MANAGEMENT’S DISCUSSION AND ANALYSIS

Year ended December 31, 2022

Extendicare Inc.
Dated: March 2, 2023

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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 400, Markham, Ontario, Canada, L3R 4T9.

Extendicare is a recognized leader in the delivery of quality health care services to Canadians across the continuum of seniors’ care. In operation since 1968, it 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 provides business-to-business management and consulting services through its Extendicare Assist division and services its homes and communities and those of its clients through its group purchasing division SGP Purchasing Partner Network (“SGP”).

In May 2022, the Company completed the previously announced sale of its retirement living operations composed of 11 retirement communities (1,050 suites), located in Ontario and Saskatchewan, to Sienna-Sabra LP, a partnership formed between Sienna Senior Living Inc. and SABRA Healthcare REIT, for an aggregate purchase price of $307.5 million (the “Retirement Living Sale”). The definitive agreement was entered into in February 2022, accordingly, the Company classified its retirement living segment as discontinued in Q1 2022 and re-presented its comparative consolidated statement of earnings, including the comparative financial information presented in this MD&A (refer to the discussion under “Discontinued Operations – Retirement Living Sale” and *Note 18* of the audited consolidated financial statements).

In October 2022, the Company completed the previously announced transition of operations and ownership of the Company’s five LTC homes in Saskatchewan (the “Saskatchewan LTC Homes”) to the Saskatchewan Health Authority (“SHA”) for an aggregate purchase price of $13.1 million (the “Saskatchewan LTC Home Sale”) (refer to “Significant Developments – Completed Transition and Sale of Saskatchewan LTC Homes”). The definitive agreement was entered into in October 2021, accordingly, the Company classified its Saskatchewan LTC Homes as discontinued in Q4 2021 and re-presented its comparative consolidated statement of earnings, including the comparative financial information presented in this MD&A (refer to the discussion under “Discontinued Operations – Saskatchewan LTC Home Sale” and *Note 18* of the audited consolidated financial statements).

In This MD&A

This MD&A has been prepared to provide information to current and prospective investors of the Company to assist them to understand the Company’s financial results for the year ended December 31, 2022. This MD&A should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2022 and the year ended December 31, 2021, and the notes thereto, prepared in accordance with International Financial Reporting Standards (“IFRS”).

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, 2022, 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. 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 other materials 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 March 2, 2023, 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 MD&A contains 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 MD&A 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 the agreements entered into with Revera Inc. and its affiliates ("Revera") and Axium Infrastructure Inc. and its affiliates ("Axium") in respect of the ownership, operation and redevelopment of LTC homes in Ontario and Manitoba; statements relating to expected future current income taxes and maintenance capex impacting AFFO; 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, and the impact of COVID-19 on the Company's operating costs, staffing, procurement, occupancy levels and volumes in its home health care business. Forward-looking statements can often be identified by the expressions "anticipate", "believe", "estimate", "expect", "intend", "objective", "plan", "project", "will", "may", "should" 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, those described under "Risks and Uncertainties" in this MD&A 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. These risks and uncertainties include 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 availability and 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, employee costs and pay equity; 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 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 proposed or actualized dispositions, acquisitions and development projects, including risks relating to the actual completion of proposed transactions.

The preceding reference to material factors or assumptions is not exhaustive. All forward-looking statements in this MD&A are qualified in their entirety by this forward-looking disclaimer. Although forward-looking statements contained in this MD&A 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 MD&A. 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.

SIGNIFICANT DEVELOPMENTS

We made significant progress in 2022 in advancing our strategic transformation while managing the challenges caused by the persistent COVID-19 pandemic and its impacts, including inflationary pressures, rising interest rates and a challenging labour market. We successfully completed the sale of our retirement living segment in May 2022 and the sale of our Saskatchewan LTC Homes to the SHA in October 2022, while returning capital to our shareholders through our normal course issuer bid ("NCIB"). We continue to advance the regulatory approvals and integration planning for the Revera and Axium transactions announced in March 2022. And we continue to pursue our LTC redevelopment program with three new homes under construction and another 17 in various stages of planning. Enhancements to Ontario's LTC capital development funding program announced by the government in November 2022 provide us with an opportunity to commence construction on up to four new LTC homes in 2023.

Collectively, these transactions support our strategic transformation to focus on long-term care and home health care, leveraging our deep expertise and scale to drive growth using a less capital-intensive business model. The Company will focus its growth on operating and building new LTC homes, while substantially reducing the amount of Extendicare's capital required to redevelop the "Class C" portfolio. This strategic shift will drive growth in higher margin, managed services revenue, which will enable the Company to deploy capital more efficiently and provide greater flexibility to allocate capital to growth initiatives, including acquisitions.

COVID-19 Virus Continues to be Prevalent in the Community; Persistent Level of Outbreak Activity Continues Across our LTC Homes

High levels of COVID infections persist across the country and many of the restrictions that were once in place to limit transmission in the community have been dropped, including vaccine mandates and masking in all but the highest-risk settings. As we have seen in recent waves, outbreak activity within our LTC homes and staff absenteeism due to COVID exposure are highly correlated with the prevalence of virus transmission in the community. Approximately 80% of our owned homes experienced a COVID-19 outbreak in Q4 2022, though the virus is having a significantly milder impact on our residents than earlier in the pandemic.

Vaccinations continue to be highly effective, reducing the incidence of serious illness and hospitalization among our residents and generally leading to milder symptoms in family caregivers and those we employ. The introduction of bivalent vaccines in the fall of 2022 and the seasonal focus on flu vaccination provided a catalyst to further encourage all those eligible to receive regular boosters. We continue to focus on key prevention and containment measures to minimize the spread of the virus, with the knowledge that even milder variants pose a risk to the most vulnerable members of our community, particularly among LTC residents.

LTC Occupancy Improved in Q4 2022; COVID Impacts Prevented a Small Number of Homes From Achieving Full-funding Occupancy Levels in 2022

Despite the prevalence of community infections and outbreaks in Q4 2022, our LTC homes experienced a sequential improvement in average occupancy of 100 bps to 94.5% in Q4 2022 from 93.5% in Q3 2022, and increased by 240 bps from Q4 2021.

Throughout the pandemic, the sector has received full funding for the third and fourth ward-style beds no longer in service. In April 2022, the Ontario Ministry of Long-Term Care ("MLTC") confirmed that the sector will not be reopening ward-style rooms, and in August 2022, the MLTC announced that it intends to phase out all funding for ward-style beds no longer in service by April 1, 2025. The first phase of the funding reduction was to have taken effect on January 1, 2023, however, the MLTC has delayed the implementation until April 1, 2023 to allow more time to consider possible amendments to the phase-out plan. The Company's Ontario LTC homes have 185 closed ward-style beds, of which 84 beds will be re-opened as private and semi-private rooms in our three redevelopment projects currently under construction.

In Ontario, occupancy targets were reinstated on February 1, 2022, requiring LTC homes to achieve average occupancy of 97%, adjusted to exclude the third and fourth ward-style beds and isolation beds, in order to maintain full funding. The continuing prevalence of LTC outbreaks throughout 2022 slowed our occupancy recovery and ability to achieve the required 97% occupancy in all of our Ontario LTC homes, lowering our LTC net operating income[1] ("NOI") by approximately $0.7 million for the year ended December 31, 2022 (refer to the discussion under "Key Performance Indicators – Long-term Care").

Inflation Impacts and Elevated Staffing Costs Weigh on LTC NOI Margins as Rate Increases Have Not Kept Pace With Inflation

In our LTC operations we have experienced significant increases in insurance, utilities, food and supply costs in 2022. An overheated economy and significant expansions in health care employment have resulted in a very tight labour market for health human resources and in turn higher staff wage rates and an increased use of agency staffing, which carries a significant cost premium over regular staffing rates. Over the long term, LTC NOI margins have been reliably stable, however, recent rate increases have not kept pace with higher inflation, resulting in a decline in our LTC NOI margins in Q4 2022 and full year 2022. We are working with other sector participants and the Ontario government to ensure funding realigns with the significant inflationary and other cost pressures the sector is experiencing.

Sequential Improvement of 2.0% in Home Health Care ADV From Q3 2022; Health Sector Workforce Shortages Continue to Weigh on Home Health Care Volumes

Widespread health human resources challenges continue, as hospitals, long-term care and home health care organizations compete for clinical talent and staffing shortages force widespread service reductions across the health care system. Health care staffing challenges continue across the Company, particularly in our home health care segment, making it difficult to grow average daily volume ("ADV") despite the continued strong demand for services. The staffing shortages are also driving increased costs associated with the existing workforce, primarily by driving up wages and benefits due to overtime and additional travel costs. At the same time, high levels of employee turnover have resulted in higher recruiting, retention and training costs putting further pressure on our home health care NOI margins.

Staff absenteeism in the home health care segment varied throughout 2022, correlated with the waves of COVID-19 variants and the associated prevalence of the virus in the community. We experienced a modest easing of staff absenteeism in Q4 2022 as compared to Q3 2022, which contributed to a 2.0% increase in our Q4 2022 ADV to 25,542 from Q3 2022, although still below Q4 2021 by 1.0%.

We continue to focus on building staffing capacity through large scale recruiting and new retention programs, safe return to work protocols for staff impacted by COVID-19 and hiring through our personal support worker ("PSW") college partnerships and in-house home support worker training programs. While we anticipate that our ability to increase our staffing capacity and drive ADV recovery will resume as the pandemic and its effects recede and labour market conditions improve, the timing and duration of the expected recovery is difficult to predict.

COVID-19 Related Expenses and Funding

Our provincial prevention and containment funding declined by $6.7 million to $15.3 million in Q4 2022 as compared to Q3 2022, and included $1.6 million received this quarter related to the recovery of previously unfunded COVID-19 costs. Our estimated COVID-19 expenses increased by $1.3 million to $23.8 million in Q4 2022, resulting in an $8.1 million decline in our consolidated NOI(1) and an $8.0 million decline in our Adjusted EBITDA(1) as compared to Q3 2022.

The timing of COVID-19 funding announcements and receipt of any reimbursements continues to create volatility in our financial results. For the year ended December 31, 2022, our LTC continuing operations recognized $17.6 million in prevention and containment funding related to the recovery of unfunded COVID-19 costs incurred in prior years.

As summarized in the table below, during 2022 we incurred an estimated $110.3 million of pandemic-related operating expenses ($26.0 million associated with government funded temporary pandemic pay programs) and $0.3 million in COVID-19 related administrative costs. These costs were largely offset by funding of $109.5 million from various provincial governments, resulting in declines in our consolidated NOI and Adjusted EBITDA of approximately $0.8 million and $1.1 million, respectively. Excluding the impact of $17.6 million in funding received related to costs incurred in prior years, our consolidated NOI and Adjusted EBITDA for the year ended December 31, 2022, were impacted by unfunded COVID costs of $18.4 million and $18.7 million, respectively. Additionally, our discontinued operations were impacted by an estimated $4.7 million of unfunded COVID-19 costs for the year ended December 31, 2022.

Since the beginning of the pandemic in Q1 2020, in addition to $116.8 million associated with government funded temporary pandemic pay programs, we have incurred estimated cumulative pandemic-related operating expenses of $257.7 million and $6.7 million in COVID-19 related administrative costs. These additional costs were partially offset by funding of $233.0 million from various provincial governments, resulting in cumulative reductions in our consolidated NOI and Adjusted EBITDA of approximately $24.7 million and $31.4 million, respectively. In addition, our discontinued operations incurred an estimated $12.8 million of cumulative unfunded COVID-19 costs.

In April 2022, the Government of Ontario announced additional COVID-19 prevention and containment funding of $278.0 million for April 1, 2022 through to March 31, 2023, which was fully allocated in Q2 and Q3 2022. In December 2022, the Government of Ontario announced a further $180.0 million in funding to assist with COVID-19 related costs through to March 31, 2023, which was partially allocated in December 2022. Given the ongoing outbreak activity in our LTC homes, we expect to continue to incur costs associated with the pandemic into 2023 as we invest the resources required to help protect our residents, clients and staff. We anticipate the Government of Ontario will distribute the balance of the $180.0 million announced in December, and potentially add further prevention and containment funding to the sector as it continues to monitor the pandemic; however, no formal announcements have been made to date. Presently, the Manitoba and Alberta governments have indicated their intention to continue to provide funding support for prevention and containment measures until at least March 31 and June 30, 2023, respectively.

We are grateful to receive the ongoing financial support for our LTC operations from provincial governments to offset some of our COVID-19 related expenses. However, we expect the timing of costs and funding relating to the pandemic will continue to cause volatility in our operating and financial results in 2023. The financial impacts of COVID-19 will largely subside as we emerge from the pandemic; however, there is no guarantee as to how soon that may be or that another pandemic, epidemic or outbreak will not have a material adverse effect on the business, results of operations and financial condition of the Company.

The following table provides a summary of the estimated revenue recognized and the operating and administrative costs incurred related to COVID-19 for the past eight quarters and annually since the start of the pandemic in Q1 2020. The temporary pandemic pay premiums funded by the Ontario and Alberta governments are included in operating expenses and the related offsetting funding for these programs is recognized as revenue.

Estimated COVID-19 Revenue, Operating Expenses and Administrative Costs											
					2022					**2021**	**2020**
(millions of dollars)	**Q4**	**Q3**	**Q2**	**Q1**	**Year**	**Q4**	**Q3**	**Q2**	**Q1**	**Year**	**Year**
Revenue											
Long-term care(i)	**14.4**	**18.7**	**17.0**	**43.1**	**93.2**	27.4	23.3	24.7	45.8	121.2	62.5
Home health care	**0.9**	**3.3**	**4.5**	**7.6**	**16.3**	8.7	7.7	7.8	8.8	33.0	23.6
Revenue impact	**15.3**	**22.0**	**21.5**	**50.7**	**109.5**	36.1	31.0	32.5	54.6	154.2	86.1
Operating Expenses											
Long-term care	**22.1**	**18.4**	**16.1**	**32.3**	**88.9**	21.3	21.9	30.1	44.9	118.2	85.3
Home health care	**1.7**	**4.0**	**5.9**	**9.8**	**21.4**	9.8	8.2	8.8	9.0	35.8	24.9
Operating expenses impact	**23.8**	**22.4**	**22.0**	**42.1**	**110.3**	31.1	30.1	38.9	53.9	154.0	110.2
NOI											
Long-term care	**(7.7)**	**0.3**	**0.9**	**10.8**	**4.3**	6.1	1.4	(5.4)	0.9	3.0	(22.8)
Home health care	**(0.8)**	**(0.7)**	**(1.4)**	**(2.2)**	**(5.1)**	(1.1)	(0.5)	(1.0)	(0.2)	(2.8)	(1.3)
NOI impact	**(8.5)**	**(0.4)**	**(0.5)**	**8.6**	**(0.8)**	5.0	0.9	(6.4)	0.7	0.2	(24.1)
Administrative costs	**—**	**0.1**	**0.1**	**0.1**	**0.3**	0.1	0.8	1.1	0.9	2.9	3.5
Adjusted EBITDA impact	**(8.5)**	**(0.5)**	**(0.6)**	**8.5**	**(1.1)**	4.9	0.1	(7.5)	(0.2)	(2.7)	(27.6)
Discontinued operations impact	**—**	**(0.5)**	**(1.0)**	**(3.2)**	**(4.7)**	(0.7)	(0.8)	(2.0)	(2.1)	(5.6)	(2.5)
Total impact	**(8.5)**	**(1.0)**	**(1.6)**	**5.3**	**(5.8)**	4.2	(0.7)	(9.5)	(2.3)	(8.3)	(30.1)

(i) 2022 includes funding of $17.6 million towards costs incurred in prior years: Q4 2022 of $1.6 million; Q3 2022 of $1.1 million; Q2 2022 of $1.6 million; and Q1 2022 of $13.3 million. Q1 2021 includes funding of $18.8 million towards costs incurred in 2020; and Q3 2021 and Q4 2021 include funding of $5.1 million and $11.9 million, respectively, towards costs incurred in Q1 2021.

Enhancements to the Government of Ontario Capital Funding Program Announced in Q4 2022; Focused on Advancing New Projects to Commence Construction in 2023

Since the introduction of the Long-Term Care Home Capital Development Funding program in 2020 (the "Capital Funding Program"), the MLTC has awarded more than 58,000 new and replacement beds to address the aging infrastructure within long-term care and improve access to care for the growing numbers of seniors that need it. We have been awarded 4,248 new or replacement beds across 20 redevelopment projects, which would replace all of our 3,285 existing Class C beds, of which three projects are currently under construction.

Rising construction costs and interest rates, labour disruptions and supply chain issues experienced throughout the construction industry are making it challenging to begin construction on additional homes. In November 2022, the MLTC introduced new time-limited funding in order to stimulate construction starts. This supplemental funding provides an additional $35 per bed per day to the base capital funding subsidy ("CFS") and is available to eligible applicants who receive approval from the government to construct before August 31, 2023. We are targeting to break ground on up to four new projects in 2023 under the enhanced CFS, with tendered construction costs and receipt of applicable regulatory approvals largely determining if and when they proceed.

We continue to advance the balance of our redevelopment portfolio to be well positioned to make use of any future enhancements to the Capital Funding Program that may be made available beyond August 2023. We continue to work collaboratively with our industry partners and the government to make as many of these projects as possible economically feasible, including the need to address the particular challenges faced by projects in the Greater Toronto Area and in smaller rural markets.

The Company's three homes under construction in Sudbury, Kingston and Stittsville, Ontario continue to progress toward completion between Q3 2023 and Q1 2024. The three projects will replace a total of 662 Class C LTC beds with 704 new beds and represent a net investment of $184.2 million. The homes are being constructed exclusively with private and semi-private rooms, the latter of which consist of single resident bedrooms with a shared bathroom. For more information refer to the discussion under "Key Performance Indicators – LTC Projects Under Construction".

Advancing Regulatory Approvals and Integration Planning for Strategic Transactions With Revera and Axium to Expand Long-term Care

On March 1, 2022, the Company entered into agreements with Revera and Axium in respect of the ownership, operation and redevelopment of LTC homes in Ontario and Manitoba.

HIGHLIGHTS OF THE TRANSACTIONS

- Adds 56 LTC homes to the Extendicare Assist portfolio of managed homes, bringing the total homes owned and/or managed to 159
- Extendicare to acquire Revera's 15% managed interest in a portfolio of 24 LTC homes owned in partnership with Axium, and an opportunity to purchase future Revera redevelopment projects

- The 56 LTC homes will also join SGP, representing approximately 7,000 additional beds for the purchasing partnership
- Revera's LTC operations team to join Extendicare to advance the delivery of high-quality care and services across all of our homes
- Extendicare to form a joint venture with Axium for the redevelopment of "Class C" homes owned by Extendicare

These transactions, combined with the Retirement Living Sale, transition Extendicare's strategy to focus on long-term care and home health care using a less capital-intensive business model. The Company will focus its growth on operating and building new LTC homes, while substantially reducing the amount of its own capital required to redevelop its "Class C" portfolio. This will enable the Company to deploy capital more efficiently and provide greater flexibility for growth initiatives, including acquisitions.

THE REVERA TRANSACTIONS

The Company entered into agreements with Revera to acquire a 15% managed interest in 24 LTC homes currently jointly owned by Revera and Axium, composed of 18 Class A LTC homes located in Ontario and six homes in Manitoba, consisting of approximately 3,000 funded LTC beds (the "Revera Acquisition"). The remaining 85% interest will continue to be owned by Axium and Extendicare will operate the homes in consideration for a customary management fee.

