MANAGEMENT'S DISCUSSION AND ANALYSIS

Q3 2020

Extendicare Inc.
Dated: November 12, 2020

Management's Discussion and Analysis

Three and nine months ended September 30, 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 23,000 individuals is passionate about providing high quality services to help people live better.

In June 2020, the Company initiated a wind-up plan to cease operations of its wholly owned Bermuda-based captive insurance company, Laurier Indemnity Company, Ltd. (the "Captive"), which the Company had been presenting as a separate U.S. segment. As a result of the wind-up plan, the Company has classified the U.S. segment as a discontinued operation and re-presented its comparative interim condensed consolidated statement of earnings. Accordingly, the Company is no longer presenting a separate U.S. segment and has re-presented the comparative financial information presented in this MD&A (refer to the discussion under "Discontinued Operations").

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 and nine months ended September 30, 2020. This MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020, and the notes thereto, together with the annual MD&A and the audited consolidated financial statements for the year ended December 31, 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 and nine months ended September 30, 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 document, "Q1" refers to the three-month period ended March 31; "Q2" refers to the three-month period ended June 30; "Q3" refers to the three-month period ended September 30; and "Q4" refers to the three-month period ended December 31. Except as otherwise specified, references to years indicate the fiscal year ended December 31, 2019 or December 31 of the year referenced.

In this MD&A, the Company uses a number of performance measures and indicators to monitor and analyze the financial results that do not have standardized meanings prescribed by generally accepted accounting principles (GAAP) and, therefore, may not be comparable to similar performance measures and indicators used by other issuers. 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.

This MD&A is dated as of November 12, 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, increased litigation and regulatory exposure and the outcome of any litigation and regulatory proceedings. 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; the availability of insurance on favourable terms; litigation and/or regulatory proceedings against or involving 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

In recent weeks, there have been sharp increases in COVID-19 cases across Canada, including a resurgence of COVID-19 outbreaks in long-term care homes. Emergency measures enacted by Canada's federal and provincial governments to combat the spread of COVID-19 remain in place or have been reinstated in certain regions in response to the rising COVID-19 cases. These measures include the implementation of travel bans, self-imposed quarantine periods, 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 continue to work 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 part of our efforts to further enhance our operations, we welcomed Dr. Matthew Morgan to Extendicare in the newly-created role of Chief Medical Officer on October 19, 2020. His focus will be on developing and coordinating the implementation of clinical strategies that result in better outcomes for residents, clients and their families. Dr. Morgan is a practicing General Internal Medicine physician with a Masters in Clinical Epidemiology, and an Assistant Professor in the Faculty of Medicine at the University of Toronto.

As of today, of our 69 LTC homes and retirement communities, 12 LTC homes are in outbreak, with the majority limited to three or fewer active cases of COVID-19 among residents and staff. We are also working closely with our Extendicare Assist clients to help them manage outbreaks in their LTC homes.

We continue to commit increased resources to prevent the spread of COVID-19, including routine testing of staff in cooperation with local public health authorities, in addition to increased staffing and PPE. We are maintaining our enhanced infection prevention measures to address the unique nature of the COVID-19 virus, including such measures as universal masking, maintaining sufficient levels of PPE, single-site employer policies, limiting LTC occupancy in 4-bed rooms to a maximum of two residents and voluntary testing of staff in our Ontario LTC homes. Staff testing is important to identify positive staff, which in many cases are asymptomatic or presymptomatic, to minimize the potential for the virus to enter our homes. We continue to believe that testing is the best preventative measure currently available to avoid outbreaks in our LTC homes until vaccines are widely available. We continue to work with the health authorities in other provinces where we operate to prioritize similar testing programs as COVID-19 cases increase across the country.

Since the COVID-19 outbreak, our LTC home occupancy has declined from historical levels and in Ontario dropped below 97% beginning in Q2 2020. However, the Ontario government is providing full funding related to occupancy for LTC homes in the province for the remainder of the year. To date, each of the western provinces in which we operate LTC homes have provided, or are expected to provide, additional funding to support COVID-19 costs. In certain provinces, this funding includes specific funding to address occupancy reductions.

Our retirement communities have experienced a decline in occupancy or slower lease-up occupancy as move-ins and tours have been impacted by COVID-19. We expect challenges in occupancy to continue as restrictions on tours have been reinstated in recent weeks in certain regions in Ontario and ongoing protocols and restrictions on move-ins continue to impact move-in activity.

In our home health care operations, the cancellation or disruption of elective procedures in acute care hospitals, the adoption of social distancing and self-isolation by clients, restrictions on non-urgent care services and reductions in our workforce capacity, resulted in a significant drop in our average daily volumes (ADV) in Q2 2020 and increased the workload of the back-office staff, primarily to manage suspended services and staff scheduling changes due to the impact of COVID-19. The volume declines and resultant revenue decreases led to our home health care operating subsidiary, ParaMed Inc., qualifying for, and in Q3 2020 receiving, funding under the Federal government's Canada Emergency Wage Subsidy (CEWS) program (refer to "Key Performance Indicators – ParaMed Canada Emergency Wage Subsidy"). While we continue to experience lower ADV compared to the same prior year period and pre-COVID-19 levels, we have seen a partial recovery in our ADV since the low point in April 2020.

Weekly referrals have returned to pre-COVID-19 levels in recent weeks, but industry-wide shortfalls in workforce capacity have prevented ADV from reaching pre-pandemic levels. The workforce limitations are due to COVID-19 related dynamics, including increased demand for health care workers from hospitals and LTC, challenges securing child care and the availability of federal income support programs. As a result, our workforce capacity remains well below our pre-COVID-19 capacity, resulting in lower referral acceptance levels and a slower pace of recovery of our home health care business volumes. In an effort to address this shortfall in our workforce capacity, we have made long-term investments in 2020 in key initiatives designed to accelerate growth in our workforce. In partnership with various colleges in Ontario, we launched a personal support worker (PSW) program designed to "fast-track" PSW students by combining their education with concurrent on the job training and tuition assistance. We also launched an in-house program to attract new health support workers (HSW), providing candidates with training and work experience in addition to a path to completing their PSW certification. We are targeting hiring of over 600 employees annually through these programs, in addition to our focus on returning our employees on leave of absence due to constraints or concerns as a result of COVID-19 to our active workforce.

For the nine months ended September 30, 2020, we have incurred an estimated $39.7 million of pandemic-related operating expenses and $2.8 million in COVID-19 related administrative costs. These costs are partially offset by $22.7 million in revenue or expense recovery associated with the various provincial government programs, resulting in a reduction of our consolidated net operating income (NOI) and Adjusted EBITDA of approximately $17.0 million and $19.8 million, respectively. We have incurred a further estimated $33.6 million in pandemic pay, fully funded by programs announced by the Ontario and Alberta governments, to temporarily increase hourly wages for certain eligible front-line employees. We have recorded the pandemic pay in operating expenses and recognized the related offsetting funding for these programs as revenue.

In addition, we have $9.7 million in PPE inventory to ensure that we continue to have sufficient supply to provide the necessary level of protection to our residents, clients and staff as COVID-19 measures continue to be in place.

The following table provides a summary of the estimated revenue recognized and the operating and administrative costs incurred related to COVID-19 for the three and nine months ended September 30, 2020.

Estimated COVID-19 Revenue, Operating Expenses and Administrative Costs

	Three months ended September 30, 2020				**Nine months ended September 30, 2020**			
(millions of dollars)	**Long-term Care**	**Retirement Living**	**Home Health Care**	**Total**	**Long-term Care**	**Retirement Living**	**Home Health Care**	**Total**
Revenue	**21.1**	—	**7.6**	**28.7**	**39.1**	—	**17.2**	**56.3**
Operating expenses	**27.7**	**0.5**	**7.7**	**35.9**	**54.6**	**1.0**	**17.7**	**73.3**
NOI impact	**(6.6)**	**(0.5)**	**(0.1)**	**(7.2)**	**(15.5)**	**(1.0)**	**(0.5)**	**(17.0)**
Administrative costs	—	—	—	**1.6**	—	—	—	**2.8**
Adjusted EBITDA impact	**(6.6)**	**(0.5)**	**(0.1)**	**(8.8)**	**(15.5)**	**(1.0)**	**(0.5)**	**(19.8)**

The Federal Government and the provincial governments where we operate have all announced various programs and financial assistance to address the increased costs and other challenges presented by COVID-19, and we continue to access such programs where appropriate to mitigate the financial impacts of COVID-19. However, the amount and timing of such funding, relative to the additional expenses incurred, has and will continue to cause volatility in our results.

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 future impacts to the Company's business, operating results and financial condition. The impacts could be adverse and material.

Ontario Long-Term Care Home Capital Development Funding Program

On July 15, 2020, the Ontario Ministry of Long-Term Care (MLTC) announced a new Long-Term Care Home Capital Development Funding program (New Funding Program) for the development of new and replacement LTC beds. MLTC provided further updates on September 10, 2020. The program includes a $1.75 billion investment to redevelop 12,000 beds and add an additional 8,000 beds over the next five years. The New Funding Program provides for new base construction funding subsidy (CFS) per diem ranges from $20.53 to $23.78 per bed, depending on the size and geography of the LTC home, representing a 14% to 32% increase from the $18.03 CFS under the previous program. The CFS is payable over 25 years following completion of the project. The New Funding Program also introduces a new capital development grant of between 10% and 17% of total eligible project costs, based on the location of the project, up to an applicable maximum grant amount, payable upon substantial completion of the project. This New Funding Program is an important step to address the aging infrastructure within long-term care for which the industry has been advocating for more than a decade.

Long-Term Care Redevelopment

We have submitted applications to the MLTC in respect of 22 projects to build over 4,200 beds to replace all of our existing 3,287 C beds and to add new LTC beds, in keeping with the Ontario government's focus on replacing aging infrastructure and increasing the number of LTC beds in the province. We continue to work closely with our industry partners and the government to consider further enhancements to the New Funding Program to address specific requirements for certain geographic areas and to streamline the related approval and licensing processes to expedite those projects that are feasible within this new program.

