the U.S. Sale Transaction.

	March 31, 2020		**December 31, 2019**	
	US$	**C$**	***US$***	**C$**
Assets				
Current assets	*12,280*	**17,268**	*16,962*	22,032
Investments held for self-insured liabilities	*14,071*	**19,787**	*21,218*	27,562
Liabilities				
Current liabilities	*5,039*	**7,085**	*3,955*	5,137
Indemnification provisions	*5,656*	**7,953**	*5,717*	7,426
Non-current liabilities	*2,551*	**3,586**	*6,663*	8,655
Net asset exposure	*13,105*	**18,431**	*21,845*	28,376

INTEREST RATE RISK

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

To mitigate interest rate risk, the Company's long-term care debt portfolio includes fixed-rate debt and variable-rate debt with interest rate swaps in place. At March 31, 2020, construction loans of $67.3 million are variable-rate debt (December 31, 2019 – $64.6 million), which do not have interest rate swaps in place. The Company's demand credit facilities, and future borrowings, may be at variable rates which would expose the Company to the risk of interest rate volatility (*Note 6*).

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

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

	Carrying Amount	
	March 31, 2020	**December 31, 2019**
Fixed-rate long-term debt (1)	**495,120**	500,110
Variable-rate long-term debt (1)	**67,279**	64,601
Total	**562,399**	**564,711**

(1) Includes current portion and excludes netting of deferred financing costs.

Fair Value Sensitivity Analysis for Variable-rate Instruments

All long-term debt with variable rates are classified as other financial liabilities, which are measured at amortized cost using the effective interest method of amortization; therefore, changes in interest rates would not affect OCI or net earnings with respect to variable-rate debt. As at March 31, 2020, long-term debt with variable rates represented 12.0% of total debt (December 31, 2019 – 11.4%). The value of the interest rate swaps is subject to fluctuations in interest rates, changes in fair value of these swaps are recognized in net earnings.

Cash Flow Sensitivity Analysis for Variable-rate Instruments

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

(b) Fair values of Financial Instruments

As at March 31, 2020	Amortized Cost	Fair Value through Profit and Loss	Total Carrying Amount	Fair Value	Fair Value Hierarchy
Financial assets:					
Cash and cash equivalents	**105,829**	—	**105,829**	**105,829**	Level 2
Restricted cash	**2,645**	—	**2,645**	**2,645**	
Invested assets (1)	**354**	—	**354**	**354**	
Accounts receivable	**36,284**	—	**36,284**	**36,284**	
Amounts receivable and other assets (2) (3)	**46,405**	—	**46,405**	**50,665**	Level 2
Investments held for self-insured liabilities	**6,588**	**13,199**	**19,787**	**19,787**	Level 1
	198,105	**13,199**	**211,304**	**215,564**	
Financial liabilities:					
Accounts payable	**6,363**	—	**6,363**	**6,363**	
Interest rate swaps	—	**2,412**	**2,412**	**2,412**	Level 2
Long-term debt excluding convertible debentures (3) (4)	**441,491**	—	**441,491**	**448,636**	Level 2
Convertible debentures	**120,908**	—	**120,908**	**107,525**	Level 1
	568,762	**2,412**	**571,174**	**564,936**	

(1) Included in other assets.
(2) Includes primarily amounts receivable from government.
(3) Includes current portion.
(4) Excludes netting of deferred financing costs.

As at December 31, 2019	Amortized Cost	Fair Value through Profit and Loss	Total Carrying Amount	Fair Value	Fair Value Hierarchy
Financial assets:					
Cash and cash equivalents	94,457	—	94,457	94,471	Level 2
Restricted cash	2,441	—	2,441	2,441	
Invested assets (1)	354	—	354	354	
Accounts receivable	50,382	—	50,382	50,382	
Interest rate swaps	—	1,480	1,480	1,480	Level 2
Amounts receivable and other assets (2) (3)	47,854	—	47,854	51,950	Level 2
Investments held for self-insured liabilities	6,316	21,246	27,562	27,562	Level 1
	201,804	22,726	224,530	228,640	
Financial liabilities:					
Accounts payable	18,021	—	18,021	18,021	
Interest rate swaps	—	702	702	702	Level 2
Long-term debt excluding convertible debentures (3) (4)	444,036	—	444,036	450,382	Level 2
Convertible debentures	120,675	—	120,675	132,585	Level 1
	582,732	702	583,434	601,690	

(1) Included in other assets.
(2) Includes primarily amounts receivable from government.
(3) Includes current portion.
(4) Excludes netting of deferred financing costs.

BASIS FOR DETERMINING FAIR VALUES

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

Fair values for investments designated as FVTPL are based on quoted market prices. Accounts receivable are recorded at amortized cost. The carrying values of accounts receivable approximate fair values due to their short-term maturities, with the exception of the amounts receivable due from the government of Ontario, which are valued at discounted future cash flows using current applicable rates for similar instruments of comparable maturity and credit quality (*Note 4*). The fair values of convertible debentures are based on the closing price of the publicly traded convertible debentures on each reporting date, and the fair values of mortgages and other debt are estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

FAIR VALUE HIERARCHY

The Company uses a fair value hierarchy to categorize the type of valuation techniques from which fair values are derived: Level 1 – use of quoted market prices; Level 2 – internal models using observable market information as inputs; and Level 3 – internal models without observable market information as inputs.