On closing of the Revera Acquisition, the Company will enter into management contracts with Revera to manage all of Revera's other LTC homes, which comprise 31 Class C homes located in Ontario and one personal care home located in Manitoba, and will offer employment to Revera's head office LTC personnel. These 32 homes consist of approximately 3,100 funded LTC beds (adjusted to exclude approximately 700 ward-style beds taken out of service, which are eligible to be reinstated upon redevelopment) and 880 private pay assisted living beds. The management agreements are on customary terms for agreements of this type. In addition, the Company will enter into development arrangement agreements with Revera in respect of the potential redevelopment of the Revera managed Class C homes in Ontario into new homes (collectively with the Revera Acquisition, the "Revera Transactions").

Pursuant to the development arrangement agreements, Revera will grant Extendicare (either alone or with Axium) a right to participate in any redevelopment of Revera's 31 Class C homes in Ontario should Revera determine to pursue redevelopment of any of those homes into new LTC homes. If Extendicare determines, in its discretion, to participate in any such redevelopment project, Revera will act as development and construction manager and will be paid customary development and construction management fees. Upon completion of any approved redevelopment project, the home would be acquired by Extendicare (either alone or with Axium) and Extendicare would operate the homes on the same terms as it will operate the homes to be acquired in the Revera Acquisition. There are currently four Class C homes comprising an aggregate of approximately 700 funded LTC beds that are in advanced stages of redevelopment, one of which is currently under construction, that Extendicare expects it will participate in along with Axium, subject to customary conditions. However, no assurance can be given as to whether those projects, or any other redevelopment projects, will ultimately proceed or be acquired by Extendicare.

Closing of the Revera Transactions is subject to customary closing conditions, including receipt of regulatory approvals from the MLTC, and Manitoba Health and Winnipeg Regional Health Authority, and is not conditional on financing or due diligence. All required regulatory submissions have been filed.

The aggregate cash consideration for the Revera Transactions is approximately $32.5 million plus the assumption of approximately $37.5 million in debt (at Extendicare's share), subject to customary adjustments. Certain of the associated debt will be refinanced or repaid on or before closing, resulting in changes in the allocation between cash consideration and debt assumption. The purchase price is expected to be funded from cash on hand.

Based on the anticipated revenue of the 56 managed LTC homes and the Company's incremental costs in respect of such management, the Revera Transactions would have generated for 2022 approximately $17.0 million in incremental annual revenue in our managed services segment and, excluding integration costs, NOI(1) and AFFO(1) of approximately $7.6 million and $4.3 million ($0.042 AFFO per basic share), respectively.

In addition, an estimated $1.0 million in AFFO ($0.01 AFFO per basic share) would have been received in 2022 through distributions in respect of our 15% interest in the 24 LTC homes to be jointly owned with Axium.

THE AXIUM TRANSACTION

In addition to the Revera Transactions, the Company entered into an agreement with Axium in respect of the formation of a joint venture with Axium to jointly redevelop certain of Extendicare's existing Ontario Class C homes (the "Axium Transaction" and, with the Revera Transactions, the "Revera and Axium Transactions"). Axium will own an 85% interest in the joint venture with Extendicare retaining a 15% managed interest. The Company will continue to undertake all development activities in respect of the joint venture homes and will operate the homes upon completion of construction.

As part of the Axium Transaction, Extendicare and Axium have entered into a master development agreement ("Axium MDA") pursuant to which Extendicare has granted Axium a right to participate in the redevelopment of five of Extendicare's Ontario Class C homes located in Sudbury (two homes), Kingston, Stittsville and Peterborough, Ontario. This development arrangement could also apply to additional redevelopment projects should the Company wish to offer them to Axium. The Company will act as development and construction manager and will be paid customary development and construction management fees in respect of any projects in which Axium participates. Upon receipt of necessary redevelopment approvals, the home would be acquired by the Extendicare/Axium joint venture and the Company would operate the homes on the same terms as it will operate the homes to be acquired in the Revera Acquisition.

Pursuant to the Axium MDA and a limited partnership agreement between affiliates and/or subsidiaries of Extendicare and Axium, the parties entered into a purchase and sale agreement whereby the limited partnership has agreed to purchase three Class C home redevelopment projects from the Company comprising an aggregate of 704 funded LTC beds currently under construction in Sudbury, Kingston and Stittsville, Ontario. Based upon the estimated Stabilized NOI, annual construction funding subsidy and estimated Adjusted Development Costs of the three Class C home redevelopment projects, as adjusted for delays in the scheduled opening dates for certain projects and increased Adjusted Development Costs, the estimated implied realized capitalization rate on the sale is approximately 7.00%-7.25% (see "Key Performance Indicators – LTC Projects Under Construction").

The Axium Transaction is subject to customary closing conditions, including receipt of regulatory approvals from the MLTC, and is not conditional on financing or due diligence. All required regulatory submissions have been filed.

Normal Course Issuer Bid

As at March 2, 2023, the Company had purchased for cancellation 5,011,180 Common Shares at a cost of $35.0 million, representing a weighted average price per share of $6.99 under its NCIB established in June 2022 (see "Liquidity and Capital Resources – Normal Course Issuer Bid"). The Company's board of directors authorized the NCIB subsequent to the sale of the retirement living segment completed in May 2022, as a way to provide the Company with additional flexibility to manage capital, because it believes that, from time to time, the market price of the Common Shares may be such that their purchase may be an attractive and appropriate use of corporate funds. Decisions regarding the timing of future purchases of Common Shares will be based on market conditions, share price and the outlook for capital needs, which includes the impact of the announced strategic transactions with Revera and Axium.

Completed Sale of Retirement Living Portfolio

On May 16, 2022, the Company completed the previously announced sale of its retirement living operations composed of 11 retirement communities (1,050 suites), located in Ontario and Saskatchewan, to Sienna-Sabra LP for an aggregate purchase price of $307.5 million, representing an implied realized capitalization rate on the stabilized NOI of approximately 6.0%.

Following the assumption and repayment of debt of the retirement communities, proceeds realized from the sale, net of taxes, certain closing adjustments and transactions costs, were approximately $128.0 million. The Company recorded a gain on sale of $67.9 million net of taxes, other adjustments and transaction costs, through discontinued operations. These operations contributed $0.9 million to AFFO(1) ($0.01 AFFO per basic share) for the year ended December 31, 2022 and $7.1 million ($0.08 AFFO per basic share) for the year ended December 31, 2021 (refer to the discussion under "Discontinued Operations" and *Note 18* of the audited consolidated financial statements).

Completed Transition and Sale of Saskatchewan LTC Homes

On October 9, 2022, the SHA and the Company completed the previously announced transition of operations of long-term care services at the Company's five LTC homes to the SHA, including the sale of the homes, certain other assets and assumption of certain liabilities by the SHA, for an aggregate purchase price of $13.1 million and recorded a gain on sale of $6.3 million net of taxes, other adjustments and transaction costs, through discontinued operations. These operations contributed a loss of $2.3 million to AFFO(1) ($0.03 AFFO loss per basic share) for the year ended December 31, 2022 and a loss of $1.4 million ($0.02 AFFO loss per basic share) for the year ended December 31, 2021 (refer to the discussion under "Discontinued Operations" and *Note 18* of the audited consolidated financial statements).

Regulatory Developments

On May 31, 2022, the Government of Alberta's *Continuing Care Act* (formerly Bill 11) received Royal Assent. The *Continuing Care Act* replaces multiple acts with one piece of streamlined legislation and establishes authority and oversight for licensing, accommodations and the delivery of publicly funded health care in the continuing care system, including home and community care, supportive living accommodations, palliative and end-of-life care and long-term care and designated supportive living. The act introduces a licensing framework for continuing care home operators and also enhances administrative penalties and fines for contravention of the act and regulations. The regulations are under development and are anticipated to include items related to accountability for staffing levels, such as hours of care and skill mix. The *Continuing Care Act* is expected to come into force by mid-2023 after the approval of regulations and standards.

On May 1, 2022, the Government of Ontario's *Home Care and Community Services Act, 1994* and its regulations were repealed and Bill 175, *Connecting People to Home and Community Care Act, 2020* and a first set of new home and community care regulations was proclaimed into force. This new legislation and regulations seek to provide a modernized framework for the delivery of home and community care services within an integrated health care system.

On April 28, 2022, as part of the Ontario government's *A Plan to Stay Open*, the government announced in its budget an additional $1.0 billion in funding over the next three years to expand home care in an effort to help seniors and recovering patients stay in their homes. The funding will seek to benefit the nearly 700,000 families who rely on home care annually, prevent unnecessary hospital and long-term care admissions and shorten hospital stays. This funding will support expanded home care services, including the recruiting and training of more home care workers, and builds on the $548.5 million over three years to expand home care services that was announced in Ontario's 2021 Fall Economic Statement. As part of this initiative, the government implemented billing rate increases retroactive to April 1, 2022, for personal support and professional services contracts (refer to the discussion under "Business Overview – Home Health Care – Home Health Care Funding Changes").

On April 14, 2022, the Government of Ontario's *Pandemic and Emergency Preparedness Act, 2022* (formerly Bill 106), received Royal Assent. As part of the province's *A Plan to Stay Open*, introduced in March 2022, Bill 106, among other things, made permanent the $3/hour wage enhancement that PSWs providing publicly funded services in hospitals, LTC, home and community care have been receiving since October 1, 2020. The new legislation will also make it easier for foreign-credentialed health workers to begin practicing in Ontario and commits to recruiting and retaining more healthcare staff through a $142 million grant.

The Government of Ontario's *Fixing Long-Term Care Act, 2021* (formerly Bill 37), received Royal Assent on December 9, 2021 and came into effect on April 11, 2022, along with the first tranche of accompanying regulations. The act replaces the *Long-Term Care Homes Act, 2007* and emphasizes improving staffing and care; protecting residents through better accountability, enforcement and transparency; and building modern, safe comfortable homes for seniors. Among other things, the act includes a target to increase average hours of direct care per resident per day to four hours by March 31, 2025 (with phased-in funding that started in November 2021) (the "LTC Staffing Plan"), doubles fines as a financial deterrent for non-compliance and allows the Minister to establish policy that would be used in lieu of individual licensing determinations, thus streamlining the approval process. On February 3, 2023, additional regulations under the *Fixing Long-Term Care Act, 2021* were issued for consultation and proposed to come into effect on April 11, 2023. The additional regulations address staffing qualifications, medication management and drug administration, resident experience and various other operational requirements.

On January 31, 2023, Health Standards Organization ("HSO") released their national standards for long-term care. These standards were complementary to those released by the Canadian Standards Association in December 2022. The HSO standards consist of high-level objectives and guidelines to support governments and LTC homes in developing policies and procedures rather than a more prescriptive approach. With the release, the Government of Canada stated that the standards are not mandatory, and the $4 billion in federal funding for long-term care would be directed to supporting the provinces and territories in their efforts to improve LTC in their respective jurisdictions rather than being used to implement the new standards. At this time, no provincial or territorial government has signalled an intent to adopt these standards in their jurisdiction.

BUSINESS OVERVIEW

As at December 31, 2022, the Company owned and operated 53 LTC homes and provided management services to 50 LTC homes and retirement communities for third parties through Extendicare Assist. In total, Extendicare operated or provided management services to a network of 103 LTC homes and retirement communities across four provinces in Canada, with capacity for 13,258 residents. The majority of these homes are in Ontario and Alberta, which accounted for approximately 80% and 13% of residents served, respectively. This overview excludes the retirement living segment and the Saskatchewan LTC Homes that were sold in May and October 2022, respectively, both of which have been classified as discontinued operations, refer to "Discontinued Operations".

In addition to providing group purchasing services to the Company's own operations, SGP supports third-party clients representing approximately 109,700 beds across Canada, as at December 31, 2022.

The Company's home health care operations, ParaMed, delivered approximately 9.2 million hours of home health care services for the trailing twelve months ended December 31, 2022. The majority of ParaMed's volumes are generated in Ontario and Alberta, representing 93% and 4% of the total, respectively.

The Company reports on the following segments: i) long-term care; ii) home health care; iii) managed services, which include management and consulting services and group purchasing services; and iv) the corporate functions and any intersegment eliminations as "corporate".

The following table summarizes the contribution of the business segments to the Company's consolidated revenue and NOI from continuing operations for the year ended December 31, 2022 and 2021. The impact of COVID-19 on all segments and of the Canada Emergency Wage Subsidy ("CEWS") on the home health care segment affects the comparability of the contributions of the business segments to the Company's consolidated revenue and NOI. Refer to "Significant Developments – COVID-19 Related Expenses and Funding", "Select Quarterly Financial Information", "2022 Fourth Quarter Financial Review" and "2022 Financial Review" for additional details to understand the impacts on the business segments.

	Year ended December 31,			
	2022		**2021**	
Operating Segments as % of	**Revenue**	**NOI**	**Revenue**	**NOI**
Long-term care	**62.8 %**	**63.2 %**	62.4 %	50.6 %
Home health care	**34.5 %**	**20.7 %**	35.2 %	37.3 %
Managed services	**2.7 %**	**16.1 %**	2.4 %	12.1 %
Total	**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 53 LTC homes with capacity for 7,299 residents, inclusive of a stand-alone designated supportive living home (140 suites) and a designated supportive living wing (60 suites) in Alberta and two retirement wings (76 suites) in Ontario. In addition, the Company has 185 ward-style beds in Ontario LTC homes that are currently not in service and which form part of the Company's 3,285 Class C Beds that are eligible to be reinstated upon redevelopment under the Ontario government's Capital Funding Program.

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 significantly smaller 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 LTC 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 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 premiums that vary according to the structural classification of the LTC home.

The following summarizes the government funding rate changes announced for LTC during 2021 and 2022 in Ontario, Alberta and Manitoba, exclusive of one-time funding in respect of COVID-19 (refer to the discussion under "Significant Developments – COVID-19 Related Expenses and Funding").

ONTARIO LTC FUNDING CHANGES

Effective April 28, 2022, the Government of Ontario made permanent the $3/hour wage enhancement that PSWs working in LTC homes had been receiving since October 1, 2020. The Company estimates that this increase will result in additional annual funding of approximately $17.0 million to support the associated increased labour costs.

Effective April 1, 2022, the MLTC implemented a blended level of care funding increase of 1.75%, representing a combination of a 15% increase in nutritional support, a 1.5% increase in the remaining flow-through envelopes and a nominal increase in the accommodation envelope. These changes represent incremental annual revenue of approximately $6.0 million to the flow-through envelopes (2021 – 1.5% effective April 1, 2021, representing incremental annual revenue of $5.1 million, of which $1.6 million was applicable to the accommodation envelope).

In November 2021, the MLTC implemented the first phase of its LTC Staffing Plan to increase the level of direct care for LTC residents over four years through increased funding of the nursing and program flow-through envelopes, where any funding not spent on resident care is returned to the government. During 2022, the Company recognized approximately $42.8 million in revenue through the flow-through envelopes to support the increased hours of direct care. The next phase of the LTC Staffing Plan takes effect on April 1, 2023, and the Company estimates that it will provide incremental revenue of approximately $20.0 to $25.0 million in 2023 over 2022 to support the incremental hours of direct care. While there is no impact on NOI from this increase in flow-through funding, it does have the affect of compressing the NOI margin as a percentage of revenue.

In respect of the preferred accommodation premiums paid for by residents to LTC providers for private and semi-private accommodation, the MLTC implemented increases on July 1, 2020 and July 1, 2021 of 1.9% and 0.6%, respectively. To provide relief to families experiencing challenges due to COVID-19, the aggregate 2.5% increase to residents was deferred until October 1, 2022, and LTC providers were compensated directly by the MLTC in the interim. For older LTC beds that are not classified as "New" or "A" beds, the maximum daily preferred accommodation premiums are $8.74 and $19.65 for semi-private and private rooms, respectively. For newer LTC beds that are classified as "New" or "A" beds, the maximum daily preferred accommodation premiums are $13.10 and $27.31 for semi-private and private rooms, respectively.

ALBERTA LTC FUNDING CHANGES

In July 2022, AHS announced adjustments to the portion of government funding for providers of LTC and designated supportive living homes retroactive to April 1, 2022, which are estimated to represent additional annual revenue for the Company of approximately $0.2 million (2021 – effective April 1, 2021, $0.1 million).

In March 2022, AHS announced a 5.5% annual inflationary increase for the portion of the accommodation rates paid directly by residents of LTC and designated supportive living homes to providers. The increase took effect July 1, 2022, and is being phased in for the residents, with 3.2% starting November 1, 2022 and the balance on July 1, 2023. AHS will compensate operators directly for the difference during the deferral period. This increase represents additional annual revenue for the Company of approximately $2.3 million (2021 – 0.6% effective July 1, 2021, $0.2 million).

MANITOBA LTC FUNDING CHANGES

As part of the Government of Manitoba's initiatives to support the recommendations to strengthen and enhance Manitoba's long-term care system outlined in the *Maples Personal Care Home COVID-19 Outbreak: External Review Final Report*, a series of government-funded initiatives were announced during the latter part of 2022 that will enhance infection prevention and control, housekeeping, allied health and technology in long-term care homes. The Company estimates these initiatives will result in incremental annual revenue and corresponding costs in 2023 of up to $4.6 million, which will have no impact on NOI.

In December 2022, Manitoba Health implemented a 1.3% global funding increase for LTC operators retroactive to April 1, 2022, representing additional annual revenue of approximately $0.7 million. As a result, the Company recognized approximately $0.4 million of incremental revenue in Q4 2022 related to prior quarters.

In March 2022, Manitoba Health implemented a global funding increase for LTC operators in support of union wage settlements in the form of a baseline operating funding increase and one-time funding retroactive to April 1, 2017. As a result, the Company recognized additional revenue of $3.3 million in Q1 2022, of which $2.9 million related to prior periods. The base line funding increase represents additional annual revenue for the Company of approximately $1.4 million. The Company had previously accrued for the anticipated increased costs associated with the union wage settlements.

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 99% of its revenue from contracts tendered by locally administered provincial agencies, with the remainder coming from private clients.

HOME HEALTH CARE FUNDING CHANGES

Effective April 28, 2022, the Government of Ontario made permanent the $3/hour wage enhancement that PSWs providing publicly funded services in home and community care had been receiving since October 1, 2020. The impact of this change is estimated to increase annual revenue by approximately $25.5 million, based on ADV and mix of home health care services provided for the trailing twelve months ended December 31, 2022. Given the flow-through nature of the wage enhancement this adjustment will have no impact on NOI.

Effective April 1, 2022, the Government of Ontario increased home health care billing rates by 3% for personal support contracts and 5% for nursing and allied health contracts. Based on ADV and mix of home health care services provided for the trailing twelve months ended December 31, 2022, these rate increases are estimated to increase annual revenue by approximately $13.0 million and help offset wage and benefit increases and increased recruitment costs in the home health division.

In October 2021, the Government of Ontario implemented increased home health care billing rates for government contracted services by approximately 1.9%, effective April 1, 2021. In addition, AHS increased home health care billing rates by 1%, effective April 1, 2021. These Ontario and Alberta billing rate increases resulted in additional revenue received by ParaMed of $5.1 million in Q4 2021, of which the retroactive component was $3.5 million.

Managed Services

The Company leverages its size, scale and operational expertise in the senior care industry to provide managed services to third parties through its Extendicare Assist and SGP divisions.

MANAGEMENT AND CONSULTING SERVICES

Through its Extendicare Assist division, the Company provides a wide range of management and consulting services to third parties. Extendicare Assist provides services to 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 clients, 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 management services portfolio consisted of 50 LTC homes and retirement communities with capacity for 5,959 residents as at December 31, 2022.