In October 2020, the Company received all of the necessary approvals to commence construction of the first of its redevelopment projects, a new 256-bed LTC home in Sudbury, Ontario that will replace an existing 234-bed C-class LTC home close by. The new LTC home will include 154 private rooms, with the balance providing semi-private accommodation. The Company has entered into a fixed-price construction agreement ($47.3 million), with construction commencing in Q4 2020 and anticipated completion in Q4 2022. Total Adjusted Development Costs of the new LTC home are estimated at $62.3 million, which is net of a $5.4 million capital development grant, receivable on the substantial completion of the project. Stabilized NOI of the new home is estimated to be $3.1 million and the home will receive CFS payments of approximately $1.9 million per annum over 25 years. The NOI Yield of the project is anticipated to be approximately 8.0%. Refer to the discussion under "Non-GAAP Measures" in respect of references to "Adjusted Development Costs" and "NOI Yield".

Ontario Government COVID-19 Long-Term Care Commission

On July 29, 2020, the Ontario government launched an independent commission into COVID-19 and long-term care (the "Commission"). Led by three commissioners, the Commission's mandate is to investigate and provide a report of findings and recommendations in respect of how COVID-19 spread within LTC homes, how residents, staff, and families were impacted, and the adequacy of measures taken by the province and other parties to prevent, isolate and contain the virus and the impact of existing physical infrastructure, staffing approaches, labour relations, clinical oversight and other features of the LTC system.

On October 23, 2020, the Commission issued interim recommendations based upon meetings with approximately 200 individuals from almost 50 different organizations in the LTC sector, including government, LTC service providers, family associations, unions and medical professionals. Extendicare, which presented to the Commission on October 8, 2020, fully supports the Commission's interim recommendations, which include enhanced funding and recruitment in respect of LTC staff, priority COVID-19 testing for LTC residents and staff and mandated collaboration with hospitals. The commissioners are expected to deliver their final report by April 2021.

On November 2, 2020, the Ontario government announced plans to increase the hours of daily direct care for residents to four hours a day on a phased approach by 2024-25 and to introduce programs to accelerate the education and recruitment of thousands of additional PSWs, registered practical nurses and registered nurses required to increase the direct care hours. This announcement is in response to the Commission's interim recommendations and the Long-Term Care Staffing Report published on July 30, 2020, in connection with the July 31, 2019 report released by Justice Gillese on the *Public Inquiry into the Safety and Security of Residents in the Long-Term Care System.* The industry has long advocated for increases to the direct care hours for residents and welcomes the proposed legislative changes and the acknowledgement of the need to introduce enhanced education and recruitment programs to support this important change.

Financing Activity

In March 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.

In April 2020, the Company secured a Canadian Mortgage and Housing Corporation (CMHC) insured mortgage of $47.8 million, inclusive of fees, on a retirement community. 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.

In May 2020, the Company secured mortgages of $10.3 million, inclusive of fees, on two retirement communities. The mortgages mature in May 2023 and the Company entered into interest rate swap contracts to lock in the interest rate on each of these mortgages at 3.55% per annum.

In June 2020, the Company renewed a CMHC-insured mortgage of $23.2 million, inclusive of fees, on a long-term care home. The extended mortgage matures in July 2025, with a variable rate based on the lenders cost of funds plus 225 basis points.

BUSINESS OVERVIEW

As at September 30, 2020, the Company owned and operated 58 LTC homes and 11 retirement 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 15,734 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 79,400 senior residents across Canada, as at September 30, 2020.

With respect to the Company's home health care operations, ParaMed delivered approximately 8.5 million hours of home health care services for the trailing twelve months ended September 30, 2020, excluding the British Columbia (B.C.) contracts, from 34 locations, 29 of which are in Ontario. As noted in "Significant Events – Impact of COVID-19 Pandemic", business volumes have been significantly impacted in ParaMed as a result of COVID-19. In addition, the ongoing recovery of ParaMed's business volumes continues to be impacted by the COVID-19 related reduction in our workforce capacity that has not recovered as quickly as our referrals. While we are unable to predict with any certainty the extent and duration of these COVID-19 related factors on our workforce capacity and volumes, as well as any long-term effects, we believe that the impacts we are experiencing will reverse as we emerge from the pandemic.

The Company reports on the following segments: i) long-term care; ii) retirement living; iii) home health care; iv) contract services, consulting and group purchasing as "other operations"; and v) the corporate functions and any intersegment eliminations as "corporate". 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 homes under contract with Extendicare Assist are reported under the "other operations" segment, as the revenue from those operations is earned on a fee-for-service basis.

In June 2020, the Company initiated a wind-up plan to cease operations of the Captive. As a result, the remaining portion of the U.S. segment has been classified as a discontinued operation and is no longer being presented as a separate segment (refer to the discussion under "Discontinued Operations").

The following table summarizes the contribution of the business segments to the Company's consolidated revenue and net operating income from operations, with and without the expired ParaMed B.C. contracts, for the nine months ended September 30, 2020 and 2019. The impact of COVID-19 on all segments and the impact of CEWS on the home health care segment impacts the comparability of the contributions of the business segments to the Company's consolidated revenue and net operating income. Refer to "Significant Events – Impact of COVID-19 Pandemic" and "Key Performance Indicators – ParaMed Canada Emergency Wage Subsidy" for additional details to understand the impacts on the business segments.

	Total as Reported				Excluding ParaMed B.C. Contracts			
Nine months ended September 30	**2020**		**2019**		**2020**		**2019**	
Operating Segments as % of	**Revenue**	**NOI**	**Revenue**	**NOI**	**Revenue**	**NOI**	**Revenue**	**NOI**
Long-term care	**61.5 %**	**33.7 %**	56.7 %	56.6 %	**61.8 %**	**33.7 %**	59.4 %	56.3 %
Retirement living	**4.2 %**	**8.3 %**	3.6 %	8.3 %	**4.2 %**	**8.3 %**	3.6 %	8.4 %
Home health care	**32.0 %**	**48.5 %**	37.6 %	25.3 %	**31.7 %**	**48.5 %**	34.7 %	25.6 %
Other	**2.3 %**	**9.5 %**	2.1 %	9.8 %	**2.3 %**	**9.5 %**	2.3 %	9.7 %
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 58 LTC homes with capacity for 8,141 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.

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. Long-term care funding in Ontario is provided in four envelopes allocated to personal care, programming, food and accommodation, respectively. The first three envelopes must be spent entirely on residents and are independently audited with any surplus funding returned to the government. The additional COVID-19 pandemic related funding being provided in Ontario is expected to be subject to this same reconciliation process. 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 1,050 suites. Four of these communities (341 suites) are located in Saskatchewan and seven communities (709 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 Operations

The Company leverages its size, scale and operational expertise in the senior care industry to provide contract services and consulting to third-parties through other 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 6,543 residents as at September 30, 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 September 30, 2020, SGP provided services to third parties representing approximately 79,400 senior residents across Canada.

KEY PERFORMANCE INDICATORS

In addition to those measures identified under "Non-GAAP Measures", management uses certain key performance indicators in order to compare the financial performance of the Company's 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:

"Average Daily Volume" or "ADV" in the context of the home health care operations, is measured as the number of hours of service provided divided by the number of days in the period;

"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 *(%)*	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Total LTC	**90.0 %**	**93.5 %**	**97.0 %**	97.8 %	97.9 %	97.5 %	96.9 %	97.6 %
Change over prior year period	**(790) bps**	**(400) bps**	**10 bps**	20 bps	10 bps	30 bps	50 bps	
Sequential quarterly change	**(350) bps**	**(350) bps**	**(80) bps**	(10) bps	40 bps	60 bps	(70) bps	
Ontario LTC								
Total ON LTC	**87.9 %**	**92.9 %**	**97.6 %**	98.2 %	98.5 %	98.2 %	97.5 %	98.2 %
Preferred Accommodation(1)								
"New" homes – private	**88.0 %**	**91.7 %**	**95.4 %**	95.8 %	95.9 %	96.3 %	95.1 %	96.6 %
"C" homes – private	**86.5 %**	**89.5 %**	**92.8 %**	93.1 %	94.2 %	93.8 %	96.2 %	97.6 %
"C" homes – semi-private	**58.6 %**	**63.5 %**	**66.3 %**	66.7 %	66.5 %	65.6 %	65.3 %	66.1 %

(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 90.0% for Q3 2020, down 790 bps from Q3 2019 and by 350 bps from Q2 2020. Occupancy levels throughout 2020 have been significantly impacted by COVID-19. In terms of the quarterly trends prior to 2020, slightly lower occupancy levels are to be expected during the winter months as a result of seasonal influenza outbreaks, which can lead to a temporary freeze on admissions.

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. However, in response to COVID-19, the Ontario government is providing full funding for all LTC homes for the remainder of the year. To date, each of the western provinces in which we operate LTC homes have provided, or are expected to provide, additional funding to support COVID-19 costs. In certain provinces, this funding includes specific funding to address occupancy reductions. 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 September 30, 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	69	69		69	
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		**1,050**	**735**	**315**	**926**	**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 September 30, 2020.

Sequential occupancy declines in stabilized retirement communities are generally to be expected during the winter months; however, this year, occupancy levels were further impacted by COVID-19, which has temporarily restricted move-ins and in-person tours of prospective residents at various times since March 2020. As a result, stabilized occupancy of 93.1% as at September 30, 2020, was down 180 bps from June 30, 2020, and down 100 bps from September 30, 2019. We believe occupancy levels have been and will continue to be impacted temporarily by COVID-19. In-person tours for prospective residents re-commenced in our retirement communities in Ontario in the latter part of Q2 2020 and early Q3 2020. However, in-person tour restrictions were re-introduced in certain markets in Ontario in October 2020, which is expected to impact occupancy. Throughout the pandemic we have only conducted virtual tours in our Saskatchewan communities pending the government's decision to re-commence in-person tours.

