Shareholders’ Quarterly Report

Q3 2023

Extendicare Inc.
Dated: November 9, 2023

Helping people
live better

Management's Discussion and Analysis

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Three and nine months ended September 30, 2023
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TABLE OF CONTENTS

Basis of Presentation	1	2023 Nine Month Financial Review	17
Additional Information	2	Funds From Operations and Adjusted Funds From Operations	19
Forward-looking Statements	2	Liquidity and Capital Resources	22
Significant Developments	3	Other Contractual Obligations and Contingencies	25
Business Overview	4	Discontinued Operations	26
Key Performance Indicators	8	Accounting Policies and Estimates	27
Select Quarterly Financial Information	11	Non-GAAP Measures	27
Statement of Earnings	14	Risks and Uncertainties	29
2023 Third Quarter Financial Review	14		

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 the largest private-sector owner and operator of long-term care ("LTC") homes in Canada and one of the largest private-sector providers of publicly funded home health care services in Canada through its wholly owned subsidiary ParaMed Inc. ("ParaMed"). As well, the Company provides management, consulting and other services to LTC homes and retirement communities owned by third parties and joint ventures to which the Company is a party through its Extendicare Assist division and procurement services through its group purchasing division, SGP Purchasing Partner Network ("SGP").

During Q3 2023, the Company completed the previously announced transactions with Revera Inc. and its affiliates ("Revera") and Axium LTC Limited Partnership and its affiliates "Axium" (together the "Revera and Axium Transactions"), resulting in Extendicare entering into two limited partnership joint ventures with Axium, in which the Company has a 15% managed interest in each. The limited partnership joint ventures are accounted for in the Company's consolidated financial statements as investments using the equity method. Refer to the discussion under "Significant Developments – "Completed Strategic Transactions With Revera and Axium" and *Notes 2, 3, 6 and 16* of the unaudited interim condensed consolidated financial statements.

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 (the "Retirement Living Sale"). 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"). The Company classified its retirement living segment and the Saskatchewan LTC Homes as discontinued commencing in Q1 2022 and Q4 2021, respectively (refer to the discussion under "Discontinued Operations" and *Note 13* of the unaudited interim condensed 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 three and nine months ended September 30, 2023. This MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2023 and the notes thereto, together with the annual MD&A and the audited consolidated financial statements for the year ended December 31, 2022, and the notes thereto, prepared in accordance with International Financial Reporting Standards. The accompanying unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2023 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting", as issued by the International Accounting Standards Board.

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, 2023, 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 November 9, 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+ at www.sedarplus.ca 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, including anticipated timelines and costs in respect of development projects; statements relating to the agreements entered into with Revera, Axium and two limited partnership joint ventures with Axium in respect of the acquisition, disposition, 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+ at www.sedarplus.ca 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

Completed Strategic Transactions With Revera and Axium

During Q3 2023, the Company completed the previously announced Revera and Axium Transactions. These transactions, combined with the earlier sale of Extendicare's portfolio of retirement communities in 2022, advance Extendicare's strategy to focus on LTC and home health care using a less capital-intensive, higher margin business model. Extendicare will focus on operating and building new LTC homes, utilizing the joint venture partnership with Axium to support capital requirements, growing its home health care business and expanding its managed services segment through the addition of new clients.

Highlights of the Revera and Axium Transactions include:

- Acquisition of Revera's 15% managed interest in AXR Operating (National) LP (now Axium Extendicare LTC II LP ("Axium JV II")), a joint venture partnership with Axium, which owns a portfolio of 25 LTC homes consisting of approximately 3,100 government funded LTC beds, which Extendicare will manage
- Management by Extendicare of 31 LTC homes owned by Revera, consisting of approximately 3,000 government funded LTC beds and 900 private pay assisted living and seniors living beds, including 30 Class C LTC homes in Ontario that are currently being considered for redevelopment
- Transfer of Revera's LTC operations team into Extendicare to advance the delivery of high-quality care and services across Extendicare's homes
- Option to purchase future Revera LTC redevelopment projects either with Axium or alone pursuant to development arrangement agreements entered into with Revera
- Establishment of a joint venture with Axium, Axium Extendicare LTC LP ("Axium JV"), in support of Extendicare's Class C LTC redevelopment program, substantially reducing the amount of capital required from Extendicare to enable redevelopment
- Sale of an initial four LTC homes currently under construction to Axium JV, the proceeds from which will provide Extendicare with greater flexibility to deploy capital into additional redevelopment projects and growth initiatives

REVERA TRANSACTIONS

On August 1, 2023, the Company completed the previously announced transactions with Revera (the "Revera Transactions") in respect of the ownership, operation and redevelopment of LTC homes in Ontario and Manitoba.