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 December 31, 2022, SGP provided services to third parties representing approximately 109,700 beds 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; and

"Occupancy" is measured as the percentage of the number of earned resident days relative to the total available resident days. Total available resident days is the number of beds available for occupancy multiplied by the number of days in the period.

Long-term Care

The following table provides the average occupancy levels of the LTC operations, excluding the Saskatchewan LTC Homes that have been classified as held for sale, for the past eight quarters. The LTC average occupancies for the periods presented have been restated to exclude 190 ward-style beds (185 in Ontario LTC) that have not been in use since 2020 and will not be returned to service.

Long-term Care Homes					**2022**					**2021**
Average Occupancy *(%)*	**Q4**	**Q3**	**Q2**	**Q1**	**Year**	**Q4**	**Q3**	**Q2**	**Q1**	**Year**
Total LTC	**94.5%**	**93.5%**	**92.5%**	**90.8%**	**92.9%**	92.1%	90.9%	87.9%	85.5%	89.1%
Change over prior year period (bps)	**240**	**260**	**460**	**530**	**380**	240	(110)	(590)	(1,150)	(410)
Sequential quarterly change (bps)	**100**	**100**	**170**	**(130)**		120	300	240	(420)	
Ontario LTC										
Total ON LTC	**94.8%**	**93.4%**	**92.1%**	**90.5%**	**92.7%**	91.1%	89.9%	86.0%	83.3%	87.6%
Preferred Accommodation(i)										
"New" homes – private	**87.9%**	**86.3%**	**86.4%**	**85.9%**	**86.6%**	87.9%	85.6%	83.6%	82.6%	84.9%
"C" homes – private	**90.7%**	**87.2%**	**85.8%**	**83.5%**	**86.7%**	83.9%	79.9%	81.0%	76.6%	80.3%
"C" homes – semi-private	**55.3%**	**52.6%**	**54.3%**	**53.1%**	**53.8%**	54.1%	51.3%	49.3%	50.0%	51.2%

(i) 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 Company's LTC occupancy levels have been negatively impacted by COVID-19 since March 2020. In the last half of 2021, average occupancy levels improved following the success of the vaccination program and easing of restrictions during that period. However, a combination of seasonal factors and the surge of COVID-19 related outbreaks driven by the initial Omicron variant slowed the pace of occupancy recovery and contributed to a sequential decline in Q1 2022. Subsequent to Q1 2022, occupancy has improved; however, the emergence of new Omicron variants continue to weigh on the pace of the recovery. Although COVID-19 continued to impact our LTC homes in Q4 2022, our average occupancy improved to 94.5%, up 240 bps from Q4 2021 and up 100 bps from Q3 2022.

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, which is not unusual during the winter months, full funding is preserved in Ontario, otherwise referred to as occupancy protection funding. Prior to the onset of COVID-19 in 2020, the Company's Ontario LTC homes generally averaged above the 97% occupancy threshold, with all but one having done so in 2019. In response to financial pressures caused by the impacts of COVID-19 on occupancy levels, the Government of Ontario provided basic occupancy protection funding for all LTC homes for 2020 and through to the end of January 2022, including for third and fourth beds in ward rooms taken out of service and isolation beds. The average occupancy of our Ontario LTC homes, further adjusted to exclude the impact of isolation beds, was 98.1% and 96.9% for the three and eleven months ended December 31, 2022, respectively, up from 96.5% for the eight months ended September 30, 2022. The continuing incidence of LTC outbreaks impacted our occupancy recovery progress and our ability to achieve the required 97% occupancy in all of our Ontario LTC homes, lowering our LTC NOI by approximately $0.7 million for the year ended December 31, 2022. Occupancy protection does not compensate for the loss of preferred accommodation premiums from private and semi-private room vacancies. Our preferred accommodation premium revenue for the year ended December 31, 2022, improved slightly over 2021 by approximately $0.4 million, although it remains below 2019 levels by approximately $1.4 million, as we continue to work towards returning to pre-pandemic levels.

To date, each of the western provinces in which we operate LTC homes have provided additional funding to support COVID-19 costs. In certain provinces, this funding includes specific funding to address occupancy shortfalls.

LTC Projects Under Construction

The construction industry across Ontario is experiencing significant inflationary cost increases, disruptions in the labour forces across various trades and supply chain issues. Since breaking ground, we have experienced labour disruptions, including strike actions of selected trades, and supply chain issues across our current construction projects, which are impacting projected completion and opening dates. In addition, rising interest rates are also impacting the costs of our LTC projects under construction. The impact of these delays and rising interest rates have resulted in estimated aggregate cost increases of $3.0 million outside of the contingency levels included in our estimated Adjusted Development Costs. We continue to work with our general contractors and construction partners to mitigate the impacts of these factors on schedules and costs.

The following table summarizes the LTC projects that are under construction:

LTC Project	# of Beds	Construction Commenced	Expected Opening	Estimated Adjusted Development Costs[1] ($ millions)	Adjusted Development Costs[1] Incurred as at December 31, 2022 ($ millions)	Annual CFS[i] ($ millions)	Estimated Stabilized NOI[1] ($ millions)	Expected NOI Yield[1]
Sudbury	256	Q4-20	Q3-23	66.4	44.4	1.9	3.1	7.5 %
Kingston	192	Q2-21	Q1-24	48.3	22.2	1.4	2.3	7.7 %
Stittsville	256	Q4-21	Q1-24	69.5	32.8	2.2	3.0	7.6 %
	704			**184.2**	**99.4**	**5.5**	**8.4**	**7.6 %**

(i) "CFS" means the Government of Ontario's capital construction funding subsidy for qualifying newly constructed or renovated LTC homes, payable over 25 years following completion of the project.

Home Health Care

The table set out below provides the service volumes and ADV of the home health care operations for the past eight quarters.

The peak impact of COVID-19 on ParaMed's ADV occurred in April 2020, after which we saw a steady recovery in our ADV levels through to the end of 2021. Despite the various COVID-19 lockdowns and traditional seasonal impacts, recovery of our workforce capacity throughout 2021 allowed our ADV levels to return to pre-pandemic levels by Q2 2021 and remained at those levels through the balance of 2021. Referral activity remains above pre-COVID-19 levels as strong demand for home health care services continues. However, our progress has been constrained by the dramatic impact of Omicron and its sub-variants on our workforce capacity, exacerbated by an increasingly tight labour market. We had as many as 900 staff on medical leave due to COVID-19 at the peak of the Omicron wave in late January 2022, which continued to varying degrees through much of 2022 as newer sub-variants gave rise to higher levels of infection, community transmission and labour market constraints (refer to the discussion under "Significant Developments – Sequential Improvement of 2.0% in Home Health Care ADV From Q3 2022; Health Sector Workforce Shortages Continue to Weigh on Home Health Care Volumes"). Home health care operations returned to growth in Q4 2022, with ADV of 25,542 up 2.0% from Q3 2022, although still below Q4 2021 by 1.0%.

Home Health Care					2022					2021
Service Volumes	**Q4**	**Q3**	**Q2**	**Q1**	**Year**	**Q4**	**Q3**	**Q2**	**Q1**	**Year**
Hours of service *(000's)*	**2,349.8**	**2,304.7**	**2,290.9**	**2,209.7**	**9,155.1**	2,373.2	2,331.7	2,299.0	2,191.7	9,195.7
ADV	**25,542**	**25,051**	**25,174**	**24,552**	**25,082**	25,796	25,345	25,264	24,352	25,194
Change over prior year period	**(1.0)%**	**(1.2)%**	**(0.4)%**	**0.8 %**	**(0.4)%**	7.7 %	11.4 %	24.0 %	(1.3)%	9.8 %
Sequential quarterly change	**2.0 %**	**(0.5)%**	**2.5 %**	**(4.8)%**		1.8 %	0.3 %	3.7 %	1.7 %	

Managed Services

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. The reduction in Extendicare Assist's management services portfolio during 2021 reflects changes resulting from homes that were either closed or sold. At December 31, 2022, Extendicare Assist was providing management services to third parties representing 50 LTC homes and retirement communities with capacity for 5,959 senior residents, reflecting a decline of 304 beds from Q3 2022 for ward-style beds no longer in service. SGP continues to grow its market share, increasing its third-party beds served by 17.7% at the end of Q4 2022 from Q4 2021, and by 2.6% from Q3 2022.

				2022				2021
Managed Services	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Extendicare Assist								
Homes at period end	**50**	**50**	**50**	**50**	50	51	51	51
Resident capacity	**5,959**	**6,263**	**6,263**	**6,263**	6,263	6,359	6,359	6,359
Change over prior year period	**(4.9)%**	**(1.5)%**	**(1.5)%**	**(1.5)%**	(1.8)%	(2.8)%	(2.8)%	(3.7)%
Sequential quarterly change	**(4.9)%**	**— %**	**— %**	**— %**	(1.5)%	— %	— %	(0.3)%
SGP Clients								
Third-party beds	**109,725**	**106,989**	**102,219**	**98,845**	93,208	88,431	83,511	81,110
Change over prior year period	**17.7 %**	**21.0 %**	**22.4 %**	**21.9 %**	18.1 %	11.4 %	11.1 %	11.3 %
Sequential quarterly change	**2.6 %**	**4.7 %**	**3.4 %**	**6.0 %**	5.4 %	5.9 %	3.0 %	2.8 %

SELECT ANNUAL INFORMATION

The following is a summary of selected annual financial information for each of the past three years.

(thousands of dollars unless otherwise noted)	**2022**	**2021**(3)	**2020**(3)
Financial Results			
Revenue	**1,221,577**	1,166,987	1,055,743
Adjusted EBITDA(1)	**57,454**	80,539	118,303
(Loss) earnings from continuing operations	**(4,511)**	7,504	46,373
per basic and diluted share *($)*	**(0.05)**	0.08	0.52
(Loss) earnings from operating activities of discontinued operations	**(172)**	4,000	7,816
Gain on sale of discontinued operations, net of income taxes	**74,237**	—	—
Net earnings	**69,554**	11,504	54,189
per basic share *($)*	**0.78**	0.13	0.60
per diluted share *($)*	**0.76**	0.13	0.60
AFFO(1)	**26,143**	53,721	79,167
per basic share *($)*	**0.29**	0.60	0.88
per diluted share *($)*	**0.29**	0.58	0.83
Cash dividends declared	**42,363**	42,994	42,963
per share *($)*	**0.480**	0.480	0.480
Financial Position *(at year end)*			
Total assets	**781,579**	900,323	963,127
Total non-current liabilities	**405,893**	516,488	555,418
Long-term debt	**364,735**	463,274	493,207
Long-term debt, including current portion	**383,974**	536,851	564,597

Financial Results – The selected information provided for each of the years under the heading "Financial Results" reflects the classification of the respective dispositions of the retirement living segment and Saskatchewan LTC Homes and the wind-up of the Company's captive insurance company following the sale of the Company's U.S. operations as discontinued (refer to the discussion under "Discontinued Operations").

The financial results for 2021 reflect a $38.9 million decline in earnings from continuing operations in comparison to 2020, largely driven by the year-over-year impact of lower CEWS received by the home health care segment ($73.8 million, or $54.2 million net of tax), an unfavourable net change in other expense of $12.5 million ($10.0 million net of tax) related primarily to an impairment charge for certain LTC homes in Manitoba and Alberta recorded in 2021, and higher administrative costs of $4.1 million, partially offset by a decline in estimated unfunded COVID-19 costs ($24.9 million, or $18.3 million net of tax), and an improvement in NOI of $15.1 million (excluding the impact of CEWS and unfunded COVID-19 costs). The improvement in NOI was largely due to growth in ADV of 9.8% and billing rate increases in home health care operations, partially offset by increased costs of resident care and lower preferred accommodation in LTC operations.

Financial Position – Total assets declined by $62.8 million at the end of 2021 from 2020, largely due to a decline in cash and cash equivalents of $75.3 million and increase in property and equipment. The decline in cash and cash equivalents reflected the decrease in earnings, impact of timing of income tax payments made in 2021 related to CEWS received in 2020, and increase in growth capital expenditures, primarily associated with the LTC redevelopment projects and investments in technology. The decline in non-current liabilities at the end of 2021 from 2020 was largely due to a decrease in long-term debt and accrued pension and benefits obligation. Long-term debt, including the current portion, decreased by $27.7 million at the end of 2021 as compared to 2020, and included scheduled debt repayments of $32.3 million, partially offset by draws on construction loans of $2.3 million and an increase in lease liabilities.

A comparison between the 2022 and 2021 financial results and financial position of the Company is provided in the discussion under the headings "2022 Financial Review" and "Liquidity and Capital Resources".

SELECT QUARTERLY FINANCIAL INFORMATION

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

	2022[2]				2021[3]			
(thousands of dollars unless otherwise noted)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenue	**310,393**	**308,889**	**296,585**	**305,710**	306,162	284,271	281,693	294,861
Net operating income[1]	**21,686**	**23,526**	**30,341**	**32,976**	38,742	29,009	28,900	36,319
NOI margin[1]	***7.0%***	***7.6%***	***10.2%***	***10.8%***	*12.7%*	*10.2%*	*10.3%*	*12.3%*
Adjusted EBITDA[1]	**9,160**	**10,034**	**18,057**	**20,203**	24,506	16,789	15,466	23,778
Adjusted EBITDA margin[1]	***3.0%***	***3.2%***	***6.1%***	***6.6%***	*8.0%*	*5.9%*	*5.5%*	*8.1%*
(Loss) earnings from continuing operations	**(7,704)**	**(4,362)**	**3,510**	**4,045**	(4,483)	2,812	1,663	7,512
per basic and diluted share *($)*	**(0.09)**	**(0.04)**	**0.04**	**0.04**	(0.06)	0.03	0.02	0.08
(Loss) earnings from operating activities of discontinued operations	**(306)**	**96**	**(37)**	**75**	661	3,231	(703)	811
Gain on sale of discontinued operations, net of income taxes	**6,317**	**—**	**67,920**	**—**	—	—	—	—
Net (loss) earnings	**(1,693)**	**(4,266)**	**71,393**	**4,120**	(3,822)	6,043	960	8,323
per basic share *($)*	**(0.02)**	**(0.04)**	**0.79**	**0.04**	(0.04)	0.07	0.01	0.09
per diluted share *($)*	**(0.02)**	**(0.04)**	**0.72**	**0.04**	(0.04)	0.07	0.01	0.09
AFFO[1]	**1,889**	**2,112**	**9,624**	**12,518**	16,530	9,573	8,073	19,545
per basic share *($)*	**0.02**	**0.02**	**0.11**	**0.14**	0.18	0.11	0.09	0.22
per diluted share *($)*	**0.02**	**0.02**	**0.11**	**0.13**	0.17	0.11	0.09	0.21
Maintenance capex	**6,630**	**4,240**	**2,700**	**1,412**	5,472	3,833	3,746	1,033
Cash dividends declared	**10,275**	**10,584**	**10,754**	**10,750**	10,746	10,752	10,744	10,752
per share *($)*	**0.120**	**0.120**	**0.120**	**0.120**	0.120	0.120	0.120	0.120
Weighted Average Number of Shares *(000's)*								
Basic	**86,678**	**89,178**	**90,139**	**90,075**	90,040	90,009	89,980	89,929
Diluted	**97,604**	**100,079**	**101,102**	**101,190**	100,953	100,786	100,615	100,520

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.

COVID-19 has impacted the Company's quarterly results from both continuing operations and discontinued operations since Q1 2020 (refer to "Significant Developments – COVID-19 Related Expenses and Funding"). As a result of the revenue declines experienced by ParaMed due to COVID-19, the Company's home health care subsidiary, ParaMed applied for and received CEWS funding in 2020 and 2021. In 2021, ParaMed recognized $17.4 million in CEWS ($9.7 million in Q1 2021 and $7.7 million in Q2 2021). 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's NOI.

The significant factors that impact the results from period to period, in addition to the impacts that result from COVID-19 and CEWS, 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 increases in preferred accommodation premiums 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".

Reconciliations of Adjusted EBITDA and Net Operating Income

The following table provides a reconciliation of "earnings (loss) from continuing operations before income taxes" to Adjusted EBITDA and "net operating income", which excludes discontinued operations. Refer to the discussion under "Non-GAAP Measures".

					2022[2]					2021[3]
(thousands of dollars)	**Q4**	**Q3**	**Q2**	**Q1**	**Year**	**Q4**	**Q3**	**Q2**	**Q1**	**Year**
(Loss) earnings from continuing operations before income taxes	**(10,364)**	**(5,042)**	**4,646**	**6,264**	**(4,496)**	(3,556)	4,196	2,695	10,650	13,985
Add:										
Depreciation and amortization	**7,692**	**7,558**	**8,058**	**8,251**	**31,559**	7,845	7,829	7,431	7,726	30,831
Net finance costs	**3,081**	**3,931**	**4,378**	**5,048**	**16,438**	5,248	4,764	5,340	5,402	20,754
Other expense	**8,751**	**3,587**	**975**	**640**	**13,953**	14,969	—	—	—	14,969
Adjusted EBITDA	**9,160**	**10,034**	**18,057**	**20,203**	**57,454**	24,506	16,789	15,466	23,778	80,539
Administrative costs	**12,526**	**13,492**	**12,284**	**12,773**	**51,075**	14,236	12,220	13,434	12,541	52,431
Net operating income	**21,686**	**23,526**	**30,341**	**32,976**	**108,529**	38,742	29,009	28,900	36,319	132,970

STATEMENT OF EARNINGS

The following provides the consolidated statement of earnings for the periods ended December 31, 2022 and 2021.

	Three months ended December 31,			Year ended December 31,		
(thousands of dollars unless otherwise noted)	**2022**	**2021**[3]	**Change**	**2022**	**2021**[3]	**Change**
Revenue	**310,393**	306,162	4,231	**1,221,577**	1,166,987	54,590
Operating expenses	**288,707**	267,420	21,287	**1,113,048**	1,034,017	79,031
Net operating income[1]	**21,686**	38,742	(17,056)	**108,529**	132,970	(24,441)
Administrative costs	**12,526**	14,236	(1,710)	**51,075**	52,431	(1,356)
Adjusted EBITDA[1]	**9,160**	24,506	(15,346)	**57,454**	80,539	(23,085)
Depreciation and amortization	**7,692**	7,845	(153)	**31,559**	30,831	728
Other expense	**8,751**	14,969	(6,218)	**13,953**	14,969	(1,016)
(Loss) earnings before net finance costs and income taxes	**(7,283)**	1,692	(8,975)	**11,942**	34,739	(22,797)
Interest expense (net of capitalized interest)	**5,215**	5,448	(233)	**20,612**	21,429	(817)
Interest revenue	**(2,341)**	(477)	(1,864)	**(5,018)**	(1,867)	(3,151)
Accretion	**310**	308	2	**1,227**	1,212	15
Foreign exchange and fair value adjustments	**(103)**	(31)	(72)	**(383)**	(20)	(363)
Net finance costs	**3,081**	5,248	(2,167)	**16,438**	20,754	(4,316)
(Loss) earnings from continuing operations before income taxes	**(10,364)**	(3,556)	(6,808)	**(4,496)**	13,985	(18,481)
Income Tax (Recovery) Expense						
Current	**(1,885)**	1,895	(3,780)	**3,150**	8,369	(5,219)
Deferred	**(775)**	(968)	193	**(3,135)**	(1,888)	(1,247)
Total income tax (recovery) expense	**(2,660)**	927	(3,587)	**15**	6,481	(6,466)
(Loss) earnings from continuing operations	**(7,704)**	(4,483)	(3,221)	**(4,511)**	7,504	(12,015)
(Loss) earnings from operating activities of discontinued operations	**(306)**	661	(967)	**(172)**	4,000	(4,172)
Gain on sale of discontinued operations, net of income taxes	**6,317**	—	6,317	**74,237**	—	74,237
Net (loss) earnings	**(1,693)**	(3,822)	2,129	**69,554**	11,504	58,050
(Loss) earnings from continuing operations	**(7,704)**	(4,483)	(3,221)	**(4,511)**	7,504	(12,015)
Add (Deduct)[i]**:**						
Foreign exchange and fair value adjustments	**(75)**	(31)	(44)	**(291)**	(20)	(271)
Other expense	**6,417**	12,520	(6,103)	**10,248**	12,520	(2,272)
(Loss) earnings from continuing operations before separately reported items, net of taxes[1]	**(1,362)**	8,006	(9,368)	**5,446**	20,004	(14,558)

(i) The separately reported items being added to or deducted from earnings from continuing operations are net of income taxes.