Total occupancy levels of 85.6% as at September 30, 2020, represents a decline of 100 bps from September 30, 2019, reflecting the negative impact of COVID-19 on the stabilized portfolio, offset in part by improvement in lease-up occupancy compared to the same prior year period. Total occupancy levels improved sequentially from June 30, 2020, by 150 bps, primarily driven by an improvement in stabilized communities occupancy of 180 bps during Q3 2020 to 93.1% when in-person tour restrictions were lifted in Ontario. Subsequent to September 30, 2020, with the re-introduction of restrictions, we have experienced a 70 bps decline in total occupancy to 84.9% as at October 31, 2020, from 85.6% as at September 30, 2019.

Other factors impacting the trends over the past eight quarters were 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 Q1 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 Q4 2019.

Retirement Communities			**2020**				**2019**	**2018**
As at Occupancy *(%)*	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Total communities	**85.6 %**	**84.1 %**	**86.0 %**	85.6 %	86.6 %	83.8 %	80.9 %	88.6 %
Change over prior year period	**(100) bps**	**30 bps**	**510 bps**	(300) bps	(290) bps	(220) bps	10 bps	
Sequential quarterly change	**150 bps**	**(190) bps**	**40 bps**	(100) bps	280 bps	290 bps	(770) bps	
Stabilized communities	**93.1 %**	**91.3 %**	**92.8 %**	95.1 %	94.1 %	92.5 %	91.0 %	89.8 %
Change over prior year period	**(100) bps**	**(120) bps**	**180 bps**	530 bps	250 bps	380 bps	780 bps	
Sequential quarterly change	**180 bps**	**(150) bps**	**(230) bps**	100 bps	160 bps	150 bps	120 bps	
Lease-up communities	**68.3 %**	**67.3 %**	**70.2 %**	63.5 %	57.6 %	50.3 %	41.9 %	77.2 %
SS communities	**85.4 %**	**84.1 %**	**86.2 %**	88.0 %	86.6 %	83.8 %	80.9 %	88.6 %
NSS communities	**87.1 %**	**83.9 %**	**84.7 %**	67.7 %	— %	— %	— %	— %

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 September 30, 2020. The same factors discussed above under "As at Occupancy" contributed to the variances in average occupancy.

Retirement Communities			**2020**				**2019**	**2018**
Average Occupancy *(%)*	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Total communities	**84.4 %**	**84.4 %**	**85.7 %**	81.7 %	85.5 %	82.0 %	79.3 %	88.4 %
Change over prior year period	**(110) bps**	**240 bps**	**640 bps**	(670) bps	(240) bps	(240) bps	(110) bps	
Sequential quarterly change	**— bps**	**(130) bps**	**400 bps**	(380) bps	350 bps	270 bps	(910) bps	
Stabilized communities	**91.9 %**	**91.5 %**	**93.5 %**	94.9 %	94.0 %	91.4 %	90.7 %	89.8 %
Change over prior year period	**(210) bps**	**10 bps**	**280 bps**	510 bps	390 bps	430 bps	810 bps	
Sequential quarterly change	**40 bps**	**(200) bps**	**(140) bps**	90 bps	260 bps	70 bps	90 bps	
Lease-up communities	**67.0 %**	**67.9 %**	**67.5 %**	50.7 %	52.7 %	45.8 %	35.7 %	76.1 %
SS communities	**84.4 %**	**84.5 %**	**86.7 %**	87.0 %	85.5 %	82.0 %	79.3 %	
NSS communities	**84.5 %**	**84.0 %**	**77.9 %**	41.0 %	— %	— %	— %	

Home Health Care

AVERAGE DAILY VOLUME

The table set out below provides the service volumes and ADV of the Home Health Care operations, including and excluding volumes related to the B.C. contracts, for the past eight quarters.

ParaMed's ADV has declined significantly due to the impact of COVID-19. Overall ADV declined by 21.1% in Q3 2020 as compared to the same prior year period. Excluding the impact of the B.C. contracts, ParaMed's ADV declined by 9.9% in Q3 2020 as compared to Q3 2019, and sequentially improved by 11.6% as compared to Q2 2020. While ADV increased from Q2 2020, it remains below pre-COVID-19 levels by 10.1% when comparing to Q4 2019, which is the last full quarter without any COVID-19 impact.

The peak impact of COVID-19 on ParaMed's ADV occurred in April 2020. Since that time we have experienced a gradual recovery in ADV. For the four weeks ending November 8, 2020, our ADV was 23,934, an increase of 5.2% from the ADV for Q3 2020. In recent weeks, referral activity has recovered to pre-COVID-19 levels; however, our workforce capacity remains well below our pre-COVID-19 capacity, resulting in lower referral acceptance and a slower pace of recovery of our home health care business volumes. (refer to the discussion under "Significant Events – Impact of COVID-19 Pandemic").

Home Health Care		**2020**				**2019**		**2018**
Service Volumes	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Total Operations								
Hours of service *(000's)*	**2,093.2**	**1,854.6**	**2,319.5**	2,661.2	2,652.7	2,660.4	2,595.3	2,750.0
ADV	**22,752**	**20,380**	**25,489**	28,926	28,834	29,235	28,837	29,891
Change over prior year period	**(21.1)%**	**(30.3)%**	**(11.6)%**	(3.2)%	(2.1)%	(2.7)%	(4.1)%	
Sequential quarterly change	**11.6 %**	**(20.0)%**	**(11.9)%**	0.3 %	(1.4)%	1.4 %	(3.5)%	
Excluding B.C.								
Hours of service *(000's)*	**2,093.2**	**1,854.6**	**2,246.1**	2,329.2	2,322.6	2,340.0	2,291.9	2,441.6
ADV	**22,752**	**20,380**	**24,682**	25,317	25,246	25,714	25,466	26,539
Change over prior year period	**(9.9)%**	**(20.7)%**	**(3.1)%**	(4.6)%	(3.3)%	(3.7)%	(4.8)%	
Sequential quarterly change	**11.6 %**	**(17.4)%**	**(2.5)%**	0.3 %	(1.8)%	1.0 %	(4.0)%	

PARAMED CANADA EMERGENCY WAGE SUBSIDY

On April 11, 2020, the Government of Canada enacted the CEWS program, which was designed to help Canadian employers that have experienced revenue declines to re-hire workers laid off as a result of COVID-19, help prevent further job losses and better position the employers to resume normal operations after the COVID-19 pandemic. Further changes to the CEWS program were announced on July 17, 2020 and October 14, 2020, extending the program until June 2021. We have remained focused on maintaining our workforce capacity to ensure we are able to respond quickly to increases in demand for home health care services and resume operating at normalized levels as the pandemic recedes. In addition, we continue to make investments aimed at increasing our workforce capacity within our home health care segment, introducing new programs in Q3 2020 designed to accelerate the hiring and training of home health care front-line workers (refer to "Significant Events – Impact of COVID-19 Pandemic").

As a result of the revenue declines experienced by ParaMed, the Company's home health care subsidiary, ParaMed applied for and received $50.8 million in CEWS during Q3 2020 in respect of the initial four claims periods (March 15, 2020 to July 4, 2020). Payments under the CEWS program are accounted for as government grants under IAS 20 and are recorded on a net basis as a reduction to operating expenses of the home health care segment, thereby impacting the home health care segment net operating income for the three and nine months ended September 30, 2020. Subsequent to September 30, 2020, ParaMed applied for and received an additional $31.4 million in CEWS in respect of an additional three claims periods (July 5, 2020 to September 26, 2020). ParaMed anticipates filing for additional CEWS funding contingent on changes to the CEWS program and the rate of volume recovery.

PARAMED TRANSFORMATION

In 2017, we initiated a $12.0 million project 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 business volumes.

To date we have incurred $11.6 million of the estimated project costs and have converted 95% of ParaMed's business volumes onto the new cloud-based platform. The previously deferred roll-out of the new platform in Alberta (which represents 5% of ParaMed's business volumes) has been scheduled for Q4 2020.

For the nine months ended September 30, 2020, project costs impacting Adjusted EBITDA remain at $0.8 million ($0.8 million at the NOI level), all of which was incurred in Q1 2020.

PARAMED B.C. CONTRACT EXPIRATION

As previously announced, 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 Q1 2019, primarily for facilities related costs.

For the nine months ended September 30, 2020, ParaMed's B.C. contracts contributed revenue of $3.0 million and NOI of less than $0.1 million, all of which was earned in Q1 2020. For the comparative periods of 2019, ParaMed's B.C. contracts contributed revenue of $13.1 million and NOI of less than $0.1 million for Q3 2019, and revenue of $37.3 million and a net operating loss of $0.5 million for the nine months ended September 30, 2019. For the 2019 year, the B.C. contracts 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.

Other 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 September 30, 2020, Extendicare Assist was providing contract services to third-parties representing 53 LTC homes and retirement communities with capacity for 6,543 senior residents. SGP continues to grow its market share, increasing its third-party residents served by 23.5% at September 30, 2020, over September 30, 2019, and by 5.6% since June 30, 2020.