The aggregate cash consideration for the Revera Transactions, net of holdbacks, was approximately $32.6 million, plus the assumption of approximately $37.1 million in debt (Extendicare's share of the joint venture partnership debt), subject to customary post-closing adjustments. Included in the purchase price, and recorded as intangible assets on the balance sheet, was $20.8 million for the rights to manage the operations of the 56 homes.

In respect of Q3 2023, the closing of the Revera Transactions on August 1, 2023 added approximately $4.0 million in revenue in our managed services segment from management fees earned on the approximately 7,000 beds managed across 56 LTC homes, generating approximately $2.0 million in NOI(1) and $1.3 million ($0.015 per basic share) in AFFO(1). In addition, the Company's 15% share of Axium JV II AFFO was approximately $0.7 million ($0.008 per basic share).

AXIUM TRANSACTION

On September 13, 2023, Extendicare completed the sale of four of its redevelopment projects to Axium JV, in which Extendicare has a 15% managed interest (the "Axium Transaction").

On closing, Extendicare sold its Sudbury, Kingston, Stittsville, and Peterborough redevelopment projects, comprising an aggregate of 960 funded LTC beds currently under construction (see "Key Performance Measures – LTC Projects Under Construction"), for an aggregate purchase price, net of Extendicare's 15% retained interest, of $147.3 million, comprised of cash proceeds of $59.0 million, the assumption of debt of $72.3 million and certain other liabilities and holdbacks, net of taxes and closing costs. The net book value was $135.8 million, resulting in a gain, net of taxes, certain closing costs and other costs of $8.7 million. The gain is also net of $2.7 million of gain eliminated related to the Company's 15% interest in Axium JV.

The Company will continue to undertake all development activities in respect of these redevelopment projects for a customary fee, and will provide management services to the homes once operational, through Extendicare Assist and SGP. This development arrangement could also apply to additional redevelopment projects in the future should the parties so choose.

The Company continues to own and operate the legacy Class C LTC homes related to the four redevelopment projects sold to Axium JV until such time as each new redevelopment home is completed, at which time the employees and residents of the corresponding Class C LTC home will transfer to the new home owned by the joint venture. As the new home commences operations, the Company's managed services segment will earn management fees pursuant to the limited partnership agreement, increasing the revenue and NOI of the managed services segment. In addition, the Company will record its 15% share of the earnings and losses from the joint venture in its consolidated statement of earnings and include its 15% share of the AFFO from the joint venture, calculated on the same basis as the Company, in its consolidated AFFO. As each transition takes place, the revenue and NOI earned from the Class C LTC home will drop out of the consolidated financial results of Extendicare, as the ownership of the new home resides in the joint venture, which is accounted for using the equity method.

Once a legacy Class C LTC home closes, the Company will continue to own the building and underlying land, and will sell or repurpose the property for alternative uses to generate additional proceeds or additional sources of revenue.

STRATEGIC TRANSFORMATION COSTS

Costs related to the strategic transformation of the Company in connection with the Revera and Axium Transactions, which are transitional in nature, are reported as a separate line item in "other expense" below Adjusted EBITDA. The strategic transformation costs for the nine months ended September 30, 2023, were $9.1 million and include transaction, legal, regulatory, IT integration and management transition costs. We will continue to incur strategic transformation costs through to the end of 2024 as we complete the integration of operations and IT platforms to support approximately 9,000 team members working across the 56 managed LTC homes. The estimated total strategic transformation costs to be incurred over the next five quarters are $10.0 to $12.0 million, the timing of which will vary quarterly as the integration plan is executed.

Additional 256 LTC beds Commenced Construction Subsequent to Q3 2023

In November 2022, the Ontario Ministry of Long-Term Care ("MLTC") introduced new time-limited funding to help offset rising construction costs and interest rates. This supplemental funding provided an additional $35 per bed per day to the base capital funding subsidy ("CFS") and was available to eligible applicants who received approval from the government to construct before August 31, 2023.

In May 2023, the Company commenced construction on a new 256-bed LTC home in Peterborough, Ontario, which had qualified for the time-limited $35 per bed per day supplemental CFS. This project was sold to Axium JV as part of the Axium Transaction and is anticipated to open in Q4 2025 and replace the existing 172-bed Extendicare Class C home currently operating in the same city.