2022 FOURTH QUARTER FINANCIAL REVIEW

The following is an analysis of the consolidated results from operations for Q4 2022, as compared to Q4 2021. 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 $310.4 million for Q4 2022 increased by $4.2 million or 1.4% from $306.2 million in Q4 2021. Improvements in revenue were driven primarily by LTC flow-through funding enhancements, timing of spend under the flow-through care envelopes, prior period LTC funding adjustments of $2.2 million, home health care billing rate increases and growth from managed services, partially offset by lower COVID-19 funding of $20.8 million, the impact of home health care retroactive billing rate increases of $3.5 million received in Q4 2021 and a decline in home health care ADV of 1.0%.

Operating Expenses

Operating expenses of $288.7 million for Q4 2022 increased by $21.3 million or 8.0% from Q4 2021. The increase in operating expenses was driven by increased costs related to labour (including increased hours of care supported by increased flow-through funding, labour rate increases and agency costs), utilities, technology, supplies and insurance across the business segments, partially offset by lower estimated costs related to COVID-19 and funded pandemic pay programs of $7.3 million.

Net Operating Income

Net operating income of $21.7 million for Q4 2022 declined by $17.1 million or 44.0% from $38.7 million for Q4 2021 and represented 7.0% of revenue as compared to 12.7% for Q4 2021. The decrease in NOI was impacted by the net increase in estimated unfunded COVID-19 costs of $13.5 million, higher operating costs across all segments, the home health care retroactive billing rate increase of $3.5 million received in Q4 2021 and lower home health care ADV, partially offset by the benefit in the LTC operations of prior period funding adjustments of $2.2 million and workers compensation rebates of $0.3 million.

Administrative Costs

Administrative costs declined by $1.7 million to $12.5 million for Q4 2022, primarily due to lower transaction related professional fees, partially offset by higher technology costs.

Adjusted EBITDA

Adjusted EBITDA declined by $15.3 million to $9.2 million for Q4 2022 from $24.5 million for Q4 2021 and represented 3.0% of revenue as compared to 8.0%, respectively, reflecting the decline in NOI, partially offset by lower administrative costs.

Depreciation and Amortization

Depreciation and amortization costs declined by $0.2 million to $7.7 million for Q4 2022.

Other Expense

Other expense of $8.8 million recorded in Q4 2022 reflects an impairment charge of $4.9 million in respect of certain LTC homes in Manitoba and Alberta, and costs incurred of $3.9 million related to the strategic transformation of the Company in connection with the Revera and Axium Transactions. The strategic transformation costs include transaction, legal, regulatory, IT integration and management transition costs. Refer to the discussion under "Significant Developments – Advancing Regulatory Approvals and Integration Planning for Strategic Transactions With Revera and Axium to Expand Long-term Care". Other expense of $15.0 million recorded in Q4 2021 relates to an impairment charge in respect of certain LTC homes in Manitoba and Alberta.

Net Finance Costs

Net finance costs declined by $2.2 million for Q4 2022, primarily due to increased interest revenue from cash on hand and lower interest expense.

Income Taxes

The income tax recovery of $2.7 million for Q4 2022, represented an effective tax rate of 25.7%, as compared to a tax provision of $0.9 million and an effective tax rate of (26.1)% for Q4 2021, largely due to a change in taxable income of certain of the legal entities and the impact of the non-deductible portion ($5.8 million) of the impairment charge incurred in 2021.

(Loss) Earnings From Continuing Operations

The Company reported a loss from continuing operations of $7.7 million ($0.09 loss per basic share) for Q4 2022 as compared to a loss of $4.5 million ($0.05 loss per basic share) for Q4 2021. The increase in loss of $3.2 million resulted from the decline in Adjusted EBITDA of $15.3 million, partially offset by a decrease in other expense by $6.2 million ($6.1 million net of tax), and lower net finance costs and depreciation and amortization. The year-over-year decline in earnings includes the net increase in estimated unfunded COVID-19 costs of $13.4 million ($9.8 million net of tax, or $0.11 loss per basic share).

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 December 31 *(thousands of dollars unless otherwise noted)*	**Long-term Care**	**Home Health Care**	**Managed Services**	**Total**
2022				
Revenue	**193,353**	**108,444**	**8,596**	**310,393**
Operating expenses	**182,870**	**102,056**	**3,781**	**288,707**
Net operating income(1)	**10,483**	**6,388**	**4,815**	**21,686**
NOI margin(1)	***5.4%***	***5.9%***	***56.0%***	***7.0%***
2021(3)				
Revenue	189,477	109,753	6,932	306,162
Operating expenses	165,955	98,863	2,602	267,420
Net operating income(1)	23,522	10,890	4,330	38,742
NOI margin(1)	*12.4%*	*9.9%*	*62.5%*	*12.7%*
Change				
Revenue	3,876	(1,309)	1,664	4,231
Operating expenses	16,915	3,193	1,179	21,287
Net operating income(1)	(13,039)	(4,502)	485	(17,056)

LONG-TERM CARE OPERATIONS

Revenue from LTC operations grew by $3.9 million or 2.0% to $193.4 million for Q4 2022, largely driven by funding enhancements and timing of spend, including $13.3 million in Ontario flow-through funding and $2.2 million of prior period funding adjustments, partially offset by reduced funding of $13.0 million to support the costs associated with COVID-19 and pandemic pay programs. Prior period funding adjustments include the release of prior year clawback provisions of $1.8 million and $0.4 million in Manitoba funding increases retroactive to April 1, 2022.

Net operating income from LTC operations declined by $13.0 million or 55.4% to $10.5 million for Q4 2022 as compared to $23.5 million for Q4 2021, with NOI margins of 5.4% and 12.4%, respectively. The decline was driven by an increase in estimated unfunded COVID-19 costs of $13.8 million (refer to "Significant Developments – COVID-19 Related Expenses and Funding"). Excluding the net impact of unfunded COVID-19 costs, NOI increased by $0.8 million, which included the benefit of prior period funding adjustments of $2.2 million and workers compensation rebates of $0.3 million, partially offset by increased operating costs.

HOME HEALTH CARE OPERATIONS

Revenue from home health care operations declined by $1.3 million or 1.2% to $108.4 million for Q4 2022 from $109.8 million for Q4 2021 due to reduced funding of $7.8 million to support the costs associated with COVID-19 and pandemic pay programs. Revenue otherwise improved by $6.5 million, reflecting billing rate increases and $6.8 million in additional funding to support government wage enhancements, partially offset by a $3.5 million retroactive billing rate increase received in Q4 2021 and 1.0% lower ADV.

Net operating income from home health care operations declined by $4.5 million or 41.3% to $6.4 million for Q4 2022 from $10.9 million for Q4 2021, with NOI margins of 5.9% and 9.9%, respectively. The decline in NOI reflected higher wages and benefits, travel and technology costs, including increased costs associated with recruitment, retention and training to address staffing capacity challenges.

MANAGED SERVICES

Revenue from managed services increased by $1.7 million or 24.0% to $8.6 million in Q4 2022 compared to Q4 2021, largely due to timing and mix of Assist services and growth in SGP clients.

Net operating income from managed services increased by $0.5 million or 11.2% to $4.8 million for Q4 2022 compared to Q4 2021, reflecting revenue growth, partially offset by increased staff and technology costs in support of growth initiatives.

2022 FINANCIAL REVIEW

The following is an analysis of the consolidated results from operations for the year ended December 31, 2022, as compared to the same period in 2021. 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 $1,221.6 million for the year ended December 31, 2022, increased by $54.6 million or 4.7% from the twelve months ended December 31, 2021. Improvements in revenue were driven primarily by LTC flow-through funding enhancements, prior period funding adjustments of $4.7 million, home health care billing rate increases and growth from managed services, partially offset by lower COVID-19 funding of $44.7 million and the impact of timing of spend under the flow-through care envelopes.

Operating Expenses

Operating expenses of $1,113.0 million for the year ended December 31, 2022, increased by $79.0 million or 7.6% from the year ended December 31, 2021. Excluding the year-over-year impact on operating expenses from CEWS ($17.4 million) received by the home health care segment in 2021, operating expenses increased by $61.6 million or 5.9% to $1,113.0 million for the year ended December 31, 2022, from $1,051.4 million in the prior year. The increase in operating expenses was driven by increased costs related to labour (including increased hours of care supported by increased flow-through funding, labour rate increases and agency costs), utilities, technology, supplies, and insurance across the business segments, partially offset by workers compensation rebates of $4.2 million received in 2022, and lower estimated costs related to COVID-19 and funded pandemic pay programs of $43.7 million.

Net Operating Income

Net operating income declined by $24.4 million to $108.5 million for the year ended December 31, 2022, and represented 8.9% of revenue as compared to 11.4% for the year ended December 31, 2021. Excluding the impact of CEWS ($17.4 million) received by the home health care segment in 2021, NOI decreased by $7.0 million to $108.5 million for the year ended December 31, 2022, from $115.6 million in the prior year, representing 8.9% and 9.9% of revenue, respectively. The decrease in NOI was driven by higher operating costs across all segments, the impact of the loss of occupancy protection for Ontario LTC homes, and the net increase in estimated unfunded COVID-19 costs of $1.0 million, partially offset by rate increases, prior period LTC funding adjustments of $4.7 million and workers compensation rebates of $4.2 million.

Administrative Costs

Administrative costs declined by $1.4 million or 2.6% to $51.1 million for the year ended December 31, 2022, primarily due to lower costs related to COVID-19 of $2.6 million and transaction related professional fees, partially offset by higher technology costs.

Adjusted EBITDA

Adjusted EBITDA declined by $23.1 million to $57.5 million for the year ended December 31, 2022, from $80.5 million for the year ended December 31, 2021, and represented 4.7% of revenue as compared to 6.9% in the prior year. Excluding the impact of CEWS ($17.4 million) received by the home health care segment in 2021, Adjusted EBITDA declined by $5.6 million to $57.5 million for the year ended December 31, 2022 from $63.1 million in the prior year, representing 4.7% and 5.4% of revenue, respectively, reflecting the decline in NOI, partially offset by lower administrative costs.

Depreciation and Amortization

Depreciation and amortization costs increased by $0.7 million to $31.6 million for year ended December 31, 2022, due to higher capital expenditures.

Other Expense

Other expense of $14.0 million recorded for the year ended December 31, 2022, reflects an impairment charge of $4.9 million in respect of certain LTC homes in Manitoba and Alberta, and costs incurred of $9.0 million related to the strategic transformation of the Company in connection with the Revera and Axium Transactions. The strategic transformation costs include transaction, legal, regulatory, IT integration and management transition costs. Refer to the discussion under "Significant Developments – Advancing Regulatory Approvals and Integration Planning for Strategic Transactions With Revera and Axium to Expand Long-term Care". Other expense of $15.0 million recorded for the year ended December 31, 2021, relates to an impairment charge in respect of certain LTC homes in Manitoba and Alberta.

Net Finance Costs

Net finance costs decreased by $4.3 million for the year ended December 31, 2022, reflecting increased interest revenue from cash on hand, lower interest expense and a net favourable change of $0.4 million in foreign exchange and fair value adjustments related to interest rate swaps. Interest expense of $20.6 million declined by $0.8 million, reflecting lower debt levels.

Income Taxes

The income tax provision was nil on a loss of $4.5 million for the year ended December 31, 2022, as compared to $6.5 million and an effective tax rate of 46.3% for the year ended December 31, 2021. Both periods were impacted by changes in taxable income of certain of the legal entities and the non-deductible portion ($5.8 million) of the impairment charge incurred in 2021. The income tax provision for 2021 included $4.6 million of current income taxes payable on CEWS ($17.4 million) received by the home health care segment.

(Loss) Earnings From Continuing Operations

The Company reported a loss from continuing operations of $4.5 million ($0.05 loss per basic share) for the year ended December 31, 2022, as compared to earnings of $7.5 million ($0.08 per basic share) for the year ended December 31, 2021. The decrease in earnings of $12.0 million resulted from the decline in Adjusted EBITDA of $23.1 million and higher depreciation and amortization, partially offset by a decrease in other expense by $14.0 million ($10.2 million net of tax), and lower net finance costs. The year-over-year decline in earnings included the impact of CEWS ($17.4 million) received by the home health care segment in 2021 ($12.8 million net of tax, or $0.14 per basic share), partially offset by the decline in estimated unfunded COVID-19 costs ($1.2 million net of tax, or $0.01 per basic share).

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.

Year ended December 31, 2022 *(thousands of dollars unless otherwise noted)*	**Long-term Care**	**Home Health Care**	**Managed Services**	**Total**
2022				
Revenue	**767,095**	**421,647**	**32,835**	**1,221,577**
Operating expenses	**698,548**	**399,152**	**15,348**	**1,113,048**
Net operating income[1]	**68,547**	**22,495**	**17,487**	**108,529**
NOI margin[1]	***8.9%***	***5.3%***	***53.3%***	***8.9%***
2021[3]				
Revenue	728,655	410,559	27,773	1,166,987
Operating expenses	661,368	361,002	11,647	1,034,017
Net operating income[1]	67,287	49,557	16,126	132,970
NOI margin[1]	*9.2%*	*12.1%*	*58.1%*	*11.4%*
Change				
Revenue	38,440	11,088	5,062	54,590
Operating expenses	37,180	38,150	3,701	79,031
Net operating income[1]	1,260	(27,062)	1,361	(24,441)

LONG-TERM CARE OPERATIONS

Revenue from LTC operations grew by $38.4 million or 5.3% to $767.1 million for the year ended December 31, 2022, largely driven by funding enhancements, including $56.6 million in Ontario flow-through funding and timing of spend under the care envelopes, partially offset by reduced funding of $28.0 million to support the costs associated with COVID-19 and pandemic pay programs. Revenue for 2022 also benefited from the release of prior year clawback provisions of $1.8 million and $2.9 million in Manitoba retroactive funding increases.

Net operating income from LTC operations increased by $1.3 million to $68.5 million for the year ended December 31, 2022, from $67.3 million for the year ended December 31, 2021, with NOI margins of 8.9% and 9.2%, respectively, due largely to higher estimated net COVID-19 recoveries of $1.3 million (refer to "Significant Developments – COVID-19 Related Expenses and Funding"). Excluding the net change in COVID-19 recoveries, NOI was unchanged, reflecting the loss of occupancy protection funding for Ontario LTC homes and funding increases from the various provincial governments that were insufficient to address rising operating costs, including in respect of labour, utilities, technology, supplies, insurance and repairs and maintenance, partially offset by the benefit of prior year funding adjustments of $4.7 million and workers compensation rebates of $2.1 million received in 2022.

HOME HEALTH CARE OPERATIONS

The following discussion of the home health care operations excludes CEWS of $17.4 million received for the year ended December 31, 2021 (refer to the discussion under "Select Quarterly Financial Information").

Revenue from home health care operations increased by $11.1 million or 2.7% to $421.6 million for the year ended December 31, 2022, from $410.6 million in the prior year, reflecting billing rate increases and approximately $17.8 million to support government funded wage enhancements, partially offset by reduced funding of $16.7 million to support the costs associated with COVID-19 and pandemic pay programs and a decline in ADV of 0.4%.

Net operating income from home health care operations decreased by $9.7 million to $22.5 million for the year ended December 31, 2022, from $32.2 million for the year ended December 31, 2021, with NOI margins of 5.3% and 7.8%, respectively. The decline in NOI reflected billing rate increases and a workers compensation rebate of $2.1 million received in 2022, offset by higher wages and benefits, travel and technology costs, including increased costs associated with recruitment, retention and training to address staffing capacity challenges, and an increase in unfunded COVID-19 costs of $2.3 million (refer to the discussion under "Significant Developments – COVID-19 Related Expenses and Funding").

MANAGED SERVICES

Revenue from managed services increased by $5.1 million or 18.2% to $32.8 million for the year ended December 31, 2022, largely due to timing and mix of Assist services and growth in SGP clients.

Net operating income from managed services increased by $1.4 million or 8.4% to $17.5 million for the year ended December 31, 2022, with revenue growth offset by increased staff and technology costs in support of growth initiatives.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

Reconciliations of FFO to Net Earnings

The following table provides a reconciliation of "net earnings" to FFO, which the Company believes is the most comparable GAAP measure to FFO. In addition, the table includes a reconciliation from FFO to AFFO as supplemental information, both of which include discontinued operations. Refer to the discussion under "Non-GAAP Measures".

	Three months ended December 31,			Year ended December 31,		
(thousands of dollars unless otherwise noted)	**2022**	**2021**(3)	**Change**	**2022**(2)	**2021**(3)	**Change**
(Loss) earnings from continuing operations	**(7,704)**	(4,483)	(3,221)	**(4,511)**	7,504	(12,015)
Add (Deduct):						
Depreciation and amortization	**7,692**	7,845	(153)	**31,559**	30,831	728
Depreciation for FFEC (maintenance capex)	**(2,137)**	(1,756)	(381)	**(8,900)**	(7,044)	(1,856)
Depreciation for office leases	**(778)**	(668)	(110)	**(2,959)**	(2,741)	(218)
Other expense	**8,751**	14,969	(6,218)	**13,953**	14,969	(1,016)
Foreign exchange and fair value adjustments	**(103)**	(31)	(72)	**(383)**	(20)	(363)
Current income tax expense (recovery) on other expense, foreign exchange and fair value adjustments	**(1,020)**	—	(1,020)	**(2,391)**	—	(2,391)
Deferred income tax expense (recovery)	**(775)**	(968)	193	**(3,135)**	(1,888)	(1,247)
FFO from discontinued operations	**(306)**	1,971	(2,277)	**(840)**	5,301	(6,141)
FFO	**3,620**	16,879	(13,259)	**22,393**	46,912	(24,519)
Amortization of deferred financing costs	**549**	501	48	**1,836**	2,023	(187)
Accretion costs	**310**	327	(17)	**1,153**	1,288	(135)
Non-cash share-based compensation	**908**	1,028	(120)	**2,640**	3,566	(926)
Principal portion of government capital funding	**995**	1,222	(227)	**4,129**	5,791	(1,662)
Additional maintenance capex	**(4,493)**	(3,427)	(1,066)	**(6,008)**	(5,859)	(149)
AFFO	**1,889**	16,530	(14,641)	**26,143**	53,721	(27,578)
Per Basic Share *($)*						
FFO	**0.04**	0.19	(0.15)	**0.25**	0.52	(0.27)
AFFO	**0.02**	0.18	(0.16)	**0.29**	0.60	(0.31)
Per Diluted Share *($)*						
FFO	**0.04**	0.18	(0.14)	**0.25**	0.52	(0.27)
AFFO	**0.02**	0.17	(0.15)	**0.29**	0.58	(0.29)
Dividends						
Declared	**10,275**	10,746	(471)	**42,363**	42,994	(631)
Declared per share *($)*	**0.12**	0.12	—	**0.48**	0.48	—
Weighted Average Number of Shares						
Basic *(thousands)*	**86,678**	90,040		**89,009**	89,990	
Diluted *(thousands)*	**97,604**	100,953		**100,015**	100,903	
Current income tax expense included in FFO	**(975)**	1,930	(2,905)	**5,012**	8,544	(3,532)
FFO effective tax rate	***(36.9)%***	*10.3 %*		***18.3 %***	*15.4 %*	

Reconciliations of AFFO to Net Cash From Operating Activities

The following table provides a reconciliation of AFFO, which includes discontinued operations, to "net cash from operating activities", which the Company believes is the most comparable GAAP measure to AFFO. Refer to the discussion under "Non-GAAP Measures".