	2020					2019	2018
Other Operations	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Extendicare Assist Contract Services								
Homes at period end	**53**	**53**	**53**	53	53	53	54	53
Resident capacity	**6,543**	**6,543**	**6,601**	6,601	6,601	6,601	6,661	6,497
Change over prior year period	**(0.9)%**	**(0.9)%**	**(0.9)%**	1.6 %	(0.5)%	(0.5)%	0.4 %	
Sequential quarterly change	**— %**	**(0.9)%**	**— %**	— %	— %	(0.9)%	2.5 %	
SGP Clients								
Third-party senior residents	**79,372**	**75,165**	**72,886**	64,762	64,261	58,673	57,050	51,071
Change over prior year period	**23.5 %**	**28.1 %**	**27.8 %**	26.8 %	26.1 %	16.6 %	24.8 %	
Sequential quarterly change	**5.6 %**	**3.1 %**	**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)	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Revenue	**296,786**	**281,947**	**271,818**	290,895	282,733	284,053	274,269	288,516
Net operating income	**75,976**	**19,934**	**30,383**	32,877	34,867	35,320	30,386	32,586
NOI margin	***25.6%***	***7.1%***	***11.2%***	*11.3%*	*12.3%*	*12.4%*	*11.1%*	*11.3%*
Adjusted EBITDA	**63,794**	**8,167**	**20,131**	23,527	23,846	25,152	19,774	22,600
Adjusted EBITDA margin	***21.5%***	***2.9%***	***7.4%***	*8.1%*	*8.4%*	*8.9%*	*7.2%*	*7.8%*
Earnings (loss) from continuing operations	**34,644**	**(8,889)**	**1,237**	4,467	5,353	4,966	13	(8,301)
per basic share *($)*	**0.39**	**(0.10)**	**0.01**	0.05	0.06	0.06	—	(0.09)
per diluted share *($)*	**0.36**	**(0.10)**	**0.01**	0.05	0.06	0.06	—	(0.09)
Earnings (loss) from discontinued operations	**(178)**	**5,230**	**4,669**	5,621	1,906	3,359	2,945	14,808
Net earnings	**34,466**	**(3,659)**	**5,906**	10,088	7,259	8,325	2,958	6,507
per basic share *($)*	**0.38**	**(0.04)**	**0.07**	0.11	0.08	0.10	0.03	0.07
per diluted share *($)*	**0.36**	**(0.04)**	**0.07**	0.11	0.08	0.10	0.03	0.07
AFFO	**42,787**	**2,946**	**11,630**	11,365	13,693	14,927	12,615	12,570
per basic share *($)*	**0.48**	**0.03**	**0.13**	0.13	0.15	0.17	0.14	0.14
per diluted share *($)*	**0.44**	**0.03**	**0.13**	0.12	0.15	0.16	0.14	0.14
Maintenance Capex	**2,381**	**2,157**	**1,755**	6,028	3,056	2,312	916	4,202
Cash dividends declared	**10,746**	**10,743**	**10,731**	10,701	10,680	10,657	10,634	10,612
per share *($)*	**0.120**	**0.120**	**0.120**	0.120	0.120	0.120	0.120	0.120
Weighted Average Number of Shares *(000's)*								
Basic	**89,864**	**89,826**	**89,644**	89,467	89,253	89,039	88,825	88,612
Diluted	**100,223**	**100,177**	**100,023**	99,850	99,614	99,415	99,186	98,962

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)	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Earnings (loss) from continuing operations before income taxes	**47,457**	**(11,907)**	**1,603**	6,452	7,594	7,169	769	(11,573)
Add (Deduct):								
Depreciation and amortization	**9,373**	**9,685**	**9,853**	10,597	9,861	9,705	9,427	10,184
Net finance costs	**6,964**	**7,609**	**8,675**	6,478	6,391	7,303	8,149	7,347
Other expense	**—**	**2,780**	**—**	—	—	975	1,429	16,642
Adjusted EBITDA	**63,794**	**8,167**	**20,131**	23,527	23,846	25,152	19,774	22,600
Administrative costs	**12,182**	**11,767**	**10,252**	9,350	11,021	10,168	10,612	9,986
Net operating income	**75,976**	**19,934**	**30,383**	32,877	34,867	35,320	30,386	32,586

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. In respect of 2020, COVID-19 has impacted the Company's quarterly results from continuing operations (refer to "Significant Events – Impact of COVID-19 Pandemic" and "Key Performance Indicators – ParaMed Canada Emergency Wage Subsidy"). The significant factors that impact the results from period to period, in addition to the impacts that result from COVID-19, 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 Q1 and at their highest in Q4;
- Ontario long-term care providers generally receive annual flow-through funding increases and case mix index adjustments effective April 1st and 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 Q1 and its highest in Q4;
- utility costs are generally at their highest in Q1 and their lowest in Q2 and Q3; and
- certain line items that are reported separately due to their transitional nature that would otherwise distort the comparability of the historical trends, being "other expense" and "foreign exchange and fair value adjustments".

STATEMENT OF EARNINGS

The following provides the consolidated statement of earnings (loss) for the periods ended September 30, 2020 and 2019.

	Three months ended September 30			**Nine months ended September 30**		
(thousands of dollars unless otherwise noted)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Revenue	**296,786**	282,733	14,053	**850,551**	841,055	9,496
Operating expenses	**220,810**	247,866	(27,056)	**724,258**	740,482	(16,224)
Net operating income	**75,976**	34,867	41,109	**126,293**	100,573	25,720
Administrative costs	**12,182**	11,021	1,161	**34,201**	31,801	2,400
Adjusted EBITDA	**63,794**	23,846	39,948	**92,092**	68,772	23,320
Depreciation and amortization	**9,373**	9,861	(488)	**28,911**	28,993	(82)
Other expense	**—**	—	—	**2,780**	2,404	376
Earnings before net finance costs and income taxes	**54,421**	13,985	40,436	**60,401**	37,375	23,026
Interest expense (net of capitalized interest)	**7,141**	7,198	(57)	**21,369**	21,110	259
Interest revenue	**(534)**	(919)	385	**(2,084)**	(2,684)	600
Accretion	**311**	297	14	**922**	892	30
Foreign exchange and fair value adjustments	**46**	(185)	231	**3,041**	2,525	516
Net finance costs	**6,964**	6,391	573	**23,248**	21,843	1,405
Earnings from continuing operations before income taxes	**47,457**	7,594	39,863	**37,153**	15,532	21,621
Income tax expense (recovery)						
Current	**14,118**	2,666	11,452	**14,343**	7,219	7,124
Deferred	**(1,305)**	(425)	(880)	**(4,182)**	(2,019)	(2,163)
Total income tax expense	**12,813**	2,241	10,572	**10,161**	5,200	4,961
Earnings from continuing operations	**34,644**	5,353	29,291	**26,992**	10,332	16,660
Earnings (loss) from discontinued operations	**(178)**	1,906	(2,084)	**9,721**	8,210	1,511
Net earnings	**34,466**	7,259	27,207	**36,713**	18,542	18,171
Earnings from continuing operations	**34,644**	5,353	29,291	**26,992**	10,332	16,660
Add (Deduct) (1):						
Foreign exchange and fair value adjustments	**47**	(170)	217	**2,110**	1,987	123
Other expense	**—**	—	—	**2,029**	2,070	(41)
Earnings from continuing operations before separately reported items, net of taxes	**34,691**	5,183	29,508	**31,131**	14,389	16,742

(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 September 30			Nine months ended September 30		
(thousands of dollars)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Earnings (loss) from continuing operations before income taxes	**47,457**	7,594	39,863	**37,153**	15,532	21,621
Add (Deduct):						
Depreciation and amortization	**9,373**	9,861	(488)	**28,911**	28,993	(82)
Net finance costs (income)	**6,964**	6,391	573	**23,248**	21,843	1,405
Other expense	—	—	—	**2,780**	2,404	376
Adjusted EBITDA	**63,794**	23,846	39,948	**92,092**	68,772	23,320
Administrative costs	**12,182**	11,021	1,161	**34,201**	31,801	2,400
Net operating income	**75,976**	34,867	41,109	**126,293**	100,573	25,720

2020 THIRD QUARTER FINANCIAL REVIEW

The following is an analysis of the consolidated results from operations for Q3 2020, as compared to Q3 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 $296.8 million for Q3 2020 increased by $14.1 million or 5.0% from Q3 2019. Excluding the year-over-year decline in revenue from the ParaMed B.C. contracts ($13.1 million), revenue increased by $27.2 million or 10.1% to $296.8 million in Q3 2020 from $269.6 million in the same prior year period. This increase in revenue was driven primarily by funding related to COVID-19 ($28.7 million), LTC funding enhancements, expansion of the retirement living operations and growth in other operations, partially offset by a decline in home health care volumes.

Operating Expenses

Operating expenses of $220.8 million for Q3 2020 declined by $27.1 million or 10.9% from Q3 2019. Excluding the year-over-year decline in operating expenses from the ParaMed B.C. contracts ($13.1 million) from Q3 2019 and the CEWS ($50.8 million) received by the home health care segment in Q3 2020, operating expenses were $271.6 million, up 15.7% or $36.8 million in Q3 2020 as compared to $234.8 million in the same prior year period. The increase in operating expenses was driven by increased estimated costs related to COVID-19 and pandemic pay programs ($35.9 million), higher costs of resident care, increased workers compensation and benefits costs in home health care operations and expansion of the retirement living operations, offset by the impact of lower home health care volumes.

Net Operating Income

Net operating income improved by $41.1 million to $76.0 million for Q3 2020 as compared to $34.9 million for Q3 2019 and represented 25.6% of revenue as compared to 12.3% for Q3 2019. Excluding the impact of the ParaMed B.C. contracts ($0.1 million) from Q3 2019 and the CEWS ($50.8 million) received by the home health care segment in Q3 2020, NOI was $25.2 million, down 27.6% or $9.6 million in Q3 2020 as compared to $34.8 million in the same prior year period, representing 8.5% and 12.9% of revenue, respectively. Growth in the retirement living and other operations NOI was offset by estimated costs of COVID-19 in excess of funding ($7.2 million), lower volumes and increased operating costs in the home health care operations and increased costs of resident care in excess of funding in the LTC operations.

Administrative Costs

Administrative costs increased by $1.2 million or 10.5% to $12.2 million for Q3 2020. Excluding the impact of the ParaMed Transformation costs of $0.7 million and severance costs of $1.1 million in Q3 2019, administrative costs increased by $3.0 million for Q3 2020, primarily due to administrative costs related to COVID-19 of $1.6 million and higher labour costs associated with increased management and support staff of key back office functions.

Adjusted EBITDA

Adjusted EBITDA increased by $39.9 million to $63.8 million for Q3 2020 as compared to $23.8 million for Q3 2019, and represented 21.5% of revenue as compared to 8.4%, respectively, reflecting higher net operating income and increased administrative costs, as discussed above.

Depreciation and Amortization

Depreciation and amortization costs declined by $0.5 million to $9.4 million for Q3 2020.

Net Finance Costs

Net finance costs increased by $0.6 million for Q3 2020, primarily due to lower interest revenue of $0.4 million earned on cash on hand due to lower interest rates and a net unfavourable change of $0.2 million in foreign exchange and fair value adjustments related to the Company's interest rate swaps. Interest expense of $7.1 million was essentially flat reflecting a decline in the weighted average interest rate, partially offset by increased debt levels and the impact of a reduction in the amount of capitalized interest of $0.2 million.