Subsequent to September 30, 2023, the Company commenced construction on a new 256-bed LTC home in Orleans, in the Ottawa region, which had also qualified for the time-limited $35 per bed per day supplemental CFS. This project is anticipated to open in Q2 2026 and will replace a 240-bed Extendicare Class C home in the Ottawa area. The Company entered into a $71.7 million fixed-price construction contract in connection with the new home. It is currently anticipated that the home will be sold to Axium JV, where the Company would continue the development and construction management of the project and operate the home upon completion through Extendicare Assist and SGP. The estimated development costs for the project are $102.2 million.

Together with the four projects already under construction within Axium JV, these five projects bring the total of new beds under construction to 1,216, replacing 1,074 Class C LTC beds in Ontario. The homes are being constructed exclusively with private and semi-private rooms, with substantial improvements in common areas available to the residents. For more information refer to the discussion under "Key Performance Indicators – LTC Projects Under Construction".

The Company continues to focus its efforts on progressing its remaining 15 redevelopment projects in support of the MLTC's commitment to address an aging long-term care infrastructure in Ontario. The MLTC previously awarded Extendicare 4,248 new or replacement beds across 20 redevelopment projects. These projects would replace all of our 3,285 existing Class C beds. In addition, the Company has the option to purchase all future Revera LTC redevelopment projects undertaken in connection with the existing 30 Class C LTC homes currently being managed by the Company.

While the enhanced CFS expired at the end of August 2023 and further enhancements have not yet been announced, we continue to advance the balance of our redevelopment portfolio to be ready to make use of any future enhancements to the Capital Funding Program in Ontario. We are working collaboratively with 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.

Normal Course Issuer Bid

As at November 8, 2023, the Company had purchased for cancellation 1,398,033 Common Shares year to date, at a cost of $8.8 million, representing a weighted average price per share of $6.29. Since the launch of a normal course issuer bid ("NCIB") in June 2022 that was renewed in June 2023, the Company has purchased for cancellation 6,409,213 Common Shares at a cost of $43.8 million (refer to the discussion under "Liquidity and Capital Resources – Normal Course Issuer Bid").

The renewed NCIB commenced on June 30, 2023, and provides the Company with flexibility to purchase for cancellation up to 7,273,707 Common Shares, representing 10% of its public float, through the facilities of the TSX and/or through alternative Canadian trading systems until June 29, 2024, of which 6,503,174 Common Shares remain available to purchase.

BUSINESS OVERVIEW

As at September 30, 2023, the Company operates or provides managed services to 126 LTC homes and retirement communities, composed of 53 homes (7,299 beds) owned by the Company and 73 homes (9,962 beds) under managed services contracts with third parties through Extendicare Assist, including the 25 LTC homes owned by Axium JV II, in which the Company has a 15% managed interest. The Company's network of 126 LTC homes and retirement communities has capacity for 17,261 residents across three provinces in Canada, with Ontario, Manitoba and Alberta accounting for 79.3%, 11.3% and 9.4% of residents served, respectively.

In addition to providing procurement services to the LTC homes entirely owned by the Company, SGP supports third-party clients and the LTC homes owned by Axium JV II, representing approximately 128,900 beds across Canada, as at September 30, 2023.

The Company's home health care operations, ParaMed, delivered approximately 9.7 million hours of home health care services in the trailing twelve months ended September 30, 2023. The majority of ParaMed's volumes are generated in Ontario and Alberta, representing 93% and 4% of the total volume, respectively.

Joint Ventures

Joint ventures are accounted for in the Company's consolidated financial statements as investments using the equity method, whereby the investment is initially recognized at cost, and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income or loss of the joint venture from the date of acquisition, increased by the Company's contributions and reduced by distributions received. The Company's share of joint venture profit or loss is included in the consolidated statements of earnings.

The following table summarizes the classification of properties that are owned through the Company's joint ventures as at September 30, 2023.

Joint Venture	# of Properties	# of Beds	Extendicare Ownership	Accounting Treatment
Axium Extendicare LTC II LP	25	3,182	15 %	Equity method
Axium Extendicare LTC LP[(i)]	4	960	15 %	Equity method

(i) All properties of Axium Extendicare LTC LP are under construction as of September 30, 2023.