	Three months ended December 31,			Year ended December 31,		
(thousands of dollars)	**2022**	**2021**	**Change**	**2022**(2)	**2021**	**Change**
Net cash from operating activities	**30,203**	14,147	16,056	**98,714**	59,077	39,637
Add (Deduct):						
Net change in operating assets and liabilities, including interest, and taxes	**(24,690)**	7,301	(31,991)	**(65,379)**	5,632	(71,011)
Other expense	**3,809**	—	3,809	**9,011**	—	9,011
Current income tax on items excluded from AFFO	**(1,020)**	—	(1,020)	**(2,391)**	46	(2,437)
Depreciation for office leases	**(778)**	(668)	(110)	**(2,959)**	(2,741)	(218)
Depreciation for FFEC (maintenance capex)(i)	**(2,137)**	(2,045)	(92)	**(8,974)**	(8,225)	(749)
Additional maintenance capex(i)	**(4,493)**	(3,427)	(1,066)	**(6,008)**	(5,859)	(149)
Principal portion of government capital funding	**995**	1,222	(227)	**4,129**	5,791	(1,662)
AFFO	**1,889**	16,530	(14,641)	**26,143**	53,721	(27,578)
Total maintenance capex(i)	**6,630**	5,472	1,158	**14,982**	14,084	898

(i) 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.

AFFO 2022 Financial Review

For Q4 2022, AFFO decreased by $14.6 million to $1.9 million ($0.02 per basic share) from $16.5 million ($0.18 per basic share) for Q4 2021, reflecting the decline in Adjusted EBITDA, loss of AFFO from the disposed retirement living segment (down $1.6 million or $0.02 per basic share), higher maintenance capex and decline in the principal portion of government capital funding, partially offset by higher interest income and lower current income taxes. The year-over-year decline in AFFO included the increase in estimated unfunded COVID-19 costs from continuing operations of $13.4 million ($9.8 million net of tax, or $0.11 loss per basic share).

For the year ended December 31, 2022, AFFO declined by $27.6 million to $26.1 million ($0.29 per basic share) from $53.7 million ($0.60 per basic share) for the year ended December 31, 2021, reflecting the decrease in Adjusted EBITDA, loss of AFFO from the disposed retirement living segment (down $6.2 million or $0.07 per basic share), decline in the principal portion of government capital funding, and higher maintenance capex, partially offset by lower net finance costs and current income taxes. The year-over-year decline in AFFO included the impact of CEWS received by the home health care segment in 2021 of $12.8 million net of tax, or $0.14 per basic share, partially offset by a reduction in estimated unfunded COVID-19 costs from continuing operations of $1.6 million ($1.2 million net of tax, or $0.01 per basic share).

Dividends declared as a percentage of AFFO for the year ended December 31, 2022, represented a payout ratio of 162%. In addition to cash on hand of $167.3 million at December 31, 2022, and ongoing cash generated from operations, the Company has available undrawn credit facilities totalling $77.0 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 "2022 Fourth Quarter Financial Review", "2022 Financial Review" and "Discontinued Operations".

The current income tax expense included in arriving at AFFO was $5.0 million for the year ended December 31, 2022, and $8.5 million in the prior year, representing an effective tax rate on FFO of 18.3% and 15.4%, respectively. The Company's current income taxes for both periods have been impacted by the effects of COVID-19 and the impact of CEWS received by the home health care segment in 2021. In particular, increased costs as a result of COVID-19 and CEWS received by ParaMed have had an impact on the level of taxable income in our various 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. For 2023, the Company expects the effective tax rate on FFO will be in the range of 12% to 15%. However, the continuing impact of the COVID-19 pandemic on the Company's operations and financial results may impact the effective tax rate on FFO.

Including the activity of discontinued operations, maintenance capex was $6.6 million for Q4 2022 as compared to $5.5 million for Q4 2021 and to $2.7 million for Q3 2022, representing 2.1%, 1.6% and 1.3% of revenue, respectively. For the year ended December 31, 2022, maintenance capex was $15.0 million as compared to $14.1 million in the prior year, representing 1.2% and 1.1% of revenue, respectively. These costs fluctuate on a quarterly and annual basis with the timing of projects and seasonality. In 2023, the Company expects to spend in the range of $15.0 million to $17.0 million in maintenance capex.

The following provides a reconciliation of "Adjusted EBITDA" to AFFO, which includes discontinued operations, as supplemental information. Refer to the discussion under "Non-GAAP Measures".

	Three months ended December 31,			Year ended December 31,		
(thousands of dollars)	**2022**	**2021**	**Change**	**2022**[2]	**2021**	**Change**
Adjusted EBITDA	**9,160**	24,506	(15,346)	**57,454**	80,539	(23,085)
Add (Deduct):						
Depreciation for FFEC (maintenance capex)	**(2,137)**	(1,756)	(381)	**(8,900)**	(7,044)	(1,856)
Depreciation for office leases	**(778)**	(668)	(110)	**(2,959)**	(2,741)	(218)
Accretion costs	**(310)**	(308)	(2)	**(1,227)**	(1,212)	(15)
Interest expense	**(5,215)**	(5,448)	233	**(20,612)**	(21,429)	817
Interest revenue	**2,341**	477	1,864	**5,018**	1,867	3,151
Discontinued operations, pre-tax	**(416)**	2,006	(2,422)	**(1,369)**	5,476	(6,845)
	2,645	18,809	(16,164)	**27,405**	55,456	(28,051)
Current income tax expense (recovery)	**(975)**	1,930	(2,905)	**5,012**	8,544	(3,532)
FFO	**3,620**	16,879	(13,259)	**22,393**	46,912	(24,519)
Amortization of deferred financing costs	**549**	501	48	**1,836**	2,023	(187)
Accretion costs	**310**	327	(17)	**1,153**	1,288	(135)
Non-cash share-based compensation	**908**	1,028	(120)	**2,640**	3,566	(926)
Principal portion of government capital funding	**995**	1,222	(227)	**4,129**	5,791	(1,662)
Additional maintenance capex	**(4,493)**	(3,427)	(1,066)	**(6,008)**	(5,859)	(149)
AFFO	**1,889**	16,530	(14,641)	**26,143**	53,721	(27,578)

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

The following summarizes the sources and uses of cash between continuing and discontinued operations for three months ended December 31, 2022 and 2021.

	Year ended December 31, 2022			Year ended December 31, 2021		
(thousands of dollars)	**Continuing**	**Discontinued**	**Total**	**Continuing**	**Discontinued**	**Total**
Net cash from (used in) operating activities	**104,079**	**(5,365)**	**98,714**	52,003	7,074	59,077
Net cash (used in) from investing activities	**(96,651)**	**252,295**	**155,644**	(57,616)	(1,770)	(59,386)
Net cash used in financing activities	**(70,063)**	**(121,796)**	**(191,859)**	(65,600)	(9,236)	(74,836)
Foreign exchange gain (loss) on U.S. cash held	**155**	**—**	**155**	(184)	—	(184)
(Decrease) increase in cash and cash equivalents	**(62,480)**	**125,134**	**62,654**	(71,397)	(3,932)	(75,329)

As at December 31, 2022, the Company had cash and cash equivalents on hand of $167.3 million, reflecting an increase in cash of $62.7 million from the beginning of the year. Cash flow from operating activities of the continuing operations was $104.1 million for the year ended December 31, 2022, and was in excess of dividends paid of $42.6 million for the same period.

Net cash from operating activities was a source of cash of $98.7 million for the year ended December 31, 2022, up $39.6 million from $59.1 million in the prior year, reflecting favourable changes in operating assets and liabilities and cash income taxes between periods. Net income taxes received of $10.0 million in 2022 included receipt of a prior year tax recoverable related to the former U.S. operations, compared to taxes paid of $22.8 million in 2021 resulting from CEWS recognized in 2020 and timing of related payments. Fluctuations in operating assets and liabilities between periods are primarily attributable to the volatility and timing of cash receipts related to flow-through funding and COVID-19, and the timing of payroll cycles.

Net cash from investing activities was a source of cash of $155.6 million for the year ended December 31, 2022 as compared to a use of cash of $59.4 million in the prior year. The 2022 activity included proceeds from the sale of the retirement living segment, including assumed debt, net of taxes paid, of $245.6 million, net proceeds from the sale of the Saskatchewan LTC Homes of $7.5 million, and the collection of other assets of $4.1 million, partially offset by purchases of property, equipment and other intangible assets of $101.6 million. The 2021 activity included purchases of property, equipment and other intangible assets of $65.2 million, partially offset by the collection of other assets of $5.8 million.

The table that follows summarizes the additions to property, equipment and other intangibles, allocated between growth and maintenance capex for each of the continuing and discontinued operations. Growth capex relates to the LTC redevelopment projects, building improvements, IT projects, or other capital projects, all of which are aimed at earnings growth. Maintenance capex relates to the capital additions incurred to sustain and upgrade existing property and equipment.

	Year ended December 31, 2022			Year ended December 31, 2021		
(thousands of dollars)	**Continuing**	**Discontinued**	**Total**	**Continuing**	**Discontinued**	**Total**
Growth capex	**95,566**	**—**	**95,566**	55,153	286	55,439
Maintenance capex	**14,164**	**818**	**14,982**	12,567	1,517	14,084
	109,730	**818**	**110,548**	67,720	1,803	69,523

Management monitors and prioritizes the capital expenditure requirements of its properties throughout the year, taking into account the urgency and necessity of the expenditure. Growth capex in 2023 will be focused primarily on the LTC projects under construction, redevelopment activities and investments in technology as part of our ongoing strategy of transitioning our key IT platforms to the cloud to support our growth initiatives (refer to "Other Contractual Obligations and Contingencies – Commitments"). The level of our growth capex would be impacted by the timing of regulatory approvals and further announcements in respect of our LTC redevelopment projects and the closing of the Axium Transaction (refer to "Enhancements to the Government of Ontario Capital Funding Program Announced in Q4 2022; Focused on Advancing New Projects to Commence Construction in 2023" and "Advancing Regulatory Approvals and Integration Planning for Strategic Transactions With Revera and Axium to Expand Long-term Care" under the heading "Significant Developments").

Net cash used in financing activities was a use of cash of $191.9 million for the year ended December 31, 2022, an increase of $117.0 million from $74.8 million in the prior year. The 2022 activity included debt repayments of $150.6 million, including $2.6 million related to the Saskatchewan LTC Homes and $119.0 million related to the retirement communities, cash dividends paid of $42.6 million and financing costs, partially offset by $36.4 million in draws on LTC construction financings ($31.0 million) and term loans ($5.4 million). The 2021 activity included debt repayments of $32.3 million, cash dividends paid of $43.0 million and financing costs, partially offset by draws on LTC construction financings of $2.3 million.

Discontinued operations reflect the operations of the retirement living segment and the Saskatchewan LTC Homes. Further details are provided under "Discontinued Operations" and in *Note 18* of the audited consolidated financial statements.

Capital Structure

SHAREHOLDERS' EQUITY

Total shareholders' equity as at December 31, 2022, was $100.7 million as compared to $101.9 million at December 31, 2021, reflecting the contributions from net earnings and comprehensive income, offset by dividends declared of $42.4 million and the purchase of Common Shares through the NCIB at a cost of $35.0 million.

As at December 31, 2022, the Company had 84,728,744 Common Shares issued and outstanding (carrying value – $475.4 million), as compared to 89,562,499 Common Shares (carrying value – $500.9 million) as at December 31, 2021, reflecting 5,011,180 Common Shares purchased and cancelled through the NCIB, partially offset by 177,425 Common Shares issued under the Company's equity-based compensation plan.

Share Information *(thousands)*	**March 1, 2023**	**December 31, 2022**	**December 31, 2021**
Common Shares (TSX symbol: EXE)[(i)]	**84,728.7**	**84,728.7**	89,562.5

(i) Closing market value per TSX on March 1, 2023, was $6.46.

As at March 2, 2023, the Company had an aggregate of 4,063,313 Common Shares reserved and available for issuance pursuant to the Company's long-term incentive plan, of which there were in aggregate 1,973,257 performance share units and deferred share units outstanding as at December 31, 2022 (refer to *Note 11* of the audited consolidated financial statements).

As at March 2, 2023, the Company had $126.5 million in aggregate principal amount of convertible subordinate debentures outstanding that mature in April 2025 (the "2025 Debentures"), which in the aggregate are convertible into 10,326,531 Common Shares.

Dividends

The Company declared cash dividends of $0.48 per share in the year ended December 31, 2022, consistent with that declared in 2021, representing $42.4 million and $43.0 million in each period, respectively.

Normal Course Issuer Bid

In June 2022, the Company received approval from the TSX to make a NCIB to purchase for cancellation up to 7,829,630 Common Shares, representing 10% of its public float, through the facilities of the TSX and/or through alternative Canadian trading systems, in accordance with TSX rules. The NCIB commenced on June 30, 2022, and provides the Company with flexibility to purchase Common Shares for cancellation until June 29, 2023, 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, daily purchases will be limited to 53,068 Common Shares. The Company has entered into an automatic purchase plan with its designated broker in connection with its NCIB to facilitate the purchase of Common Shares during times when the Company would ordinarily not be active in the market. As at March 2, 2023, the Company had purchased for cancellation 5,011,180 Common Shares at a cost of $35.0 million, representing a weighted average price per share of $6.99, all of which had been acquired as at December 31, 2022 (refer to "Significant Developments – Normal Course Issuer Bid".

Long-term Debt

Long-term debt totalled $384.0 million as at December 31, 2022, as compared to $536.9 million as at December 31, 2021, representing a decrease of $152.9 million, reflecting the repayment and transfer of debt of $117.6 million and $53.5 million, respectively, in connection with the Retirement Living Sale, and regular debt repayments of $30.4 million, partially offset by $36.4 million in draws on construction loans ($31.0 million) and term loans ($5.4 million), new lease liabilities and changes in accretion and deferred financing costs. The current portion of long-term debt as at December 31, 2022, was $19.2 million. 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 December 31, 2022. Details of the components, maturities dates, terms and conditions of long-term debt are provided in *Note 9* of the audited consolidated financial statements.

LTC CONSTRUCTION FINANCING

As at December 31, 2022, $33.3 million was drawn on the Company's LTC redevelopment construction facilities, aggregating $156.6 million in connection with the Sudbury, Kingston and Stittsville LTC projects. Secured in 2021, these financings include $54.7 million for Sudbury, $41.1 million for Kingston and $60.7 million for Stittsville, and mature on the earlier of 42 months from closing or the date of refinancing following completion of construction or lease up of the applicable project. Interest rates are prime plus 1.25% or CDOR plus 2.75% with standby fees of 0.55%. The facilities also provide for an aggregate $6.0 million in letter of credit facilities. Interest is capitalized during construction and is payable following completion of construction until maturity.

NON-CMHC MORTGAGES AND LOANS

In May 2022, the Company amended an existing term loan agreement to increase the principal amount by $5.4 million to $29.9 million and extended the term to April 2027. The Company entered into an interest rate swap contract to lock in the interest rate at a fixed rate of 5.40% per annum.

CREDIT FACILITIES

The Company has two demand credit facilities totalling $112.3 million, one of which is secured by 13 Class C LTC 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 December 31, 2022, $30.5 million of the facilities secure the Company's defined benefit pension plan obligations and $4.8 million was used in connection with obligations relating to LTC homes, leaving $77.0 million available.

LONG-TERM DEBT KEY METRICS

The following table presents the principal, or notional, amounts and related weighted average interest rates by year of maturity, of the Company's long-term debt obligations as at December 31, 2022.

(millions of dollars unless otherwise noted)	**2023**	**2024**	**2025**	**2026**	**2027**	**After 2027**	**Total**	**Fair Value**
Convertible Debentures (at face value)								
Fixed rate	—	—	126.5	—	—	—	**126.5**	119.5
Average interest rate	— %	— %	5.00 %	— %	— %	— %	**5.00 %**	
Long-term Debt								
Fixed rate (including fixed through swap)	7.6	7.3	23.9	6.8	31.1	69.9	**146.7**	137.8
Average interest rate	4.29 %	4.35 %	4.63 %	4.81 %	4.71 %	5.21 %	**4.90 %**	
Variable rate	0.9	34.2	19.3	—	—	—	**54.4**	53.4
Average interest rate	7.28 %	7.28 %	6.31 %	— %	— %	— %	**6.93 %**	
Lease Liabilities								
Fixed rate	12.1	12.6	12.8	12.6	6.5	6.9	**63.5**	72.2
Average interest rate	6.79 %	6.79 %	6.79 %	6.70 %	5.75 %	5.07 %	**6.48 %**	

Management has limited the amount of debt that may be subject to changes in interest rates, with $21.1 million of mortgage debt and $33.3 million of construction loans in connection with the LTC projects at variable rates. The Company's term loan aggregating $29.5 million as at December 31, 2022, has effectively been converted to fixed-rate financings with interest rate swaps over the full term. As at December 31, 2022, the interest rate swaps were valued as an asset of $0.2 million.

The following summarizes key metrics of consolidated long-term debt as at December 31, 2022, and December 31, 2021.

(thousands of dollars unless otherwise noted)	**December 31, 2022**	December 31, 2021[3]
Weighted average interest rate of long-term debt outstanding	**5.5 %**	4.3 %
Weighted average term to maturity of long-term debt outstanding	**5.8 yrs**	5.9 yrs
Trailing twelve months consolidated interest coverage ratio[1]	**2.6 X**	3.5 X
Debt to Gross Book Value (GBV)		
Total assets (carrying value)	**781,579**	900,323
Accumulated depreciation on property and equipment	**287,890**	293,572
Accumulated amortization on other intangible assets	**41,053**	37,677
Deduct assets held for sale	**—**	(7,262)
GBV[i]	**1,110,522**	1,224,310
Debt[ii]	**391,157**	550,212
Debt to GBV[i]	**35.2 %**	44.9 %

(i) GBV excludes assets held for sale.

(ii) Debt includes convertible debentures at face value of $126.5 million and excludes deferred financing costs and debt related to assets held for sale.

Future Liquidity and Capital Resources

The Company's consolidated cash and cash equivalents on hand was $167.3 million as at December 31, 2022, as compared with $104.6 million as at December 31, 2021, representing an increase of $62.7 million. In addition, the Company has access to a further $77.0 million in undrawn demand credit facilities. Cash and cash equivalents exclude restricted cash of $2.7 million.

The Company had a working capital deficiency (current liabilities less current assets) of $16.9 million as at December 31, 2022, including the current portion of long-term debt of $19.2 million.