Income Taxes

The income tax provision was $12.8 million for Q3 2020, representing an effective tax rate of 27.0%, as compared to $2.2 million and an effective tax rate of 29.5% for Q3 2019. The current income provision of $12.8 million for Q3 2020 includes $13.5 million related to current income taxes payable on the CEWS ($50.8 million) received by the home health care segment in Q3 2020.

Earnings from Continuing Operations

Earnings from continuing operations were $34.6 million ($0.39 per basic share) for Q3 2020 as compared to $5.4 million ($0.06 per basic share) for Q3 2019, largely driven by the impact of CEWS ($50.8 million) received by the home health care segment ($37.3 million, net of tax, or $0.42 per basic share), partially offset by the estimated costs of COVID-19 in excess of funding ($6.4 million, net of tax, or $0.07 per basic share) and the decline in net operating income from the home health care operations (excluding the impact of CEWS).

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 September 30 *(thousands of dollars unless otherwise noted)*	**Long-term Care**	**Retirement Living**	**Home Health Care**	**Other Operations**	**Total**
2020					
Revenue	**184,727**	**11,978**	**93,235**	**6,846**	**296,786**
Operating expenses	**171,763**	**8,756**	**37,737**	**2,554**	**220,810**
Net operating income	**12,964**	**3,222**	**55,498**	**4,292**	**75,976**
NOI margin %	***7.0 %***	***26.9 %***	***59.5 %***	***62.7 %***	***25.6 %***
2019					
Revenue	160,972	10,406	105,414	5,941	282,733
Operating expenses	140,351	7,463	97,313	2,739	247,866
Net operating income	20,621	2,943	8,101	3,202	34,867
NOI margin %	*12.8 %*	*28.3 %*	*7.7 %*	*53.9 %*	*12.3 %*
Change					
Revenue	23,755	1,572	(12,179)	905	14,053
Operating expenses	31,412	1,293	(59,576)	(185)	(27,056)
Net operating income	(7,657)	279	47,397	1,090	41,109

LONG-TERM CARE OPERATIONS

Revenue from long-term care operations grew by $23.8 million or 14.8% to $184.7 million for Q3 2020, largely driven by funding of $21.1 million to support the costs associated with COVID-19 and pandemic pay programs, with the balance primarily due to funding enhancements largely tied to the Ontario flow-through funding envelopes which are offset by increased operating expenses associated with resident care.

Net operating income from the long-term care operations was $13.0 million for Q3 2020 as compared to $20.6 million for Q3 2019, a decrease of $7.7 million or 37.1%, with NOI margins of 7.0% and 12.8%, respectively. Operating expenses included increased costs associated with COVID-19 and pandemic pay programs, estimated at $27.7 million, that were $6.6 million in excess of COVID-19 related funding of $21.1 million (refer to "Significant Events – Impact of COVID-19 Pandemic") and costs of resident care, primarily labour costs, in excess of funding.

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 September 30						**Retirement Living**
(thousands of dollars unless otherwise noted)	**Same-store**		**Non same-store**		**Total**	
2020						
Revenue	**10,438**		**1,540**		**11,978**	
Operating expenses	**7,746**		**1,010**		**8,756**	
Net operating income / margin %	**2,692**	***25.8 %***	**530**	***34.4 %***	**3,222**	***26.9 %***
Average occupancy / weighted average available suites	***84.4 %***	***925***	***84.5 %***	***124***	***84.4 %***	***1,049***
2019						
Revenue	10,406		—		10,406	
Operating expenses	7,293		170		7,463	
Net operating income / margin %	3,113	*29.9 %*	(170)	*— %*	2,943	*28.3 %*
Average occupancy / weighted average available suites	*85.5 %*	*925*	*— %*	—	*85.5 %*	*925*
Change						
Revenue	32		1,540		1,572	
Operating expenses	453		840		1,293	
Net operating income	(421)		700		279	

Revenue from retirement living operations grew by $1.6 million or 15.1% to $12.0 million for Q3 2020, primarily attributable to the contribution from non same-store operations of $1.5 million related to the opening of The Barrieview in October 2019. The balance 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.

Net operating income from the retirement living operations was $3.2 million for Q3 2020 as compared to $2.9 million for Q3 2019, an increase of $0.3 million or 9.5%, reflecting the contribution from The Barrieview. Net operating income from same-store operations declined by $0.4 million, reflecting the increase in estimated costs related to COVID-19 of $0.5 million in Q3 2020.

HOME HEALTH CARE OPERATIONS

The following discussion of the home health care operations excludes the B.C. contracts, which contributed revenue of $13.1 million and NOI of $0.1 million in Q3 2019, and the CEWS received in Q3 2020 of $50.8 million (refer to "Key Performance Indicators – ParaMed Canada Emergency Wage Subsidy").

Revenue from the home health care operations increased by $0.9 million to $93.2 million for Q3 2020 from $92.3 million for Q3 2019, reflecting funding of $7.6 million recognized in Q3 2020 to support COVID-19 related costs, partially offset by a decline in ADV of 9.9% due to COVID-19.

Net operating income from the home health care operations was $4.7 million for Q3 2020 as compared to $8.0 million for Q3 2019, a decrease of $3.3 million, with NOI margins of 5.1% and 8.7%, respectively. The decline in NOI of $3.3 million was largely attributable to lower business volumes, increased workers compensation and benefits costs and the costs associated with COVID-19 and pandemic pay in excess of funding of an estimated $0.1 million in Q3 2020, (refer to the discussion under "Significant Events – Impact of COVID-19 Pandemic").

OTHER OPERATIONS

Revenue from other operations increased by $0.9 million or 15.2% to $6.8 million in Q3 2020 compared to Q3 2019, largely due to the increase in group purchasing clients.

Net operating income from other operations increased by $1.1 million or 34.0% to $4.3 million for Q3 2020 compared to Q3 2019, due to revenue growth from an increase in clients and lower operating expenses related to reduced travel and business promotion, partially offset by increased staff to support the growth in operations.

2020 NINE MONTH FINANCIAL REVIEW

The following is an analysis of the consolidated results from operations for the nine months ended September 30, 2020, as compared to the same period in 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, including the components of non same-store revenue and net operating income.

Revenue

Revenue of $850.6 million for the nine months ended September 30, 2020, increased by $9.5 million or 1.1% from the nine months ended September 30, 2019. Excluding the year-over-year decline in revenue from the ParaMed B.C. contracts ($34.3 million) and the incremental funding related to Bill 148 recorded in Q2 2019 ($2.2 million), revenue increased by $46.0 million or 5.7% to $847.6 million this period from $801.6 million in the same prior year period. This increase in revenue was driven primarily by funding related to COVID-19 ($56.3 million), LTC funding enhancements, expansion of the retirement living operations, growth in other operations and the impact of the leap day in Q1 2020, offset by a decline in home health care volumes.

Operating Expenses

Operating expenses of $724.3 million for the nine months ended September 30, 2020, declined by $16.2 million or 2.2% from the nine months ended September 30, 2019. Excluding the year-over-year decline in operating expenses from the ParaMed B.C. contracts ($34.9 million) and the CEWS ($50.8 million) received by the home health care segment in Q3 2020, operating expenses increased by $69.4 million or 9.9% to $772.1 million for the nine months ended September 30, 2020, from $702.7 million in the same prior year period. The increase in operating expenses was driven by increased estimated costs related to COVID-19 and pandemic pay programs ($73.3 million), higher costs of resident care, increased back-office costs in the home health care operations, expansion of the retirement living operations and the impact of the leap day in Q1 2020, partially offset by the impact of lower home health care volumes.

Net Operating Income

Net operating income improved by $25.7 million to $126.3 million for the nine months ended September 30, 2020, and represented 14.8% of revenue as compared to 12.0% for the nine months ended September 30, 2019. Excluding the year-over-year impact of the incremental funding related to Bill 148 ($2.2 million) received in Q2 2019, partially offset by the favourable impact of the ParaMed B.C. contracts ($0.5 million) and the CEWS ($50.8 million) received by the home health care segment in Q3 2020, NOI was $75.5 million, down by 23.7% or $23.4 million for the nine months ended September 30, 2020, as compared to $98.9 million in the same prior year period, representing 8.9% and 12.3% of revenue, respectively. The decrease in net operating income reflects the estimated costs of COVID-19 in excess of funding ($17.0 million) and lower volumes and increased operating costs in the home health care operations, partially offset by growth in the retirement living and other operations, long-term care funding enhancements, timing of spending under the Ontario flow-through envelopes and the leap day in Q1 2020.

Administrative Costs

Administrative costs increased by $2.4 million or 7.5% to $34.2 million for the nine months ended September 30, 2020. Excluding the impact of the ParaMed Transformation costs of $2.7 million and severance costs of $1.1 million incurred in Q3 2019, administrative costs increased by $6.2 million this period, primarily due to administrative costs related to COVID-19 of $2.8 million and higher labour costs associated with increased management and support staff of key back office functions.

Adjusted EBITDA

Adjusted EBITDA increased by $23.3 million to $92.1 million for the nine months ended September 30, 2020, as compared to $68.8 million for the nine months ended September 30, 2019, and represented 10.8% of revenue as compared to 8.2%, respectively, reflecting higher net operating income and increased administrative costs, as discussed above.

Depreciation and Amortization

Depreciation and amortization costs declined by $0.1 million to $28.9 million for the nine months ended September 30, 2020,

Other Expense

Other expense of $2.8 million recorded in the nine months ended September 30, 2020, related to an impairment charge in respect of certain of the Company's retirement communities in Saskatchewan. Other expense of $2.4 million recorded in the nine months ended September 30, 2019, related to costs associated with the ParaMed B.C. Contract Expiration and a representation and standstill agreement entered into with the Sandpiper group.

Net Finance Costs

Net finance costs increased by $1.4 million for the nine months ended September 30, 2020, primarily due to lower interest revenue of $0.6 million earned on cash on hand, higher interest expense of $0.3 million, and a net unfavourable change of $0.5 million in foreign exchange and fair value adjustments related to the Company's interest rate swaps. Interest expense was negatively impacted by a reduction in the amount of capitalized interest of $0.7 million and higher debt levels, partially offset by a decline in the weighted average interest rate.