INVESTMENT IN AXIUM EXTENDICARE LTC II LP

Axium Extendicare LTC II LP is a joint venture in which the Company acquired a 15% managed interest on August 1, 2023. Axium JV II owns 25 LTC homes composed of 19 Class A LTC homes located in Ontario and six homes in Manitoba, consisting of 3,156 funded LTC beds and 26 private pay beds. The remaining 85% interest is owned by Axium and Extendicare operates the homes in consideration for a customary management fee pursuant to the limited partnership agreement. In addition, under an option to purchase future Revera LTC redevelopment projects either with Axium or alone pursuant to development arrangement agreements entered into with Revera, any future Revera redevelopment projects that are acquired by Extendicare with Axium would be acquired into this joint venture.

INVESTMENT IN AXIUM EXTENDICARE LTC LP

Axium Extendicare LTC LP is a joint venture established to redevelop certain of Extendicare's existing Ontario Class C homes. The Company owns a 15% interest in the joint venture, with Axium owning the remaining 85% interest. As part of the Axium Transaction, Extendicare and Axium have entered into a master development agreement 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. On September 13, 2023, this joint venture acquired four redevelopment projects located in Sudbury, Kingston, Stittsville and Peterborough. The development arrangements may also apply to additional redevelopment projects should the parties wish to do so. Under these arrangements, the Company acts as development and construction manager and is paid customary development and construction management fees. Extendicare will operate the homes acquired by the joint venture in consideration for a customary management fee pursuant to the limited partnership agreement after construction of the new home is complete.

Operating Segments

The Company reports on the following segments: i) long-term care; ii) home health care; iii) managed services, composed of the Extendicare Assist and SGP divisions; and iv) the corporate functions, including the Company's joint venture interests, 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 nine months ended September 30, 2023 and 2022. The impact of COVID-19 affects the comparability of the contributions of the LTC and home health care business segments to the Company's consolidated revenue and NOI. Refer to "Select Quarterly Financial Information" and "2023 Nine Month Financial Review" for additional details to understand the impacts on the business segments.

	Nine months ended September 30,				Year ended December 31,	
	2023		2022		2022	
Operating Segments as % of	**Revenue**	**NOI**	**Revenue**	**NOI**	**Revenue**	**NOI**
Long-term care	**60.9 %**	**59.4 %**	63.0 %	66.9 %	62.8 %	63.2 %
Home health care	**35.8 %**	**25.9 %**	34.4 %	18.5 %	34.5 %	20.7 %
Managed services	**3.3 %**	**14.7 %**	2.6 %	14.6 %	2.7 %	16.1 %
Total	**100.0 %**	**100.0 %**	100.0 %	100.0 %	100.0 %	100.0 %

The following describes the operating segments of the Company.

Long-term Care

The homes owned entirely by the Company are reported under the long-term care operating segment consist of 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 have been taken out of service as a result of regulatory changes and which form part of the Company's 3,285 Class C Beds that are eligible to be reinstated upon redevelopment.

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 2023 in Ontario, Alberta and Manitoba, exclusive of one-time funding in respect of COVID-19 (refer to the discussion under "Select Quarterly Financial Information – COVID-19 and Related Expenses and Funding").

ONTARIO LTC FUNDING CHANGES

Effective July 1, 2023, the MLTC implemented a 2.5% increase in preferred accommodation premiums paid for by residents to LTC providers for private and semi-private accommodation. For older LTC beds that are not classified as "New" or "A" beds, the maximum daily preferred accommodation premiums are now $8.96 and $20.14 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 now $13.43 and $28.00 for semi-private and private rooms, respectively.

Effective April 1, 2023, the MLTC implemented a 2.4% blended level of care funding increase, representing a combination of a 9.7% increase in nutritional support, a 2.0% increase in the remaining flow-through envelopes and a 2.0% increase in the accommodation envelope. In addition, beginning on April 1, 2023, and ending on April 1, 2025, the MLTC is phasing out funding for ward-style beds no longer in service, with 100% of the accommodation envelope funding preserved through the phase-out period. The Company's Ontario LTC homes closed 185 ward-style beds, of which 84 will be re-opened as private and semi-private rooms in its four redevelopment projects currently under construction. These April 2023 funding changes represent incremental annual revenue of approximately $4.0 million, of which $2.2 million is applicable to the non-flow through accommodation envelope (2022 – 1.75% effective April 1, 2022, representing incremental annual revenue of $6.0 million applicable to the flow-through envelopes, with no increase to the non-flow through 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 took effect on April 1, 2023, and the Company estimates that it will provide incremental revenue of approximately $25.0 to $30.0 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 effect of compressing the NOI margin as a percentage of revenue.