The Company has construction facilities in connection with three LTC projects in the aggregate of $156.6 million, of which $33.3 million was drawn as at December 31, 2022. For more information refer to the discussion under "Liquidity and Capital Resources – Long-term Debt – LTC Construction Financing".

Management believes that the current cash and cash equivalents on hand, cash from operating activities, available funds from credit facilities and future debt financings will be sufficiently available to support the Company's ongoing business operations, including required working capital, maintenance capex and debt repayment obligations and fund the completion of the Revera and Axium Transactions (refer to "Significant Developments – Advancing Regulatory Approvals and Integration Planning for Strategic Transactions With Revera and Axium to Expand Long-term Care"). Growth through redevelopment of the LTC homes over the next few years, strategic acquisitions and developments may necessitate the raising of funds through debt, equity financings and/or 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, inflationary impacts on operating costs and rising interest rates 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 inflationary impacts, rising interest rates and COVID-19 may result in reductions or early prepayments of existing financings if covenants are unable to be met (refer to "Risks and Uncertainties").

OTHER CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

Commitments

As at December 31, 2022, the Company has outstanding commitments of $55.9 million in connection with construction contracts for three LTC redevelopment projects, of which $51.6 million is estimated to be payable in 2023 and the balance in 2024, based on the anticipated construction schedules. The Company also has outstanding commitments of $24.8 million in connection with various IT service and license agreements to support the transition of key IT platforms to cloud-based solutions in support of the Company's growth initiatives (refer to *Note 20* of the audited consolidated financial statements).

Revera and Axium Transactions

On March 1, 2022, the Company entered into agreements with Revera and Axium in respect of the ownership, operation and redevelopment of LTC homes in Ontario and Manitoba (refer to the discussion under "Significant Developments – Advancing Regulatory Approvals and Integration Planning for Strategic Transactions With Revera and Axium to Expand Long-term Care".

Defined Benefit Pension Plan Obligations

The Company has benefit arrangements for certain of its executives, which include a registered defined benefit pension plan, as well as supplementary plans that provide pension benefits in excess of statutory limits and post-retirement health and dental benefits. These plans have been closed to new entrants for several years. The accrued benefit liability on the statement of financial position as at December 31, 2022, was $26.1 million (2021 – $33.8 million). The registered defined benefit plan was in an actuarial deficit of $1.4 million, with plan assets of $4.2 million and accrued benefit obligations of $5.6 million as at December 31, 2022 (2021 – an actuarial deficit of $2.2 million with plan assets of $4.6 million and accrued benefit obligations of $6.8 million). The accrued benefit obligations of the supplementary plans were $26.7 million as at December 31, 2022 (2021 – $33.0 million). The benefit obligations under the supplementary plans are secured by a $30.5 million letter of credit as at December 31, 2022 (2021 – $33.7 million) and plan assets of $2.0 million (2021 – $1.4 million). The letter of credit renews annually in May based on an actuarial valuation of the pension obligations. The annual benefit payments under the supplementary pension plan are funded from cash from operations and are expected to be in the range of $1.9 million to $2.2 million over the next five years. The annual contributions to the registered pension plan are less than $0.1 million. Since the majority of the accrued benefit obligations represent obligations under the non-registered supplementary plan, which is not required to be funded, changes in future market conditions are not expected to have a material adverse effect on the Company's cash flow requirements with respect to its pension obligations, or on its pension expense. Further details are provided in *Note 21* of the audited consolidated financial statements.

Legal Proceedings and Regulatory Actions

In the ordinary course of business, the Company is involved in and potentially subject to legal proceedings brought against it from time to time in connection with its operations. The COVID-19 pandemic has increased the risk that litigation or other legal proceedings, regardless of merit, will be commenced against the Company.

In April 2021, the Company was served with a statement of claim filed in the Court of Queen's Bench for Saskatchewan alleging negligence, breach of fiduciary duty, breach of contract and breach of the required standard of care by the Company and certain unnamed defendants in respect of all residents of Company LTC homes and retirement communities located in Saskatchewan as well as their family members. The claim seeks an order certifying the action as a class action and unspecified damages.

In January 2022, the case management judge overseeing the Company's COVID-related class action granted a plaintiff's motion to, among other things, consolidate all four active class actions against the Company into one action pursuant to the *Class Proceedings Act* (Ontario). The consolidated claim is in respect of all Ontario LTC homes owned, operated, licensed and/or managed by the Company and its affiliates and names as defendants the Company, certain of its affiliates and the owners of any such managed LTC homes and alleges negligence, gross negligence, breach of fiduciary duty, breach of contract, unjust enrichment, wrongful death in respect of all persons who contracted COVID-19 at the residence or subsequently contracted COVID-19 from such persons and breach of section 7 of the *Canadian Charter of Rights and Freedoms*. The consolidated claim seeks damages in the aggregate of $110 million. The plaintiffs served the consolidated claim in June 2022 and the Company delivered its statement of defence in July 2022.

The Company intends to vigorously defend itself against these claims and these claims are subject to insurance coverage maintained by the Company. However, given the status of the proceedings, the Company is unable to assess their potential outcome and they could have a materially adverse impact on the Company's business, results of operations and financial condition (see "Risks and Uncertainties").

In December 2020, the Government of Ontario passed Bill 218, *Supporting Ontario's Recovery Act* (Ontario), which provides targeted liability protection against 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". The protection under Bill 218 is retroactive to March 17, 2020, when Ontario first implemented emergency measures as part of its response to the COVID-19 pandemic. Similar legislation has been passed in other provincial jurisdictions, including Saskatchewan.

In October 2021, the Supreme Court of Canada dismissed an application for leave to appeal by the Attorney General of Ontario which sought to challenge the decision issued by the previous presiding court that ruled in favour of certain unions in respect of a legal challenge to a 2016 Pay Equity Tribunal decision. The unions argued that new pay equity adjustments were required in order to maintain pay equity with municipal LTC homes where PSWs and other direct care workers in other industries are included in determining pay equity. The matter has now been referred back to the Pay Equity Tribunal to settle the matter between the participating LTC homes, unions and the Government and establish a framework for pay equity suitable for the sector. The Company, along with other participants in the long-term care sector, including the Government of Ontario, are working to resolve the matter. Given the uncertainty of the matter and the various stakeholders involved, and as a result the wide range of possible settlement outcomes and related funding changes the Company is unable to determine a reliable estimate of the potential outcome and it could have a materially adverse impact on the Company's business, results of operations and financial condition.

DISCONTINUED OPERATIONS

The following describes those operations affecting the results for discontinued operations for the periods ended December 31, 2022 and 2021. Further details are provided in *Note 18* of the audited consolidated financial statements.

Retirement Living Sale

The Company previously announced an agreement to sell its retirement living operations composed of 11 retirement communities (1,050 suites), located in Ontario and Saskatchewan, to Sienna-Sabra LP, a partnership formed between Sienna Senior Living Inc. and SABRA Healthcare REIT, in February 2022. Accordingly, the Company classified its retirement living segment as discontinued in Q1 2022 and re-presented its comparative consolidated financial statements, including the comparative financial information presented in this MD&A.

On May 16, 2022, the Company completed the Retirement Living Sale for an aggregate purchase price of $307.5 million, and recorded a gain on sale of $67.9 million net of taxes, other adjustments and transaction costs, through discontinued operations (refer to "Significant Developments – Completed Sale of Retirement Living Portfolio").

Saskatchewan LTC Home Sale

The Company previously announced its intent to transition the operation of five long-term care homes to the SHA in October 2021. Accordingly, the Company classified its Saskatchewan LTC Homes as discontinued in Q4 2021 and re-presented its comparative consolidated financial statements, including the comparative financial information presented in this MD&A.

On October 9, 2022, the SHA and the Company completed the transition of the operations and delivery of long-term care services to the SHA, including the sale of the property, plant and equipment, certain other assets and the assumption of certain liabilities by the SHA, for an aggregate purchase price of $13.1 million and recorded a gain on sale of $6.3 million net of taxes, other adjustments and transaction costs, through discontinued operations (refer to "Significant Developments – Completed Transition and Sale of Saskatchewan LTC Homes").

Former U.S. Segment

Discontinued operations for the year ended December 31, 2021, include income of $3.6 million related to the release of indemnification provisions in connection with obligations retained by the Company following the sale of its former U.S. operations in 2015, and subsequent wind-up of its wholly owned Bermuda-based captive insurance company in 2020.

Earnings (Loss) from Discontinued Operations

The following tables provide the results of discontinued operations and a calculation of AFFO for the periods ended December 31, 2022 and 2021, respectively. The year-over-year comparisons for both periods reflect the decline in contribution to NOI and earnings from operating activities due to the sale of the retirement living segment in May 2022 and the Saskatchewan LTC Homes in October 2022, and the release in 2021 of indemnification provisions in connection with the Company's former U.S. operations.

DISCONTINUED OPERATIONS								**Three months ended December 31,**
	2022			**2021**				
(thousands of dollars unless otherwise noted)	**Retirement Living**	**SK LTC Homes**	**Total**	**Retirement Living**	**SK LTC Homes**	**U.S. Sale**	**Total**	**Total Change**
Revenue	—	**1,134**	**1,134**	13,210	14,075	—	27,285	(26,151)
Operating expense	—	**1,550**	**1,550**	9,982	13,539	—	23,521	(21,971)
Net operating (loss) income	—	**(416)**	**(416)**	3,228	536	—	3,764	(4,180)
RECONCILIATION TO AFFO								
Earnings (loss) from operating activities of discontinued operations	—	**(306)**	**(306)**	415	246	—	661	(967)
Add (Deduct):								
Depreciation and amortization	—	—	—	1,696	174	—	1,870	(1,870)
Depreciation for FFEC (maintenance capex)	—	—	—	(228)	(61)	—	(289)	289
Foreign exchange and fair value adjustments	—	—	—	(472)	—	—	(472)	472
Deferred income tax expense (recovery)	—	—	—	112	89	—	201	(201)
FFO from discontinued operations	—	**(306)**	**(306)**	1,523	448	—	1,971	(2,277)
Amortization of deferred financing costs	—	—	—	166	3	—	169	(169)
Accretion costs	—	—	—	19	—	—	19	(19)
Additional maintenance capex	—	—	—	(120)	5	—	(115)	115
AFFO from discontinued operations	—	**(306)**	**(306)**	1,588	456	—	2,044	(2,350)
AFFO per basic share *($)*	—	—	—	0.02	0.01	—	0.02	(0.02)
Total maintenance capex	—	—	—	348	56	—	404	(404)

DISCONTINUED OPERATIONS								Year ended December 31,
	2022			2021				
(thousands of dollars unless otherwise noted)	Retirement Living	SK LTC Homes	Total	Retirement Living	SK LTC Homes	U.S. Sale	Total	Total Change
Revenue	**18,937**	**40,925**	**59,862**	49,771	56,649	—	106,420	(46,558)
Operating expense	**15,058**	**44,041**	**59,099**	36,395	57,414	—	93,809	(34,710)
Net operating income (loss)	**3,879**	**(3,116)**	**763**	13,376	(765)	—	12,611	(11,848)
RECONCILIATION TO AFFO								
Earnings (loss) from operating activities of discontinued operations	**2,118**	**(2,290)**	**(172)**	1,508	(1,150)	3,642	4,000	(4,172)
Add (Deduct):								
Depreciation and amortization	**565**	**—**	**565**	7,046	691	—	7,737	(7,172)
Depreciation for FFEC (maintenance capex)	**(74)**	**—**	**(74)**	(921)	(260)	—	(1,181)	1,107
Other expense, net of current tax	**—**	**—**	**—**	—	—	(3,642)	(3,642)	3,642
Foreign exchange and fair value adjustments	**(1,627)**	**—**	**(1,627)**	(1,567)	—	—	(1,567)	(60)
Deferred income tax expense (recovery)	**468**	**—**	**468**	369	(415)	—	(46)	514
FFO from discontinued operations	**1,450**	**(2,290)**	**(840)**	6,435	(1,134)	—	5,301	(6,141)
Amortization of deferred financing costs	**263**	**—**	**263**	697	3	—	700	(437)
Accretion costs	**(74)**	**—**	**(74)**	76	—	—	76	(150)
Additional maintenance capex	**(727)**	**(17)**	**(744)**	(69)	(267)	—	(336)	(408)
AFFO from discontinued operations	**912**	**(2,307)**	**(1,395)**	7,139	(1,398)	—	5,741	(7,136)
AFFO per basic share *($)*	**0.01**	**(0.03)**	**(0.02)**	0.08	(0.02)	—	0.06	(0.08)
Total maintenance capex	**801**	**17**	**818**	990	527	—	1,517	(699)

ACCOUNTING POLICIES AND ESTIMATES

Critical Accounting Policies and Estimates

A full discussion of the Company’s critical accounting policies and estimates is provided in *Note 3* of the audited consolidated financial statements for the year ended December 31, 2022, and under the headings “New Accounting Policies Adopted” and “Future Changes in Accounting Policies” that follow this section.

Management considers an understanding of the Company’s accounting policies to be essential to an understanding of its financial statements because their application requires significant judgement and reliance on estimations of matters that are inherently uncertain, which affect the application of the accounting policies and reported amounts. Estimates and underlying assumptions are reviewed on an ongoing basis giving consideration to past experience and other factors that management believes are reasonable under the circumstances. Accordingly, actual results could differ from those estimated. The estimates and assumptions, which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, are discussed below.

VALUATION OF CASH-GENERATING UNITS (“CGUs”) AND IMPAIRMENT

Non-financial assets consist of property and equipment, intangible assets with finite lives, intangible assets with indefinite lives and goodwill. Property and equipment represents approximately 50% of the Company’s total assets as at December 31, 2022, and goodwill and other intangibles represent approximately 12%. A CGU is defined to be the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets. The Company has identified the home health care segment and each individual LTC home as a CGU.

Goodwill and indefinite-life intangibles are tested annually, except in the year of acquisition, and other assets are assessed for impairment when indicators of impairment exist. If any such indication exists, then the asset’s recoverable amount is reassessed. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated annually at the same time or more frequently if warranted. An impairment loss is recognized in net earnings if the carrying amount of an asset or its related CGU, or group of assets on the same basis as evaluated by management, exceeds its estimated recoverable amount.

The determination of recoverable amounts can be significantly impacted by estimates related to current market valuations, current and future economic conditions in the geographical markets of each CGU, and management’s strategic plans within each of its markets. Estimates and assumptions used in the determination of any impairment loss are based upon information that is known at the time, along with future outlook. When impairment tests are performed, the estimated useful lives of the assets are reassessed, with any change accounted for prospectively. Actual results can differ from these estimates and can have either a positive or negative impact on the estimate, and impact whether an impairment situation exists.

During 2022, the Company performed an impairment assessment of its operations and recognized a pre-tax impairment charge of property and equipment of $4.9 million in respect of certain of the Company's LTC homes in Manitoba and Alberta.

During 2021, the Company performed an impairment assessment of its operations and recognized a pre-tax impairment charge of property and equipment of $9.1 million in respect of certain of the Company's LTC homes in Manitoba and Alberta and a pre-tax impairment charge of goodwill in the amount of $5.8 million, in respect of certain of the Company's LTC homes in Manitoba.

For additional details on impairment refer to *Note 15* of the audited consolidated financial statements for the year ended December 31, 2022.

New Accounting Policies Adopted

The Company did not adopt any new significant accounting policies during the year ended December 31, 2022.

Future Changes in Accounting Policies

The following accounting standards, amendments and interpretations will take effect for the Company after December 31, 2022, the nature and effect of which are provided in *Note 3* of the audited consolidated financial statements, and described below:

CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

Beginning no later than January 1, 2024, the Company will adopt IAS amendments to IAS 1 *Presentation of Financial Statements*, which clarified the criteria of classification of liabilities as current or non-current. Management is assessing whether the adoption of this amendment is expected to have a material impact on the consolidated financial statements. The International Accounting Standards Board has tentatively deferred the adoption date to no earlier than January 1, 2024.

Disclosure Controls and Procedures

Management is responsible for establishing and maintaining a system of disclosure controls and procedures ("DC&P") to provide reasonable assurance that all material information relating to the Company is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), on a timely basis so that appropriate decisions can be made regarding public disclosure.

An evaluation of the effectiveness of the DC&P was conducted as at December 31, 2022, by management under the supervision of the Company's CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures, as defined by National Instrument 52-109, Certification of Disclosures in Issuers' Annual and Interim Filings, were effective as at December 31, 2022.

Internal Control over Financial Reporting

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

Management, under the supervision of the Company's CEO and CFO, has evaluated the effectiveness of our ICFR using the 2013 Integrated Control framework as published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management has concluded that our ICFR were effective and that there were no material weaknesses in the Company's ICFR as at December 31, 2022.

In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required to use judgement in evaluating controls and procedures.

NON-GAAP MEASURES

Certain measures used in this MD&A listed below, including any related per share amounts, used by management to measure, compare and explain the operating results and financial performance of the Company, are not measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. These 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. These measures 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. Such measures are presented in this document because management believes that they are a relevant measure of Extendicare's operating performance and ability to pay cash dividends.

Management uses these measures to exclude the impact of certain items, because it believes doing so provides investors a more effective analysis of underlying operating and financial performance and improves comparability of underlying financial performance between periods. The exclusion of certain items does not imply that they are non-recurring or not useful to investors.

These measures are defined below and reconciliations to the most comparable GAAP measure are referenced, as applicable.

"**Net operating income**", or "**NOI**", is defined as revenue less operating expenses, and this value represents the underlying performance of the operating business segments.

“**NOI margin**” is defined as NOI as a percentage of revenue.

“**EBITDA**” is defined as earnings (loss) from continuing operations before net finance costs, income taxes, depreciation and amortization.

“**Adjusted EBITDA**” is defined as 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. 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.

“**Adjusted EBITDA Margin**” is defined as Adjusted EBITDA as a percentage of revenue.

Reconciliations of “net operating income” and “Adjusted EBITDA” to “earnings (loss) from continuing operations before income taxes” are provided under “Select Quarterly Financial Information – Reconciliations of Adjusted EBITDA and Net Operating Income”.

“**Earnings (loss) from continuing operations before separately reported items, net of tax**” is defined as 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. “Foreign exchange and fair value adjustments” relate to the change in the fair value of or gains and losses on interest rate agreements, and foreign exchange gains or losses on capital items. “Other expense”, or “other income”, relates to gains or losses on the disposal or impairment of assets and early retirement of debt, transaction and integration costs in connection with acquisitions, restructuring and transformation charges, and proxy related costs. 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.

Reconciliations of “earnings (loss) from continuing operations before separately reported items” to “earnings (loss) from continuing operations” are provided under “Statement of Earnings”.

“**Funds from Operations**”, or “**FFO**”, is defined as net earnings before income taxes, depreciation and amortization, foreign exchange and fair value adjustments, and the line item “other expense” (otherwise referred to 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 (excluding current income taxes in respect of “foreign exchange and fair value adjustments” and “other expense” that are not otherwise included in FFO). Depreciation for FFEC is considered representative of the amount of maintenance (non-growth) capital expenditures, or “maintenance capex”, to be used in determining FFO, 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.

Reconciliations of FFO to “earnings from continuing operations” are provided under “Funds from Operations and Adjusted Funds from Operations – Reconciliations of FFO to Net Earnings”.

“**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 were funded through investments held for the former 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 considers AFFO a relevant measure of the ability of the Company to earn cash and pay cash dividends to shareholders.

“**Payout ratio**” is defined as the ratio of dividends declared to AFFO. Management considers this a useful metric to evaluate the Company’s dividend capacity.

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.