Income Taxes

The income tax provision was $10.2 million for the nine months ended September 30, 2020, representing an effective tax rate of 27.3%, as compared to $5.2 million and an effective tax rate of 33.5% for the nine months ended September 30, 2019. The increase in the income tax provision to $10.2 million for the nine months ended September 30, 2020, as compared to $5.2 million for the same prior year period is due to the current income taxes payable on the CEWS ($50.8 million) received by the home health care segment offset by the lower income taxes due to lower taxable income in the LTC operations due to the net COVID-19 related costs incurred. Tax rates were impacted by, among other things, the tax impact of foreign exchange and fair value adjustments and the "other expense" items, as noted above. Excluding the impact of these separately reported items, the effective tax rate was 27.6% for the nine months ended September 30, 2020, as compared to 29.7% for the nine months ended September 30, 2019, reflecting the applicable level of taxable income or loss of the Company's legal entities.

Earnings from Continuing Operations

Earnings from continuing operations were $27.0 million ($0.30 per basic share) for the nine months ended September 30, 2020, as compared to earnings of $10.3 million ($0.12 per basic share) for the nine months ended September 30, 2019, largely driven by the impact of CEWS ($50.8 million) received by the home health care segment ($37.3 million, net of tax, or $0.42 per basic share), partially offset by the estimated costs of COVID-19 in excess of funding ($14.5 million, net of tax, or $0.16 per basic share) and the decline in net operating income of the home health care operations (excluding the impact of CEWs).

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.

Nine months ended September 30 *(thousands of dollars unless otherwise noted)*	**Long-term Care**	**Retirement Living**	**Home Health Care**	**Other Operations**	**Total**
2020					
Revenue	**523,438**	**35,754**	**271,802**	**19,557**	**850,551**
Operating expenses	**480,927**	**25,307**	**210,568**	**7,456**	**724,258**
Net operating income	**42,511**	**10,447**	**61,234**	**12,101**	**126,293**
NOI margin %	***8.1 %***	***29.2 %***	***22.5 %***	***61.9 %***	***14.8 %***
2019					
Revenue	477,129	29,920	316,296	17,710	841,055
Operating expenses	420,240	21,481	290,868	7,893	740,482
Net operating income	56,889	8,439	25,428	9,817	100,573
NOI margin %	*11.9 %*	*28.2 %*	*8.0 %*	*55.4 %*	*12.0 %*
Change					
Revenue	46,309	5,834	(44,494)	1,847	9,496
Operating expenses	60,687	3,826	(80,300)	(437)	(16,224)
Net operating income	(14,378)	2,008	35,806	2,284	25,720

LONG-TERM CARE OPERATIONS

Revenue from long-term care operations grew by $46.3 million or 9.7% to $523.4 million for the nine months ended September 30, 2020, largely driven by funding of $39.1 million to support the costs associated with COVID-19 and pandemic pay programs, approximately $4.9 million from increases in the Ontario flow-through funding envelopes which are offset by increased operating expenses associated with resident care, and other funding enhancements, including incremental funding of $0.8 million in certain provinces for the leap day in Q1 2020.

Net operating income from the long-term care operations was $42.5 million for the nine months ended September 30, 2020, as compared to $56.9 million for the nine months ended September 30, 2019, a decrease of $14.4 million or 25.3%, with NOI margins of 8.1% and 11.9%, respectively. Operating expenses included increased costs associated with COVID-19 and pandemic pay programs, estimated at $54.6 million, that were $15.5 million in excess of COVID-19 related funding of $39.1 million (refer to "Significant Events – Impact of COVID-19 Pandemic"). This was partially offset by funding enhancements, timing of spending under the Ontario flow-through envelopes and the leap day in Q1 2020.

RETIREMENT LIVING OPERATIONS

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

Nine months ended September 30						**Retirement Living**
(thousands of dollars unless otherwise noted)	**Same-store**		**Non same-store**		**Total**	
2020						
Revenue	**31,392**		**4,362**		**35,754**	
Operating expenses	**22,499**		**2,808**		**25,307**	
Net operating income / margin %	**8,893**	***28.3 %***	**1,554**	***35.6 %***	**10,447**	***29.2 %***
Average occupancy / weighted average available suites	***85.2 %***	***925***	***82.2 %***	***124***	***84.8 %***	***1,049***
2019						
Revenue	29,920		—		29,920	
Operating expenses	21,131		350		21,481	
Net operating income / margin %	8,789	*29.4 %*	(350)	*— %*	8,439	*28.2 %*
Average occupancy / weighted average available suites	*82.3 %*	*925*	*— %*	*—*	*82.3 %*	*925*
Change						
Revenue	1,472		4,362		5,834	
Operating expenses	1,368		2,458		3,826	
Net operating income	104		1,904		2,008	*— %*

Revenue from retirement living operations grew by $5.8 million or 19.5% to $35.8 million for the nine months ended September 30, 2020, of which non same-store operations contributed $4.4 million as a result of the opening of The Barrieview in October 2019. Organic growth from same-store operations of $1.5 million, was primarily due to lease-up activity, partially offset by the impact of COVID-19 on occupancy levels of the stabilized communities.

Net operating income from the retirement living operations was $10.4 million for the nine months ended September 30, 2020, as compared to $8.4 million for the nine months ended September 30, 2019, an increase of $2.0 million or 23.8%, reflecting the contribution from The Barrieview of $1.9 million. The increase from same-store operations of $0.1 million reflected growth in occupancy to 85.2% from 82.3%, partially offset by the impact of the pandemic on occupancy levels of the stabilized communities and the increased estimated costs related to COVID-19 of $1.0 million for the nine months ended September 30, 2020.

HOME HEALTH CARE OPERATIONS

The following discussion of the home health care operations excludes the impact of: the B.C. contracts, which contributed revenue of $3.0 million and NOI of less than $0.1 million for the nine months ended September 30, 2020, as compared to revenue of $37.3 million and a net operating loss of $0.5 million for the nine months ended September 30, 2019; incremental funding of $2.2 million related to Bill 148 received in Q2 2019; and the CEWS received in Q3 2020 of $50.8 million (refer to "Key Performance Indicators – ParaMed Canada Emergency Wage Subsidy").

Revenue from the home health care operations declined by $8.0 million or 2.9% to $268.8 million for the nine months ended September 30, 2020, from $276.8 million in the same prior year period, primarily due to a decline in ADV of 11.3% due to COVID-19, partially offset by funding of $17.2 million to support COVID-19 related costs and approximately $1.0 million of incremental leap day revenue in Q1 2020.

Net operating income from the home health care operations was $10.4 million for the nine months ended September 30, 2020, as compared to $23.7 million for the nine months ended September 30, 2019, a decrease of $13.3 million, with NOI margins of 3.9% and 8.6%, respectively. The decline in NOI of $13.3 million was largely attributable to lower business volumes, higher back office costs and the costs associated with COVID-19 and pandemic pay in excess of funding of an estimated $0.5 million (refer to the discussion under "Significant Events – Impact of COVID-19 Pandemic").

OTHER OPERATIONS

Revenue from other operations increased by $1.8 million or 10.4% to $19.6 million, largely due to an increase in group purchasing clients.

Net operating income from other operations increased by $2.3 million or 23.3% to $12.1 million for the nine months ended September 30, 2020, due to revenue growth from an increase in clients and lower operating expenses related to reduced travel and business promotion, partially offset by increased staff to support the growth in operations.

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".

	Three months ended September 30			Nine months ended September 30		
(thousands of dollars unless otherwise noted)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Earnings from continuing operations	**34,644**	5,353	29,291	**26,992**	10,332	16,660
Add (Deduct):						
Depreciation and amortization	**9,373**	9,861	(488)	**28,911**	28,993	(82)
Depreciation for FFEC (maintenance capex) (1)	**(1,849)**	(1,710)	(139)	**(5,652)**	(5,043)	(609)
Depreciation for office leases (2)	**(613)**	(638)	25	**(1,879)**	(1,967)	88
Other expense	**—**	—	—	**2,780**	2,404	376
Foreign exchange and fair value adjustments	**46**	(185)	231	**3,041**	2,525	516
Current income tax expense (recovery) on other expense, foreign exchange and fair value adjustments (3)	**—**	22	(22)	**—**	(258)	258
Deferred income tax expense (recovery)	**(1,305)**	(447)	(858)	**(4,182)**	(2,019)	(2,163)
FFO (continuing operations)	**40,296**	12,256	28,040	**50,011**	34,967	15,044
Amortization of deferred financing costs	**555**	415	140	**1,521**	1,278	243
Accretion costs	**311**	297	14	**922**	892	30
Non-cash share-based compensation	**709**	698	11	**1,205**	1,222	(17)
Principal portion of government capital funding	**1,448**	1,373	75	**4,345**	4,117	228
Additional maintenance capex (1)	**(532)**	(1,346)	814	**(641)**	(1,241)	600
AFFO	**42,787**	13,693	29,094	**57,363**	41,235	16,128
Per Basic Share *($)*						
FFO	**0.45**	0.14	0.31	**0.56**	0.39	0.17
AFFO	**0.48**	0.15	0.33	**0.64**	0.46	0.18
Per Diluted Share *($)*						
FFO	**0.42**	0.14	0.28	**0.55**	0.39	0.16
AFFO	**0.44**	0.15	0.29	**0.61**	0.45	0.16
Dividends *($)*						
Declared	**10,746**	10,680	66	**32,220**	31,971	249
Declared per share *($)*	**0.12**	0.12	—	**0.36**	0.36	—
Weighted Average Number of Shares *(thousands)*						
Basic	**89,864**	89,253		**89,778**	89,040	
Diluted	**100,223**	99,614		**100,145**	99,412	
Current income tax expense (recovery) included in FFO	**14,118**	2,666	11,452	**14,343**	7,477	6,866
Total maintenance capex (1)	**2,381**	3,056	(675)	**6,293**	6,284	9

(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.