The fair value hierarchy for the fair values of financial instruments where carrying value is not a reasonable approximation of fair value, are indicated above.

17. SEGMENTED INFORMATION

The Company reports the following segments: i) long-term care; ii) retirement living; iii) home health care; iv) contract services, consulting and group purchasing as “other Canadian operations”; and v) the Canadian corporate functions and any intersegment eliminations as “corporate Canada”. The continuing U.S. operations consist of the Captive.

The long-term care segment represents the 58 long-term care homes that the Company owns and operates in Canada. The retirement living segment represents 11 retirement communities that the Company owns and operates in Canada. The retirement communities provide accommodation and services to private-pay residents at rates set by the Company based on the services provided and market conditions. Through our wholly owned subsidiary ParaMed, ParaMed’s home health care operations provide complex nursing care, occupational, physical and speech therapy, and assistance with daily activities to accommodate those living at home.

The Company's other Canadian operations are composed of its contract services, consulting and group purchasing divisions. Through our Extendicare Assist division, the Company provides contract services and consulting to third parties; and through our SGP Purchasing Partner Network division, the Company offers cost-effective purchasing contracts to other senior care providers for food, capital equipment, furnishings, cleaning and nursing supplies, and office products.

The Company continues to group its former and remaining U.S. operations as one segment. The Captive's expense incurred for self-insured liabilities related to the Company's U.S. general and professional liability risks up to the date of the U.S. Sale Transaction as well as the disposed U.S. businesses are presented as discontinued operations; while the Captive's costs to administer and manage the settlement of the remaining claims are reported as continuing operations within the U.S. segment.

	Three months ended March 31, 2020							
(in thousands of Canadian dollars)	**Long-term Care**	**Retirement Living**	**Home Health Care**	**Other Canadian Operations**	**Corporate Canada**	**Total Canada**	**Total U.S.**	**Total**
CONTINUING OPERATIONS								
Revenue	**160,240**	**12,039**	**93,100**	**6,439**	**—**	**271,818**	**—**	**271,818**
Operating expenses	**141,804**	**8,330**	**88,783**	**2,518**	**—**	**241,435**	**—**	**241,435**
Net operating income	**18,436**	**3,709**	**4,317**	**3,921**	**—**	**30,383**	**—**	**30,383**
Administrative costs					**10,252**	**10,252**	**231**	**10,483**
Earnings (loss) before depreciation, amortization, and other expense						**20,131**	**(231)**	**19,900**
Depreciation and amortization					**9,853**	**9,853**	**—**	**9,853**
Other expense					**—**	**—**	**—**	**—**
Earnings (loss) before net finance costs and income taxes						**10,278**	**(231)**	**10,047**
Net interest costs					**6,415**	**6,415**	**—**	**6,415**
Foreign exchange and fair value adjustments					**2,260**	**2,260**	**(865)**	**1,395**
Net finance costs (income)					**8,675**	**8,675**	**(865)**	**7,810**
Earnings before income taxes						**1,603**	**634**	**2,237**
Income tax expense (recovery)								
Current					**2,073**	**2,073**	**—**	**2,073**
Deferred					**(1,707)**	**(1,707)**	**—**	**(1,707)**
Total income tax expense					**366**	**366**	**—**	**366**
Earnings from continuing operations						**1,237**	**634**	**1,871**
DISCONTINUED OPERATIONS								
Earnings from discontinued operations, net of income taxes						**—**	**4,035**	**4,035**
Net earnings						**1,237**	**4,669**	**5,906**

(in thousands of Canadian dollars)	Three months ended March 31, 2019							
	Long-term Care	**Retirement Living**	**Home Health Care**	**Other Canadian Operations**	**Corporate Canada**	**Total Canada**	**Total U.S.**	**Total**
CONTINUING OPERATIONS								
Revenue	156,221	9,508	102,665	5,875	—	274,269	—	274,269
Operating expenses	139,383	6,929	95,112	2,459	—	243,883	—	243,883
Net operating income	16,838	2,579	7,553	3,416	—	30,386	—	30,386
Administrative costs					10,612	10,612	222	10,834
Earnings (loss) before depreciation, amortization, and other expense						19,774	(222)	19,552
Depreciation and amortization					9,427	9,427	—	9,427
Other expense					1,429	1,429	—	1,429
Earnings (loss) before net finance costs and income taxes						8,918	(222)	8,696
Net interest costs					6,320	6,320	234	6,554
Foreign exchange and fair value adjustments					1,829	1,829	(1,500)	329
Net finance costs (income)					8,149	8,149	(1,266)	6,883
Earnings before income taxes						769	1,044	1,813
Income tax expense (recovery)								
Current					1,524	1,524	—	1,524
Deferred					(768)	(768)	—	(768)
Total income tax expense					756	756	—	756
Earnings from continuing operations						13	1,044	1,057
DISCONTINUED OPERATIONS								
Earnings from discontinued operations, net of income taxes						—	1,901	1,901
Net earnings						13	2,945	2,958

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