Pressure on many of our operating costs remain, including wages and benefits as union settlements across other segments of the broader healthcare system are being concluded with rate increases well above the level of funding rate increases we have received in recent years. Over the long term, LTC NOI margins have been reliably stable; however, funding rate increases in recent years have not kept pace with the increase in costs. Despite recent historic investments by the Government of Ontario in additional direct care hours funding, the rate increases provided do not address the inflation and other pressures experienced in both the flow-through and other accommodation envelopes, which continue to impact LTC NOI margins. We continue to work with other sector participants and the Government of Ontario to ensure funding realigns to reflect the current cost environment in order to return the LTC sector to historical stability. This stability is also an important foundation to support the broader redevelopment agenda.

ALBERTA LTC FUNDING CHANGES

Effective July 1, 2023, AHS implemented a 3.6% annual inflationary increase for the portion of the accommodation rates paid directly by residents of LTC and designated supportive living homes to providers, which is currently being compensated for directly by AHS during a resident deferral period in light of the high inflation levels. This increase represents additional revenue for the Company of approximately $1.4 million (2022 – 5.5% effective July 1, 2022, $2.3 million).

Effective July 1, 2023, AHS implemented funding enhancements to support an increase in hours of direct care and a $2/hour wage enhancement that health care aides had been receiving as part of the government's COVID-19 funding that ended June 30, 2023. The Company estimates that these will provide incremental revenue of approximately $7.2 million to support increased costs and will have no impact on NOI.

Effective April 1, 2023, AHS implemented adjustments to the portion of government funding for providers of LTC and designated supportive living homes, which are estimated to represent additional annual revenue for the Company of approximately $2.2 million (2022 – $0.2 million).

MANITOBA LTC FUNDING CHANGES

As at November 9, 2023, Manitoba Health has not announced funding increases for the year commencing April 1, 2023. The following are the funding changes implemented thus far during 2023 and one-time items impacting Q1 2023 related to prior periods.

In October 2023, the Government of Manitoba announced new funding to support enhanced staffing as part of its ongoing initiatives to support the recommendations to strengthen and enhance Manitoba's LTC system as outlined in the *Maples Personal Care Home COVID-19 Outbreak: External Review Final Report, January 2021*. The Company estimates these initiatives, if fully implemented, could result in incremental annual revenue and corresponding costs of up to $3.0 million, which will have no impact on NOI (2022 – similar initiatives effective September 30, 2022, $4.6 million).

In March 2023, the Company recognized $6.1 million in one-time funding received from Manitoba Health in support of union wage settlements for prior periods dating back to 2017. The Company had previously incurred or 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

The following summarizes the government funding rate changes announced for home health care during 2023 in Ontario and Alberta, exclusive of one-time funding in respect of COVID-19 (refer to the discussion under "Select Quarterly Financial Information – COVID-19 and Related Expenses and Funding").

As part of its 2022 budget, the Government of Ontario committed to investing $1.0 billion over three years to provide care to people in their own homes and communities. Building on this announcement, it announced the acceleration of this investment as part of the 2023-24 budget. In the 2023-24 fiscal year, up to $569.0 million will be applied to home and community care, including nearly $300.0 million to support contract rate increases to stabilize the home and community care workforce. While we have not received the specific details as to how this increased investment will be allocated and distributed, we have accrued for billing rate increases of 3% retroactive to April 1, 2023. Based on ADV and mix of services provided for the trailing twelve months ended September 30, 2023, this is estimated to increase our annual revenue by approximately $12.5 million and help offset wage and benefit increases and increased recruitment costs in the home health care segment.

Effective April 1, 2023, AHS implemented home health care billing rate increases of 8% and made permanent the $2/hour wage enhancement that health care aides had been receiving as part of the government's COVID-19 funding. Based on ADV and mix of services provided for the trailing twelve months ended September 30, 2023, this is estimated to increase our annual revenue by approximately $2.0 million and help offset wage and benefit increases, including the additional $2/hour, and increased recruitment costs in the home health care segment.