AFFO 2020 Financial Review

For Q3 2020, AFFO improved by $29.1 million to $42.8 million ($0.48 per basic share) from $13.7 million ($0.15 per basic share) for Q3 2019, reflecting the increase in Adjusted EBITDA and lower maintenance CAPEX, partially offset by higher current income taxes and net interest costs. AFFO in Q3 2020 included the CEWS received by the home health care segment, net of tax, of $37.3 million ($0.42 per basic share) and estimated COVID-19 related costs in excess of funding, net of tax, of $6.4 million ($0.07 per basic share).

For the nine months ended September 30, 2020, AFFO improved by $16.1 million to $57.4 million ($0.64 per basic share) from $41.2 million ($0.46 per basic share) for the nine months ended September 30, 2019, reflecting the increase in Adjusted EBITDA, partially offset by higher current income taxes and net interest costs. AFFO for the nine months ended September

30, 2020, included the CEWS received by the home health care segment, net of tax, of $37.3 million ($0.42 per basic share) and estimated COVID-19 related costs in excess of funding, net of tax, of $14.5 million ($0.16 per basic share).

Dividends declared as a percentage of AFFO for the nine months ended September 30, 2019, represented a payout ratio of 56%. In addition to cash generated from operations and cash on hand of $170.1 million at September 30, 2020, the Company has available undrawn credit facilities totalling $71.3 million (refer to the discussion under “Liquidity and Capital Resources”).

A discussion of the factors impacting net earnings and Adjusted EBITDA can be found under “2020 Third Quarter Financial Review” and “2020 Nine Month Financial Review”.

The effective tax rate on FFO from continuing operations was 22.3% for the nine months ended September 30, 2020, as compared to 17.6% for the nine months ended September 30, 2019. The Company’s current income taxes for 2020 have been impacted by the effects of COVID-19 and the impact of the CEWS received by the home health care segment, and as a result, the FFO effective tax rate for the balance of the year is difficult to predict. In particular, increased costs as a result of COVID-19 and the CEWS received by ParaMed have had an impact on the level of taxable income in our other legal entities and the 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 $2.4 million for Q3 2020 as compared to $3.1 million for Q3 2019 and to $2.2 million for Q2 2020, representing 0.8%, 1.1% and 0.8% of revenue, respectively. Maintenance capex was $6.3 million for the nine months ended September 30, 2020, as compared to $6.3 million for the nine months ended September 30, 2019, representing 0.7% and 0.7% 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 $11.0 million to $13.0 million in maintenance capex, as compared to $12.3 million in 2019.

Reconciliations of Net Cash from Operating Activities and Adjusted EBITDA to AFFO

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

	Three months ended September 30		**Nine months ended September 30**	
(thousands of dollars)	**2020**	**2019**	**2020**	**2019**
Net cash from operating activities	**54,461**	28,362	**74,878**	40,194
Add (Deduct):				
Net change in operating assets and liabilities, including interest, taxes and payments for U.S. self-insured liabilities	**(10,288)**	(12,606)	**(14,715)**	4,796
Current income tax on items excluded from AFFO (1)	**—**	—	**10**	(280)
Depreciation for office leases (2)	**(613)**	(638)	**(1,879)**	(1,967)
Depreciation for FFEC (maintenance capex) (3)	**(1,849)**	(1,710)	**(5,652)**	(5,043)
Additional maintenance capex (3)	**(532)**	(1,346)	**(641)**	(1,241)
Principal portion of government capital funding	**1,448**	1,373	**4,345**	4,117
Amounts offset through investments held for self-insured liabilities (4)	**160**	258	**1,017**	659
AFFO	**42,787**	13,693	**57,363**	41,235

(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 related to office leases under IFRS 16.

(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.

The following provides a reconciliation of "Adjusted EBITDA" to AFFO.

	Three months ended September 30			Nine months ended September 30		
(thousands of dollars unless otherwise noted)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Adjusted EBITDA	**63,794**	23,846	39,948	**92,092**	68,772	23,320
Add (Deduct):						
Depreciation for FFEC (maintenance capex) (1)	**(1,849)**	(1,710)	(139)	**(5,652)**	(5,043)	(609)
Depreciation for office leases (2)	**(613)**	(638)	25	**(1,879)**	(1,967)	88
Accretion costs	**(311)**	(297)	(14)	**(922)**	(892)	(30)
Interest expense	**(7,141)**	(7,198)	57	**(21,369)**	(21,110)	(259)
Interest revenue	**534**	919	(385)	**2,084**	2,684	(600)
	54,414	14,922	39,492	**64,354**	42,444	21,910
Current income tax expense (3)	**14,118**	2,666	11,452	**14,343**	7,477	6,866
FFO (continuing operations)	**40,296**	12,256	28,040	**50,011**	34,967	15,044
Amortization of deferred financing costs	**555**	415	140	**1,521**	1,278	243
Accretion costs	**311**	297	14	**922**	892	30
Non-cash share-based compensation	**709**	698	11	**1,205**	1,222	(17)
Principal portion of government capital funding	**1,448**	1,373	75	**4,345**	4,117	228
Additional maintenance capex (1)	**(532)**	(1,346)	814	**(641)**	(1,241)	600
AFFO	**42,787**	13,693	29,094	**57,363**	41,235	16,128

(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) Excludes 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.

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.

	Nine months ended September 30, 2020			Nine months ended September 30, 2019		
(thousands of dollars unless otherwise noted)	**Continuing**	**Discontinued**	**Total**	**Continuing**	**Discontinued**	**Total**
Net cash from (used in) operating activities	**80,907**	**(6,029)**	**74,878**	53,277	(13,083)	40,194
Net cash from (used in) investing activities	**13,753**	**6,029**	**19,782**	(5,946)	13,083	7,137
Net cash used in financing activities	**(19,450)**	**—**	**(19,450)**	(15,865)	—	(15,865)
Foreign exchange gain (loss) on U.S. cash held	**394**		**394**	(561)		(561)
Increase in cash and cash equivalents	**75,604**	**—**	**75,604**	30,905	—	30,905
Cash and cash equivalents at beginning of year	**94,457**		**94,457**	65,893		65,893
Cash and cash equivalents at end of period	**170,061**	**—**	**170,061**	96,798	—	96,798

As at September 30, 2020, the Company had cash and cash equivalents on hand of $170.1 million, reflecting an increase in cash of $75.6 million from the beginning of the year. Cash flow generated from operating activities of the continuing operations of $80.9 million was in excess of cash dividends paid of $30.5 million.

Net cash from operating activities of the continuing operations was a source of cash of $80.9 million in the first nine months of 2020, up $27.6 million or 51.9% as compared to a source of cash of $53.3 million in the first nine months of 2019, due to the increase in earnings and a favourable net change in working capital between periods. Accounts payable and accrued liabilities increased, primarily due to deferred funding related to COVID-19, and timing of income tax payments and payroll cycles. This was partially offset by an increase in other assets and accounts receivable, primarily due to an increase in PPE inventory and timing of payments and funding in connection with pandemic pay programs.

Net cash from investing activities of the continuing operations was a source of cash of $13.8 million in the first nine months of 2020 as compared to a use of cash of $5.9 million in the first nine months of 2019. The 2020 activity included the repatriation of $23.3 million (US$17.0 million) from the Captive and collection of other assets of $4.3 million, partially offset by purchases of property, equipment and other intangible assets of $13.9 million. The 2019 activity included the repatriation of cash of $13.4 million (US$10.0 million) from the Captive and collection of other assets, partially offset by purchases of property, equipment and other intangible assets of $23.5 million. The table that follows summarizes the capital expenditures. Growth capex relates to the construction of new beds, building improvements, IT projects, 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.

	Nine months ended September 30	
(thousands of dollars)	**2020**	**2019**
Growth capex	**7,578**	17,933
Deduct: capitalized interest	—	(725)
Growth capex, excluding capitalized interest	**7,578**	17,208
Maintenance capex	**6,293**	6,284
	13,871	23,492

Net cash from financing activities of the continuing operations was a use of cash of $19.5 million for the first nine months of 2020, an increase of $3.6 million from $15.9 million for the first nine months of 2019. The 2020 activity included new debt of $62.4 million, which included the refinancing of a $25.8 million construction loan, and draws on construction financing of $4.3 million, offset by debt repayments of $47.6 million, cash dividends paid of $30.5 million and financing costs. The 2019 activity included debt repayments of $20.3 million, cash dividends paid of $28.0 million, partially offset by a new $16.0 million mortgage on a retirement community and draws on construction financing of $17.7 million.

Discontinued operations reflect the payment of claims for U.S. self-insured liabilities and the Captive's costs to administer and manage the settlement of the claims as a component of net cash from operating activities, which payments and costs were funded by the Captive. Changes in the Captive's investments held for U.S. self-insured liabilities, prior to its deregistration, were reported as a component of net cash from investing activities, as those invested funds were not included in the Company's cash and cash equivalents (refer to "Discontinued Operations").

Capital Structure

SHAREHOLDERS' EQUITY

Total shareholders' equity as at September 30, 2020, was $120.2 million as compared to $115.4 million at December 31, 2019. The improvement was primarily attributable to contributions from net earnings and dividend reinvestments pursuant to the Company's Dividend Reinvestment Plan (the "DRIP"), partially offset by dividends declared of $32.2 million.

As at September 30, 2020, the Company had 89.5 million Common Shares issued and outstanding (carrying value – $500.6 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 (231,813 Common Shares) and shares issued under the Company's equity-based compensation plan (74,760 Common Shares).

Share Information *(thousands)*	**November 11, 2020**	**September 30, 2020**	**December 31, 2019**
Common Shares (TSX symbol: EXE) (1)	**89,539.1**	**89,539.1**	89,232.5

(1) Closing market value per the TSX on November 11, 2020, was $5.83.

As at November 12, 2020, the Company had an aggregate of 4,264,152 Common Shares reserved and available for issuance pursuant to the Company's long-term incentive plan, of which there were in aggregate 1,205,458 performance share units and deferred share units outstanding as at September 30, 2020 (refer to *Note 8* of the unaudited interim condensed consolidated financial statements).

As at November 12, 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.