Reconciliations of “net cash from operating activities” to “AFFO” are provided under “Funds from Operations and Adjusted Funds from Operations – Reconciliations of AFFO to Net Cash From Operating Activities”.

“**Interest coverage ratio**” and “**net interest coverage ratio**” are defined as the ratio of Adjusted EBITDA to interest expense with interest capitalized included and financing prepayment costs and the amortization of deferred financing costs excluded, and in the case of ‘net interest’ with interest revenue included. Management considers these relevant measures as they indicate the Company’s ability to meet its interest cost obligations on a trailing twelve-month basis.

“**NOI Yield**” is defined as the estimated stabilized NOI of a development property in the first year it achieves expected stabilized occupancy, plus the annual construction funding subsidy, or CFS, for certain LTC homes, if applicable, divided by the estimated Adjusted Development Costs, as defined below. Management considers this 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 construction 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.

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in securities and activities of the Company, including the ones described below. The Company is exposed to a number of risks and uncertainties in the normal course of business that have the potential to affect operating performance. The Company has operating and risk management strategies and insurance programs to help minimize these operating risks and uncertainties, in addition to entity level controls and governance procedures, including a corporate code of business conduct, whistleblower policies and procedures, and detailed policies and procedures regarding the delegation of authority within the Company.

The risks and uncertainties described below could adversely affect the business, results of operations and financial condition of the Company, cause the trading price of the Company’s securities to decline and cause the actual outcome of matters to differ materially from the expectations of the Company regarding future results, performance or achievements reflected in information in this MD&A and other information provided by the Company from time to time. The risks and uncertainties described below, which is not an exhaustive description of the risks and uncertainties faced by the Company, should be carefully considered by investors.

General Business Risks

The Company is subject to general business risks inherent in the senior care industry, including: changes in government regulation and oversight; changing consumer preferences; fluctuations in occupancy levels and business volumes; the availability and ability of the Company to attract and retain qualified personnel; the ability of the Company to retain or renew its government licenses and customer contracts; changes in government funding and reimbursement programs, including the ability to achieve adequate government funding increases; changes in labour relations, employee costs and pay equity; increases in other operating costs; competition from other senior care providers; changes in neighbourhood or location conditions and general economic conditions; health related risks, including disease outbreaks (for example, COVID-19) and control risks; changes in accounting principles and policies; the imposition of increased taxes or new taxes; capital expenditure requirements; and changes in the availability and cost of both short- and long-term financing, which may render refinancing of long-term debt difficult or unattractive. Any one of, or a combination of, these factors may adversely affect the business, results of operations and financial condition of the Company.

In addition, there are inherent legal, reputational and other risks involved in providing accommodation and health care services to seniors. The vulnerability and limited mobility of some seniors enhances such risks. Such risks include disease outbreaks (including COVID-19), fires or other catastrophic events at a Company location which may result in injury or death, negligent or inappropriate acts by employees or others who come into contact with the residents and clients, and unforeseen events at locations at which the Company operates that result in damage to the Company’s brand or reputation or to the industry as a whole, particularly in respect of Extendicare Assist clients where the Company has limited direct operational control and where onsite staff are not Extendicare employees.

Risks Related to a Pandemic, Epidemic or Outbreak of a Contagious Illness, such as COVID-19

The occurrence of a pandemic, epidemic, or other outbreak of an infectious illness or other public health crisis in areas in which we operate could have a material adverse effect on the business, results of operations and financial condition of the Company. Federal, provincial or local health agencies may, or we may choose to, ban or limit admissions to LTC homes and retirement communities and/or suspend or limit the home health care services we provide as a precautionary measure in a crisis to avoid the spread of a contagious illness or other public health crisis, resulting in reduced occupancy and service volumes, on both a short and longer term basis. Even in the absence of any such ban, limit or suspension, our clients may postpone or refuse services or delay residency in an attempt to avoid possible exposure. Also, enhanced procedures, protocols and care put in place to assist in reducing the likelihood of exposure or address actual illness in LTC homes and retirement communities or in respect of home health care clients (for example, enhanced screening and protective equipment) has resulted in, and may continue to result in, increased costs. In addition, a pandemic, epidemic or other outbreak might adversely impact our operations by causing staffing and supply shortages. Although continued or enhanced government funding or assistance may mitigate some of these impacts, there is no certainty the extent to which that will be the case or that any such funding or assistance will remain in place. In addition, outbreaks cause our facilities and our management to spend considerable time planning for and addressing such events, which diverts their attention from other business concerns. Also, to the extent a pandemic, epidemic or other outbreak results in adverse outcomes for the Company’s residents, clients or employees, the likelihood of claims being brought against the Company in respect of such adverse outcomes as well as adverse regulatory changes being instituted increases, and the ability and cost of insuring against such claims may become more challenging (see “Other Contractual Obligations and Contingencies – Legal Proceedings and Regulatory Actions”). Further, such outbreaks may impact the overall economy so that credit markets are adversely affected, which may make it more difficult for the Company to access the credit markets or, if able to do so, at a higher cost or less advantageous terms, potentially impacting, among other things, re-financings and our development plans and timelines.

The COVID-19 pandemic has resulted in a number of the foregoing events to transpire (see “Other Contractual Obligation and Contingencies – Legal Proceedings and Regulatory Actions” and “Significant Developments – COVID-19 Related Expenses and Funding” for further details), and while we believe that the financial impacts of COVID-19 that the Company has experienced have to a substantial degree been mitigated as the impacts of the pandemic have eased (including as a result of high vaccination rates amongst our residents, staff and visitors as well as enhanced government funding), there can be no assurance that they will continue to be mitigated and that COVID-19 or any other pandemic, epidemic or outbreak will not have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Inflationary Pressures and Supply Chain Interruptions

Labour and supply expenses make up a substantial portion of our cost of services. Those expenses can be subject to increases in periods of rising inflation and when labour shortages occur in the marketplace. Although historically we have generally been able to implement cost control measures and proactive human resource and procurement practices and/or obtain increases in government funding sufficient to substantially offset increases in these expenses, there can be no assurance that we will be able to anticipate fully or otherwise respond to any inflationary pressures or receive such increased funding, which may have a material adverse effect on the business, results of operations and financial condition of the Company. Similarly, such inflationary pressures, as well as strengthening economic conditions and competition for materials and services, may result in significant increases in redevelopment costs such that, in the absence of increased funding, redevelopment projects may no longer be economically viable or, if viable, provide a return on investment lower than initially anticipated.

The Company relies on certain key suppliers to provide it with certain medical and personal protective equipment and other supplies. A shortage of such equipment, due to pandemic-related or other supply chain disruptions, could have a material adverse impact on the Company's business, especially if it is unable to find reasonable alternatives or secure such equipment at reasonable prices. The Company's ability to secure sufficient equipment is affected by many factors beyond its control. A shortage or disruption in equipment and parts that are critical to the Company's operations could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Growth, Acquisitions and Redevelopment

The Company expects that it will continue to have opportunities to acquire businesses and properties, develop properties, redevelop or expand existing LTC homes, and grow its home health care, management and consulting services and group purchasing businesses, but there can be no assurance that this will be the case.

The number of licensed LTC beds are restricted by the provinces and any new licenses are awarded through a request for proposal process. The provinces also regulate the manner in which LTC homes are developed and redeveloped. If regulatory approvals are required in order to expand operations (via development or otherwise) or redevelop operations of the Company, the inability of the Company to obtain the necessary approvals, changes in standards applicable to such approvals and possible delays and expenses associated with obtaining such approvals could adversely affect the ability of the Company to expand or redevelop and, accordingly, to maintain or increase its revenue and earnings.

Approximately 44% of the Company's owned LTC beds are in older Ontario homes that are subject to redevelopment requirements. In Ontario, licenses for LTC homes are issued for a fixed term of not more than 30 years, after which the license may or may not be renewed. Long-term care operators are to be notified of license renewals at least three years prior to the maturity date. License terms for Class B and C LTC homes in Ontario are set to expire in June 2025, unless the license terms are extended until the homes are redeveloped to the government's new design standards whereafter a new license will be issued upon successful application. Given the significant backlog in demand for long-term care, the lack of alternative care environments, the government's current targets for upgrades by 2028, and license extension precedents to date, management is of the view that it is likely that licenses will be extended until redevelopment can be completed; however, there can be no assurance that this will be the case. The Company has been awarded 4,248 new or replacement beds across 20 redevelopment projects, which would replace all of its 3,285 existing Class C beds, of which three projects are currently under construction under the government's development program for new and replacement beds (see "Significant Developments – Enhancements to the Government of Ontario Capital Funding Program Announced in Q4 2022; Focused on Advancing New Projects to Commence Construction in 2023"). The extent to which such redevelopment plans are not implemented or proceed on significantly different timing, terms or government funding than currently anticipated, could have a material adverse effect on the business, results of operations and financial condition of the Company.

The success of the business acquisition and development activities of the Company will be determined by numerous factors, including the ability of the Company to identify suitable acquisition targets, competition for acquisition and development opportunities, purchase price, ability to obtain external sources of funding or adequate financing on reasonable terms, the ability to obtain regulatory approvals for acquisitions in a timely manner and on terms acceptable to the Company, the financial performance of the businesses or homes after acquisition or development, and the ability of the Company to effectively integrate and operate the acquired businesses or homes. Acquired businesses or homes, and development projects, may not meet financial or operational expectations due to the possibility that the Company has insufficient management expertise to engage in such activities profitably or without incurring inappropriate amounts of risk, unexpected costs or delays associated with their acquisition or development, such as in respect of construction, as well as the general investment risks inherent in any real estate investment and development, or business acquisition. Moreover, new acquisitions may require significant management attention, place additional demands on the Company's resources, systems, procedures and controls, and capital expenditures that would otherwise be allocated by the Company in a different manner to existing businesses. Any failure by the Company to identify suitable candidates for acquisition, successfully complete development projects, secure financing, or operate the new businesses effectively may have a material adverse effect on the business, results of operations and financial condition of the Company.

Furthermore, agreements to acquire, sell and develop properties entered into with third parties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse effect on the business, results of operations and financial condition of the Company. Representations and warranties given by such third parties to the Company may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties.

As previously disclosed, the Company has entered into definitive agreements in respect of several acquisition and disposition opportunities, the impact of which on the business, results of operations and financial condition of the Company cannot be ascertained at this time. These acquisition and disposition activities include the Company entering into joint venture arrangements in respect of the ownership and operation of certain LTC homes, three of which are currently wholly owned and under development by the Company and the remaining 24 of which are owned and operated by third parties. These joint venture arrangements have the benefit of sharing the risks associated with the development, ownership and management of such homes including those risks described herein. The Company may, however, be exposed to adverse developments, including a possible change in control, in the business and affairs of its joint venture partners which could have a significant impact on the Company's interests in its joint ventures and could affect the value of the joint ventures. In addition, there are risks which arise from the joint venture arrangements themselves, including: the risk that the other joint venturer may exercise buy-sell, put or other sale or purchase rights which could obligate the Company to sell its interest or buy the other joint venturer's interest at a price which may not be favourable to the Company or at a time which may not be advantageous to the Company, which may have a material adverse effect on the business, results of operations and financial condition of the Company.

The success of the Company's ability to grow its management and consulting services, group purchasing and home health care businesses will be determined by numerous factors, including the ability of the Company to retain, renew and secure new contracts, identify suitable markets, develop competitive services and marketing and pricing strategies, attract and retain residents and clients, and hire, retain and motivate key personnel. Changes in government funding policies and regulatory changes, the risks related to which are described below under "– Risks Related to Government Oversight, Funding and Regulatory Changes", in addition to the financial performance of these businesses, also impact the Company's growth potential. Any failure by the Company to grow or operate its businesses effectively may have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Occupancy and Business Volumes

Senior care providers compete primarily on a local and regional basis with many other health care, long-term care and retirement living providers, including large publicly held companies, privately held companies, not-for-profit organizations, hospital-based LTC units, rehabilitation hospitals, home health care agencies, and rehabilitative therapy providers. The Company's ability to compete successfully varies from location to location and depends on a number of factors, including the number of competitors in the local market, the types of services available, the Company's local reputation for quality care, the commitment and expertise of its staff, the Company's local service offerings, the cost of care in each locality, and the physical appearance, location, age and condition of its residences. Increased competition could limit the Company's ability to attract and retain residents and clients and thus maintain or increase occupancy levels and business volumes. An inability to continue to attract residents and clients could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Government Oversight, Funding and Regulatory Changes

The Company's earnings are highly reliant on government funding and reimbursement programs, and the effective management of staffing and other costs of operations, which are strictly monitored by government regulatory authorities. Given that the Company operates in a labour-intensive industry, where labour costs account for a significant portion of the Company's operating costs (approximately 85% in 2022, excluding estimated costs related to COVID-19 and CEWS), government funding constraints, or funding enhancements that are not commensurate with increased costs, could have a significant adverse effect on the Company's results from operations and cash flows. The Company is unable to predict whether governments will adopt changes in their funding and regulatory programs, including as a result of the COVID-19 pandemic, nor can it predict the impact, if any, such changes, the passing by the Government of Ontario of the *Fixing Long-Term Care Act, 2021* or the issuance by the HSO of national long-term care standards (see "Significant Developments – Regulatory Developments"), will have on the Company's business, results of operations and financial condition.

Health care providers are subject to surveys, inspections, audits and investigations by government authorities to ensure compliance with applicable laws and licensure requirements of the various government funding programs. Long-term care operators and publicly funded home health care providers must comply with applicable regulations that, depending on the jurisdiction in which they operate, may relate to such matters as staffing levels, client care related operating standards, occupational health and safety, client confidentiality, billing and reimbursement, along with environmental and other standards. The government review process is intended to determine compliance with survey and certification requirements, and other applicable laws. Remedies for survey deficiencies can be levied based upon the scope and severity of the cited deficiencies and range from notices of deficiencies to revocation of licenses or termination of contracts. The revocation of a license by authorities or the cancellation of a service contract due to inadequate performance by the operator has been historically infrequent and is usually preceded by a series of warnings, notices and other sanctions. Also refer to the discussion regarding license expiry under "– Risks Related to Growth, Acquisitions and Redevelopment"**.** To a lesser degree, retirement communities are also subject to government regulation and oversight, licensure requirements and the potential for regulatory change.

Non-compliance with applicable laws and licensure requirements could result in adverse consequences, including severe penalties, which may include criminal sanctions and fines, civil monetary penalties and fines, administrative and other sanctions, including reimbursement of government funding or exclusion from participation in government-funded programs, or one or more third-party payor networks, and reputational damage to the Company. These penalties could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company accrues for costs that may result from investigations, or any possible related litigation, to the extent that an outflow of funds is probable and a reliable estimate of the amount of associated costs can be made; however, there can be no assurance that such accruals are accurate or sufficient.

In addition, reconciliations of funding versus actual expenses are performed annually, based on previous calendar years. From time to time, the reconciliations will result in current year adjustments made in respect of prior years. These “prior period adjustments” can have either a favourable or unfavourable impact on NOI generally related to differences identified in the reconciliation attributable to occupancy days, regulatory accountabilities, allocations between funding envelopes, where applicable, special circumstances and differences between projected and actual property tax.

With respect to home health care services, approximately 99% of ParaMed’s revenue is from contracts tendered by locally administered provincial agencies, at specified billing rates and, among other things, quality operating and performance standards. Home health care service providers must ensure their key performance indicators are meeting or exceeding provincial targets in order to continue to receive their allocated funding volumes and/or retain their contracts. Contracts with qualified service providers are generally awarded through a competitive bidding model. Any failure by ParaMed to retain its government contracts, including in connection with any regulatory or other funding changes, may have a material adverse effect on the business, results of operations and financial condition of the Company.

The majority of ParaMed’s volumes are generated in Ontario and Alberta, representing 93% and 4%, respectively, based on volumes delivered in 2022. In Alberta, government contracts have specified termination dates and or/renewal periods, following which they are put out to tender. Since 2012, ParaMed’s government-funded business in Ontario has been obtained through evergreen contracts. A service provider’s ability to retain its existing business is evaluated based on, among other things, an established set of quality indicators. Under this regime, all of ParaMed’s government contracts in Ontario have remained in effect. On April 1, 2021, Home and Community Care Support Services (“HCCSS”) assumed the home health care contracts, including those in respect of ParaMed, from the Local Health Integration Networks (“LHINs”) without change, but is in the planning stages of determining a restructuring of the home health care contracts to reflect the dissolution of the LHINs. Although the ultimate treatment of these contracts is not yet known, ParaMed may be adversely impacted by such HCCSS restructuring. While any change in home care contracting and associated government operating models would represent a significant change, the underlying market demand and government guiding principles, such as continuity of care between patients and caregivers, is such that it is likely that there would be minimal disruption to ParaMed’s business service provision; however, the Company is unable to predict the nature and extent such changes will have on the Company’s business, results of operations and financial condition.

Risks Related to Dependence on Key Personnel

The success of the Company depends, to a significant extent, on the efforts and abilities of its executive officers and other members of management, as well as its ability to attract and retain qualified personnel to manage existing operations and future growth. Although the Company has entered into employment agreements with its key employees, it cannot be certain that any of these individuals will not voluntarily terminate his or her employment with the Company. The loss of an executive officer or other key employee could negatively affect the Company’s ability to develop and pursue its business strategy, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

CONFLICTS OF INTEREST

The Company’s Board of Directors may, from time to time, in their individual capacities deal with parties with whom the Company may be dealing, or may be seeking investments similar to those desired by the Company. The relevant constating documents of the Company contain conflict of interest provisions requiring the Company’s directors to disclose material interests in material contracts and transactions and to refrain from voting thereon.

Risks Related to Labour Intensive Business

AVAILABILITY AND COST OF PERSONNEL

The senior care industry is labour intensive, with approximately 85% of the Company’s operating costs represented by labour costs, excluding estimated costs related to COVID-19 and CEWS. The Company competes with other health care providers in attracting and retaining qualified and skilled personnel to manage and operate its businesses. The health care industry has historically been afflicted with shortages of qualified personnel, such as nurses, certified nurse’s assistants, nurse’s aides, therapists and PSWs, particularly in non-urban settings, which have been amplified throughout the COVID-19 pandemic. This shortage along with general inflationary pressures may require the Company to enhance its pay and benefits package to compete effectively for qualified personnel. The Company may not be able to recover such added costs through increased government funding and reimbursement programs, or through increased rates charged to residents and clients. In addition, the Company has contracted out select dietary and housekeeping services provided in some of its homes. Should the Company become dissatisfied with the quality or cost of such contracted services, it may need to terminate the related contracts and recruit replacement staff at an incremental cost and potential business disruption. The inability to retain and/or attract qualified personnel and meet minimum staffing levels may result in: a reduction in occupancy levels and volume of services provided; the use of staffing agencies at added costs; an increased risk in the inability to provide continuity of care between the Company’s staff and its residents and clients; and an increased risk of the Company being subject to fines and penalties. Furthermore, this ongoing shortage of qualified personnel has necessitated that the Company use staffing agencies to meet its staffing needs, which, in turn, has increased the Company’s operating costs. An increase in personnel costs or a failure to attract, train and retain qualified and skilled personnel could adversely affect the business, results of operations and financial condition of the Company.

WORKPLACE HEALTH AND SAFETY

Failure to comply with appropriate and established workplace health and safety policies and procedures or applicable legislative requirements could result in increased workplace injury-related liability and penalties and reputational harm to the Company and thus have a material adverse effect on the business, results of operations and financial condition of the Company.

LABOUR RELATIONS

Approximately 74% of the Company's employees are represented by labour unions. Labour relations with the unions are governed by numerous collective bargaining agreements with different unions. Upon expiration of the collective bargaining agreements, the Company may not be able to negotiate collective agreements on satisfactory terms. There can be no assurance that the Company will not at any time, whether in connection with the renegotiation of a collective bargaining agreement or otherwise, experience strikes, other labour disruptions or any other type of conflict with unions or employees which could have a material adverse effect on the Company's business, operating results and financial condition. The LTC homes that the Company operates are generally subject to legislation that prohibits both strikes and lock-outs, and requires compulsory arbitration to settle labour disputes. In jurisdictions where strikes and lockouts are permitted, certain essential services regulations apply which provide for the continuation of resident care and most services.

There can be no assurance that employees who are not currently unionized will not, in the future, become unionized, the result of which could increase the Company's labour costs, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Liability and Insurance

Operating in the senior care industry exposes the Company to an inherent risk of claims of wrongful death, personal injury, professional malpractice and other potential claims being brought by the Company's residents, clients, and employees. From time to time, the Company is subject to lawsuits alleging, among other claims, that the Company did not properly treat or care for a client or resident, that the Company failed to follow internal or external procedures that resulted in harm to a client or resident, or that the Company's employees mistreated the Company's residents or clients resulting in harm. In addition, attempts to advance class action lawsuits have become prevalent in the Canadian marketplace, including in respect of senior care and as a result of the COVID-19 pandemic. There can be no assurance that the Company will not continue to face risks of this nature (see "Other Contractual Obligations and Contingencies – Legal Proceedings and Regulatory Actions").

The Company maintains business and property insurance policies in amounts and with such coverage and deductibles as it deems appropriate, based on the nature and risks of the business, historical experience, industry standards and availability of insurance. There can be no assurance, however, that claims in excess of the insurance coverage, or in excess of the Company's reserves, or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms, including as a result of the COVID-19 pandemic. Furthermore, there are certain types of risks, generally of a catastrophic nature, such as war, non-certified acts of terrorism, environmental contamination, and more recently infectious diseases, such as COVID-19, which are either uninsurable or are not insurable on an economically viable basis. A successful claim against the Company not covered by, or in excess of, such insurance, or in excess of the Company's reserves for self-insured retention levels, could have a material adverse effect on the business, results of operations and financial condition of the Company. Claims against the Company, regardless of their merit or eventual outcome, may also have a material adverse effect on the ability of the Company to attract residents and clients, or maintain favourable standings with regulatory authorities.

Risks Related to Privacy of Client Information, Cyber Security and Information Technology

As a custodian of a large amount of personal information, including health information, relating to its residents, clients and employees, the Company is exposed to the potential loss, misuse or theft of any such information. If the Company were found to be in violation of federal and provincial laws protecting the confidentiality of patient health information, it could be subject to sanctions and civil or criminal penalties, which could increase its liabilities, harm its reputation and have a material adverse effect on the business, results of operations and financial condition of the Company. In addition, cyber attacks against large organizations are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. The Company mitigates this risk by deploying appropriate information technology systems, including controls around logical access, physical access and data management, and training its employees relating to safeguarding of sensitive information.

The Company has deployed operational technology solutions enabling process automation, electronic health record data collection and automated business intelligence. Technology deployments also present security and privacy risks that must be managed proactively and effectively to prevent breaches that can have a material adverse impact on the Company's reputation and results of operations. To counter internet-based and internal security threats, the Company invests in cyber defence technologies to identify risks to its network, software and hardware systems. The Company partners with leading technology security firms to mitigate identified risks and develop contingency plans. As security threats to the Company's financial, client and employee data increase and evolve, the Company adjusts and adopts new countermeasures in an effort to ensure it maintains high privacy and security standards. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Although to date the Company has not experienced any material losses relating to cyber attacks or other information security breaches, there can be no assurance that the Company will not incur such losses in the future and any such losses may have a material adverse effect on the business, results of operations and financial condition of the Company.

Furthermore, the Company is reliant on information technology systems in the operation of its business and any prolonged disruption to the availability of such systems or difficulties in integrating systems following changes, upgrades or other enhancements may have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's operations also depend on the timely maintenance, upgrade and replacement of systems and software, as well as pre-emptive expenses to mitigate the risk of failures. Any of these and other events could result in information technology system failures and/or increase in capital expenditure. The failure of such systems could, depending on the nature of any such failure, adversely impact the Company's reputation and may have a material adverse impact on the business, results of operations and financial condition of the Company.

Risks Related to Tax Rules and Regulations

The Company is subject to audits from federal, state and provincial tax jurisdictions and is therefore subject to risk in the interpretation of tax legislation and regulations. Tax rules and regulations are complex and require careful review by the Company's tax management and its external tax consultants. Differences in interpretation of tax rules and regulations, including in respect of CEWS, could result in tax assessments and penalties for the untimely payment of the determined tax liability, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Financing

DEBT FINANCING

Due to the level of real property ownership by the Company, a significant portion of the consolidated cash flow of the Company is devoted to servicing debt, including mortgages, convertible debentures, credit facilities and lease liabilities, and there can be no assurance that the Company will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the Company were unable to meet its required interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing.

The Company has two demand credit facilities totalling $112.3 million, one of which is secured by 13 Class C LTC homes in Ontario ($47.3 million) and the other is secured by the assets of the home health care business ($65.0 million), of which $77.0 million was available and unutilized as at December 31, 2022. Neither of these facilities has financial covenants but do contain normal and customary terms, including annual re-appraisals of the homes that could limit the maximum level of the line of credit and other restrictions on the Company's subsidiaries making certain payments, investments, loans and guarantees. A demand for repayment of amounts drawn on the lines of credit could inhibit the flow of cash dividends by the Company on a temporary basis until alternative financing is obtained.

The Company cannot predict whether future financing will be available, what the terms of such future financing will be (including, whether it will result in a higher cost of borrowing – see "Interest Rates" below) or whether its existing debt agreements will allow for the timely arrangement and implementation of such future financing. If the Company was unable to obtain additional financing or refinancing when needed or on satisfactory terms, it could have a material adverse effect on the business, results of operations and financial condition of the Company.

DEBT COVENANTS

The Company and its subsidiaries are in compliance with all of their respective financial covenants as at December 31, 2022. However, there can be no assurance that future covenant requirements will be met. The Company's bank lines and other debt may be affected by its ability to remain in compliance. If the Company does not remain in compliance with its financial covenants and it is unable to amend the covenants, obtain waivers or refinance its debt when needed or on satisfactory terms, it could have a material adverse effect on the business, results of operations and financial condition of the Company.

INTEREST RATES

The Company has limited the amount of debt that may be subject to changes in interest rates, with $21.1 million of mortgage debt and $33.3 million of construction loans at variable rates as at December 31, 2022. The Company primarily finances its properties through fixed-rate mortgages and considers securing interest rate swap agreements for any variable-rate debt to mitigate exposure to interest rate changes. The Company's other variable-rate mortgages and term loan aggregating $29.5 million as at December 31, 2022, have effectively been converted to fixed-rate financings with interest rate swaps over the full term. The Company maintains risk management control systems to monitor interest rate risk attributable to its outstanding or forecasted debt obligations as well as any offsetting hedge positions. The Company does not enter into financial instruments for trading or speculative purposes.

Increases in interest rates and principal repayments required under the Company's mortgages and credit facilities, on renewal or otherwise, could result in significant changes in the amount required to be applied to debt service and, as a result it could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Real Property Ownership

REAL PROPERTY OWNERSHIP

All real property investments are subject to a degree of risk. They are affected by various factors, including geographic concentration, changes in general economic conditions (such as the availability of mortgage financing) and in local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to residents, competition from other available space and various other factors.

The Company owns or operates under 25-year lease arrangements whereby ownership transfers at the end of the lease term, 100% of its LTC homes, excluding those to which it provides contract services. LTC homes are limited in terms of alternative uses; therefore, their values are directly driven by the cash flow from operations. The value of the real property depends, in part, on government funding, license terms, and reimbursement programs. In addition, overbuilding in any of the market areas in which the Company operates could cause its homes to experience decreased occupancy or depressed margins, which could have a material adverse effect on the business, results of operations and financial condition of the Company. Moreover, certain significant expenditures relating to real property ownership, such as real estate taxes, maintenance costs and mortgage payments, represent liabilities that must be met regardless of whether the property is producing sufficient income.

Real property investments are relatively illiquid, thereby limiting the ability of the Company to vary its portfolio in a timely manner in response to changed economic or investment conditions. By focusing principally in LTC homes, the Company is exposed to adverse effects on that segment of the real estate market. There is a risk that the Company would not be able to sell its real property investments or that it may realize sale proceeds below their current carrying value.

CAPITAL INTENSIVE INDUSTRY

The Company must commit a substantial portion of its funds to maintain and enhance its property and equipment to meet regulatory standards, operate efficiently and remain competitive in its markets. In addition to recurring maintenance capex, the Company invests in enhancements of existing properties aimed at earnings growth and improved profitability, including redevelopment of LTC homes under provincial programs. See "– Risks Related to Growth, Acquisitions and Redevelopment". These, as well as other future capital requirements, could adversely impact the amount of cash available to the Company and have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Environmental, Health and Safety Laws

The Company is subject to various environmental, health and safety laws and regulations, both as an owner of real property and as a provider of health care services, governing the storage, handling, use, and disposal of equipment, materials and waste products. The Company may become liable for the costs of removal or remediation of certain hazardous, toxic, or regulated substances present at, released on or disposed of from its properties or other service locations, regardless of whether or not the Company knew of, or was responsible for, their presence, release or disposal. The failure to remove, remediate, or otherwise address such substances, if any, may adversely affect operations or the ability to sell such properties or to borrow using such properties as collateral, and could potentially result in claims by public or private parties, including by way of civil action, and have a material adverse effect on the business, results of operations and financial condition of the Company.

With respect to the Company's pre-1980 properties, management has determined that future costs could be incurred for possible asbestos remediation at these sites. Appropriate remediation procedures may be required to remove potential asbestos-containing materials, consisting primarily of floor and ceiling tiles, in connection with any major renovation or demolition. Based upon current assumptions, the estimated fair value of the decommissioning provision related to the asbestos remediation was approximately $12.3 million undiscounted, or $10.5 million discounted, as at December 31, 2022, refer to *Note 8* of the audited consolidated financial statements.

Environmental, health and safety laws may change and the Company may become subject to more stringent laws in the future. Compliance with more stringent environmental, health and safety laws, which may be more rigorously enforced, could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to Climate Change

As the owner of real property, the Company is exposed to climate change risk from natural disasters and severe weather, such as floods, ice storms, windstorms, earthquakes, wildfires or other severe weather that may result in damage or loss to its properties, as well as to those LTC homes and retirement communities to whom it provides contract services. These adverse weather and natural events could cause substantial damage, resulting in increased costs and/or revenue losses. There can be no assurance that damages or losses caused by these adverse weather and natural events will not exceed the Company's insurance coverage. Climate change may also have indirect effects on our business by increasing the cost of, or making unavailable, certain insurance coverage.

Over time, climate change may also affect the Company's operational expenses, including utilities and preventative maintenance expenses, as temperatures fluctuate. In addition, changes in federal, provincial or local legislation and regulation on climate change could result in increased capital expenditures to improve the energy efficiency of our existing properties and could also require the Company to spend more on its new development properties without a corresponding increase in funding or revenue.

Risks Related to the Common Shares and Debentures

UNPREDICTABILITY AND VOLATILITY OF THE COMMON SHARE PRICE

A publicly traded company does not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the Common Shares will trade cannot be predicted. The market price of the Common Shares could be subject to significant fluctuations in response to variations in quarterly operating results, dividends and other factors beyond the control of the Company. The annual yield on the Common Shares, represented as the ratio of annual dividend to the market price per Common Share, as compared to the annual yield on other financial instruments, may also influence the price of the Common Shares in the public trading markets. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Common Shares.

CASH DIVIDENDS ARE NOT GUARANTEED AND MAY FLUCTUATE WITH THE PERFORMANCE OF THE COMPANY

The declaration and payment of dividends by the Company is at the discretion of the Board as to the amount and timing of dividends to be declared and paid, after consideration of a number of factors, including results of operations, requirements for capital expenditures and working capital, future financial prospects of the Company, debt covenants and obligations and any other factors deemed relevant by the Board. All of these factors are susceptible to a number of risks and other factors beyond the control of the Company. The amount of funds available for distribution will fluctuate with the performance of the Company. If the Board determines that it would be in the Company's best interests, it may reduce the amount and frequency of dividends to be distributed to holders of Common Shares ("Shareholders") and such reductions may significantly effect the market value of the Common Shares.

A high dividend yield results in a higher cost of capital incurred by the Company in raising capital through the issue of Common Shares to fund future growth and equally can inhibit the ability of the Company to grow through acquisition or new developments. Therefore, the Board also has to balance the dividend yield relative to its growth plans and need to raise capital.

Funds available for dividends are driven by cash generated from operations and may be dependent upon the Company's plan for growth-based capital expenditures or other investments in its business, including development and acquisition activities. The timing and amount of capital expenditures and other investments will directly affect the amount of cash available for dividends to Shareholders. Dividend payments to Shareholders may be reduced, or even eliminated, at times when the Company cannot access the capital markets for raising cash and/or when Directors deem it necessary to make significant capital or other expenditures. The Company may be required to reduce dividends or access the capital markets in order to accommodate these items. There can be no assurance that sufficient capital will be available on acceptable terms to the Company for necessary or desirable capital expenditures or other investments.

COMPANY STRUCTURE

The Company does not carry on business directly, but does so indirectly through its subsidiaries. The Company has no major assets of its own, other than the LTC homes that it leases to its subsidiary, Extendicare (Canada) Inc. ("ECI"), and the direct and indirect interests it has in its subsidiaries (including ECI and ParaMed), all of which are separate legal entities. The Company is therefore financially dependent on lease payments that it receives from ECI and dividends and other distributions it receives from all of its subsidiaries.

FUTURE ISSUES OF COMMON SHARES AND PREFERRED SHARES AND DILUTION

The Company's articles permit the issuance of an unlimited number of Common Shares and preferred shares of the Company (the "Preferred Shares"), issuable in series, equal to 50% of the number of Common Shares that are issued and outstanding, for the consideration and on the terms and conditions that the Board may determine without Shareholder approval. Shareholders have no pre-emptive rights in connection with such future issues. Future issues of Common Shares and/or Preferred Shares could be dilutive to the interests of Shareholders and could adversely affect the prevailing market price of the Common Shares.

LEVERAGE AND RESTRICTIVE COVENANTS IN CURRENT AND FUTURE INDEBTEDNESS

The ability of the Company to pay dividends is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of the Company (including its subsidiaries). The degree to which the Company is leveraged could have important consequences to Shareholders, including: (i) that the Company's ability to obtain additional financing in the future for working capital, capital expenditures or acquisitions may be limited; (ii) that a significant portion of the Company's cash flow from operations may be dedicated to the payment of the principal of, and interest on, its indebtedness; (iii) that certain of the Company's borrowings could be financed at variable rates of interest, which exposes the Company to the risk of increased interest rates; and (iv) that the Company may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. These factors may reduce funds available for the Company to pay dividends.

CHANGES IN THE COMPANY'S CREDITWORTHINESS MAY AFFECT THE VALUE OF THE COMPANY'S SECURITIES

The perceived creditworthiness of the Company may affect the market price or value and the liquidity of the Common Shares and 2025 Debentures.

MATTERS AFFECTING TRADING PRICES FOR THE DEBENTURES

The 2025 Debentures are listed on the TSX. No assurance can be given that an active or liquid trading market for the 2025 Debentures will develop or be sustained. If an active or a liquid market for the 2025 Debentures fails to develop or be sustained, the prices at which the 2025 Debentures trade may be adversely affected. Whether or not the 2025 Debentures will trade at lower prices depends on many factors, including liquidity of the 2025 Debentures, prevailing interest rates and the markets for similar securities, the market price of the Common Shares, general economic conditions, and the Company's financial condition, historic financial performance and future prospects.

The Company may determine to redeem outstanding 2025 Debentures for Common Shares or to repay outstanding principal amounts thereunder at maturity of the 2025 Debentures by issuing additional Common Shares. Accordingly, Shareholders may suffer dilution.

DEBENTURES – CREDIT RISK AND PRIOR RANKING INDEBTEDNESS; ABSENCE OF COVENANT PROTECTION

The likelihood that purchasers of the 2025 Debentures will receive payments owing to them under the terms of the 2025 Debentures will depend on the Company's financial condition and creditworthiness. In addition, the 2025 Debentures are unsecured obligations of the Company and are subordinate in right of payment to all of the Company's existing and future senior indebtedness. Therefore, if the Company becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, the Company's assets will be available to pay its obligations with respect to the 2025 Debentures only after it has paid all of its senior indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the 2025 Debentures then outstanding. The 2025 Debentures are also effectively subordinate to claims of creditors of the Company's subsidiaries except to the extent the Company is a creditor of such subsidiaries ranking at least pari passu with such other creditors. The trust indenture, pursuant to which the Company issued the 2025 Debentures (the "Indenture"), does not prohibit or limit the ability of the Company or its subsidiaries to incur additional debt or liabilities (including senior indebtedness) or to make distributions except in respect of distributions where an event of default caused by the failure to pay interest when due has occurred and such default has not been cured or waived. The Indenture does not contain any provision specifically intended to protect holders of 2025 Debentures in the event of a future leveraged transaction involving the Company or any of its subsidiaries.

CONVERSION OF THE DEBENTURES FOLLOWING CERTAIN TRANSACTIONS

In the case of certain transactions, the 2025 Debentures will become convertible into the securities, cash or property receivable by a Shareholder under the transaction. The change could substantially lessen or eliminate the value of the conversion privilege associated with the 2025 Debentures in the future. For example, if the Company were acquired in a cash merger, the 2025 Debenture would become convertible solely into cash and would no longer be convertible into securities whose value would vary depending on the Company's future prospects and other factors.

REDEMPTION OF THE DEBENTURES PRIOR TO MATURITY

The 2025 Debentures may be redeemed, at the option of the Company, at any time and from time to time, subject to certain conditions being met in respect of redemptions prior to April 30, 2023, at a price equal to the principal amount thereof plus accrued and unpaid interest.

INABILITY OF THE COMPANY TO PURCHASE THE DEBENTURES IN CASH ON A CHANGE OF CONTROL

If a change of control of the Company occurs, debentureholders will have the right to require the Company to redeem the 2025 Debentures in an amount equal to 101% of the principal amount of the 2025 Debentures plus accrued and unpaid interest until the date of redemption. If holders of 2025 Debentures holding 90% or more of all the 2025 Debentures exercise their right to require the Company to redeem such 2025 Debentures, the Company may acquire the remaining 2025 Debentures on the same terms. In such event, the conversion privilege associated with the 2025 Debentures would be eliminated. Although the Company may be required to purchase all outstanding 2025 Debentures upon the occurrence of a change of control, it is possible that following a change of control, the Company will not have sufficient funds at that time to make any required purchase of outstanding 2025 Debentures or that restrictions contained in other indebtedness will restrict those purchases.

Endnotes

(1) This is a non-GAAP financial measure. Refer to the discussion under "Non-GAAP Measures".

(2) Certain prior period figures in Q1 2022 and Q2 2022 have been re-presented to conform with the Q3 2022 presentation in connection with the classification of strategic transformation costs as "other expense". Refer to the discussion under *Note 15* of the audited consolidated financial statements.

(3) The 2021 and 2020 comparative figures have been re-presented to reflect discontinued operations. Refer to the discussion under "Discontinued Operations".