Dividend Reinvestment Plan

The Company has a DRIP pursuant to which shareholders who are Canadian residents may elect to reinvest their cash distributions in additional Common Shares at a 3% discount. During the nine months ended September 30, 2020, pursuant to the DRIP, the Company issued Common Shares at a value of $1.7 million as compared with $4.0 million in the same prior year period.

On March 19, 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.

Dividends

The Company declared cash dividends of $0.36 per share in the nine months ended September 30, 2020, consistent with that declared in the same 2019 period, representing dividends declared of $32.2 million and $32.0 million in each period respectively.

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 November 12, 2020, the Company has not acquired any Common Shares under its NCIB.

Long-term Debt

Long-term debt totalled $571.2 million as at September 30, 2020, as compared to $556.3 million as at December 31, 2019, representing an increase of $14.9 million, due to new debt of $62.4 million, which included the refinancing of a $25.8 million construction loan, draws on construction loans of $4.3 million and an increase in lease liabilities, partially offset by debt repayments of $47.6 million and an increase in deferred financing costs. The current portion of long-term debt as at September 30, 2020, was $71.7 million and included $43.1 million drawn on demand construction loans. The Company intends to fund repayments of construction loans from proceeds of permanent mortgage financing upon occupancy stabilization. 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 September 30, 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 September 30, 2020, $35.6 million of the facilities secure the Company's defined benefit pension plan obligations and $5.4 million was used in connection with obligations relating to long-term care homes and retirement communities, leaving $71.3 million available.

LONG-TERM DEBT KEY METRICS

Management has limited the amount of debt that may be subject to changes in interest rates, with only $23.0 million of mortgage debt and $43.1 million of construction loans at variable rates. The Company's other variable-rate mortgages and term loan aggregating $88.9 million as at September 30, 2020, have effectively been converted to fixed rate financings with interest rate swaps over the full term. As at September 30, 2020, the interest rate swaps were valued as a liability of $2.8 million.

The following summarizes key metrics of consolidated long-term debt as at September 30, 2020, and December 31, 2019.

(thousands of dollars unless otherwise noted)	**September 30, 2020**	**December 31, 2019**
Weighted average interest rate of long-term debt outstanding	**4.4 %**	4.7 %
Weighted average term to maturity of long-term debt outstanding	**6.7 yrs**	6.7 yrs
Trailing twelve months consolidated net interest coverage ratio(1)	**4.5 X**	3.5 X
Trailing twelve months consolidated interest coverage ratio(2)	**4.0 X**	3.1 X
Debt to Gross Book Value (GBV)		
Total assets (carrying value)	**930,556**	888,800
Accumulated depreciation on property and equipment	**264,965**	251,403
Accumulated amortization on other intangible assets	**28,801**	23,951
GBV	**1,224,322**	1,164,154
Debt (3)	**586,992**	570,536
Debt to GBV	**47.9 %**	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 $170.1 million as at September 30, 2020, as compared with $94.4 million as at December 31, 2019, representing an increase of $75.6 million. In addition, the Company has access to a further $71.3 million in undrawn demand credit facilities. Cash and cash equivalents exclude restricted cash of $2.4 million.

As discussed under "Significant Events – Financing Activity", during the nine months ended September 30, 2020, the Company renewed and extended non-CMHC mortgages on three LTC homes and finalized new non-CMHC mortgages on two retirement communities. The Company also renewed one CMHC mortgage on a LTC home and finalized a new CMHC mortgage on a retirement community to replace a construction loan. As a result of these financing activities, the Company does not have any scheduled debt maturities until Q1 2022.

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, equity financings and/or among other means. 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 borrowings. 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

The Company's other contractual obligations and contingencies are detailed 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 those described below.

Property and Equipment Commitments

Subsequent to September 30, 2020, the Company entered into a $47.3 million fixed-price construction agreement in connection with the construction of a new 256-bed LTC home in Sudbury, Ontario. Construction is scheduled to commence in Q4 2020 and is targeted to be completed in Q4 2022 (refer to "Significant Events – Long-Term Care Redevelopment").

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").

On June 30, 2020, the Company was served with an amended statement of claim adding the Company to a statement of claim previously issued to the owner of a long-term care and retirement community to which the Company provides contracted services under its Extendicare Assist division. The claim seeks an order certifying the claim as a class action pursuant to the *Class Proceedings Act* (Ontario) and alleges negligence and breach of contract in respect of all persons who contracted COVID-19 at the residence or subsequently contracted COVID-19 from such persons, all residents of the residence and all family members of such individuals. The claim seeks damages in the aggregate of $40.0 million.

On October 6, 2020, the Company was served with a statement of claim naming it and multiple other defendants, including multiple LTC homes and their respective owners and operators, the Government of Ontario and several Ontario cities, including the City of Toronto. The claim seeks an order certifying the action as a class action and alleges negligence, breach of fiduciary duty and breach of section 7 of the *Canadian Charter of Rights and Freedoms* by the multiple defendants, including the Company, in the operation of certain LTC homes and provision of care to residents. The statement of claim seeks aggregate damages of $600 million from the multiple defendants.

On October 14, 2020, the Company was served with a statement of claim alleging negligence, breach of contract, breach of certain statutory duties and Human Rights Code breaches in respect of all residents of a Company LTC home as well as their family members. The claim seeks an order certifying the action as a class action and damages in the amount of $16.0 million.

The Company intends to vigorously defend itself against these claims. However, given the status of the proceedings, management is unable to assess their potential impact on the Company's financial results.

On October 20, 2020, the Ontario government introduced the *Supporting Ontario's Recovery Act, 2020* (Bill 218), which would bar COVID-19 exposure-related claims against any individual, corporation, or other entity that made a "good faith" or "honest" effort to act in accordance with public health guidance and laws relating to COVID-19 and did not otherwise act with "gross negligence". This legislation's protections would be retroactive to March 17, 2020, when Ontario first implemented emergency measures as part of its response to the COVID-19 pandemic. If passed, Bill 218, which is currently before the Standing Committee of Justice Policy, will assist the Company in addressing COVID-19 related litigation.

DISCONTINUED OPERATIONS

After the sale of its U.S. business in 2015 (the "U.S. Sale Transaction"), the Company retained 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, and was reported as the U.S. segment.

As at June 30, 2020, there were no open general and professional liability claims remaining and the updated actuarial valuation of incurred but not reported claims as at June 30, 2020 was immaterial. As a result, the Board of Directors of the Captive approved a wind up plan to deregister the Captive with the Bermuda Monetary Authority (BMA) and subsequently dissolve the Captive, ceasing the operations of the U.S. segment. Concurrently, the Company entered into a termination agreement with the Captive to assume the remaining obligations and certain liabilities of the Captive effective June 30, 2020. In September 2020, the BMA approved the deregistration of the Captive.

As a result, the remaining portion of the U.S. segment has been classified as a discontinued operation. Accordingly, the comparative interim condensed consolidated statement of earnings has been re-presented.

Effective June 30, 2020, the accrual for self-insured general and professional liabilities was reduced to $nil from $12.2 million (US$9.4 million) at the beginning of the year as a result of claims settlements, the transfer of certain remaining obligations of the Captive to the Company in accordance with a termination agreement and a release of the balance of the accrued self-insured liabilities. Any expense incurred or release of reserves for U.S. self-insured liabilities are presented as discontinued operations.

The Company held investments within the Captive for settlement of the U.S. self-insured liabilities that were subject to insurance regulatory requirements (December 31, 2019 – $27.6 million (US$21.2 million)), and as such were excluded from the Company's general corporate use. Following the receipt of approval by the BMA to deregister the Captive, the remaining balance of restricted cash was released to the Company. During the nine months ended September 30, 2020, the Captive transferred $23.3 million (US$17.0 million) of cash previously held for investment to the Company for general corporate use.

Earnings (Loss) from Discontinued Operations

Discontinued operations recorded a loss of $0.2 million for Q3 2020, and earnings of $9.7 million for the nine months ended September 30, 2020, and included a release of reserves of $nil and $9.5 million, respectively. In comparison, earnings were $1.9 million for Q3 2019, and $8.2 million for the nine months ended September 30, 2019, and included a release of reserves of $2.0 million and $6.4 million, respectively. The balance of the earnings were impacted by administrative costs, and foreign exchange and fair value adjustments. Further details are provided in *Note 14* of the unaudited interim condensed consolidated financial statements.

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

Beginning on January 1, 2020, the Company adopted certain IFRS standards and amendments in preparing the financial results for the three and nine months ended September 30, 2020, the nature and effect of which are 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.

Future Changes in Accounting Policies

The following accounting standards, amendments and interpretations will take effect for the Company after December 31, 2020, the nature and effect of which are provided in *Note 2* of the unaudited interim condensed consolidated financial statements, and described below:

DERECOGNITION OF FINANCIAL LIABILITIES

Beginning on January 1, 2022, the Company will adopt the IASB amendment *Annual Improvements to IFRS Standards 2018-2020*. The particular amendment to IFRS 9 *Financial instruments* among *Annual Improvements to IFRS Standards 2018-2020* will clarify which fees are included for the purposes of performing the '10 per cent test' for derecognition of financial liabilities. The adoption of the IFRS 9 *Financial instruments* among *Annual Improvements to IFRS Standards 2018-2020* is not expected to have a material impact on the consolidated financial statements.

RENT CONCESSION RELATED TO COVID-19

Beginning on January 1, 2021, the Company will adopt the IASB amendment *Covid-19-Related Rent Concessions (Amendment to IFRS 16)*. This amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021. The adoption of the *IASB amendment Covid-19-Related Rent Concessions* is not expected to 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, plus the annual construction funding subsidy (CFS) for certain LTC homes, if applicable, 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, net of any capital development government grant receivable on substantial completion of construction for certain LTC homes, if applicable.

Reconciliations of “earnings (loss) from continuing operations before income taxes” to “Adjusted EBITDA” and “net operating income” are provided under “Select Quarterly Financial Information”, “2020 Third Quarter Financial Review ” and “2020 Nine Month 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” and “Adjusted EBITDA” to “AFFO” are provided under “Adjusted Funds from Operations – Reconciliations of Net Cash from Operating Activities and Adjusted EBITDA 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”.