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 CONTRACTS AND CONSULTING AND OTHER SERVICES

In August 2023, the Company redefined the key performance indicators for its managed services segment to better reflect the range of services provided to our clients. Through its Extendicare Assist division, the Company provides management, consulting and other services to third parties, including not-for-profit and for-profit organizations, hospitals and municipalities seeking to improve their management practices, quality of care and operating efficiencies. Extendicare Assist's business is classified into two categories: management contracts and consulting and other services. Our management contracts category consists of two offerings: i) a fully managed service, providing management oversight over the day-to-day operations of the homes and ii) a back-office services only offering. Our full suite of back-office support services include human resources, labour relations, payroll and benefits administration, accounting and information technology expertise supported by our cloud-based integrated technology platform that provides all systems needed to operate a senior care home. Our full-service management contract offering provides our full suite of back-office support services with oversight of the day-to-day operations of a home supported by our regional support and clinical quality management teams. Our consulting and other services category covers a wide variety of offerings, including clinical improvement programs, operational reviews, financial performance advice and LTC home redevelopment. We also offer an LTC operating policy subscription service that can be procured as a standalone service. At September 30, 2023, Extendicare Assist has management contacts with 73 LTC homes and retirement communities with capacity for 9,962 senior residents, and provides a further 53 homes with consulting and other services.

GROUP PURCHASING SERVICES

Through its SGP division, the Company offers cost-effective purchasing contracts to other senior care providers for food, capital equipment, furnishings, cleaning and nursing supplies and office products. SGP negotiates long-term, high volume contracts with suppliers that provide members with preferred pricing, thereby providing a cost-effective means to secure quality national brand-name products, along with a range of innovative services. As at September 30, 2023, SGP provided services to third parties representing approximately 128,900 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. Beginning in 2023, the determination of earned and available resident days is adjusted for certain bed types that are excluded from the government's occupancy requirements for funding purposes.

Long-term Care

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

Long-term Care Homes		**2023**(ii)				**2022**		**2021**
Average Occupancy(i) ***(%)***	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Total LTC	**97.8%**	**97.2%**	**96.6%**	94.5%	93.5%	92.5%	90.8%	92.1%
Change over prior year period (bps)	**430**	**470**	**580**	240	260	460	530	240
Sequential quarterly change (bps)	**60**	**60**	**210**	100	100	170	(130)	120
Ontario LTC								
Total ON LTC	**98.9%**	**98.7%**	**97.9%**	94.8%	93.4%	92.1%	90.5%	91.1%
Preferred Accommodation(iii)								
"New" homes – private	**92.2%**	**92.2%**	**91.1%**	87.9%	86.3%	86.4%	85.9%	87.9%
"C" homes – private	**94.6%**	**92.7%**	**91.0%**	90.7%	87.2%	85.8%	83.5%	83.9%
"C" homes – semi-private	**63.4%**	**61.9%**	**59.2%**	55.3%	52.6%	54.3%	53.1%	54.1%

(i) Excludes 185 ward-style beds in Ontario LTC homes that have been taken out of service per regulatory changes, and which form part of the Company's 3,285 Class C beds that are eligible to be reinstated upon redevelopment.

(ii) Beginning in 2023, the determination of earned and available resident days is adjusted for certain bed types that are excluded from the government's occupancy requirements for funding purposes.

(iii) Average occupancy reported for the available private and semi-private rooms reflects the percentage of residents occupying those beds that pay 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 on admissions during that period. However, a combination of seasonal factors and the surge of COVID-19 related outbreaks driven by the initial Omicron variant contributed to a sequential decline in Q1 2022 and subsequent Omicron variants slowed the pace of recovery. Since that time, our average occupancy has continued to recover, improving to 97.8% in Q3 2023, up 430 bps from Q3 2022 and up 60 bps from Q2 2023.

In Ontario, overall government funding is occupancy-based, but once the average occupancy level of 97% 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 operated 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 beds designated for isolation purposes. Occupancy targets were reinstated on February 1, 2022, requiring LTC homes to achieve average occupancy of 97%, adjusted to exclude ward-style beds taken out of service and isolation beds, in order to maintain full funding. The continued prevalence of LTC outbreaks throughout 2022 slowed our occupancy recovery, with certain Ontario LTC homes not achieving the required 97% occupancy for the 11 months ended December 31, 2022, lowering our LTC NOI by approximately $0.7 million in 2022. Beginning in 2023, occupancy targets are no longer adjusted for isolation beds. In addition, 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 remained below 2019 levels by approximately $1.4 million. For the nine months ended September 30, 2023, our preferred premium revenue increased by $1.0 million over the same prior year period.

LTC Projects Under Construction

The following table summarizes the LTC development projects that are under construction as at November 9, 2023, and owned by either Axium JV or Extendicare.

LTC Project	**Extendicare Ownership Interest**	**# of C Beds Replaced**	**# of New Beds**	**Construction Commenced**	**Expected Opening**	**Estimated Development Costs**(i) *($ millions)*
Countryside (Sudbury)	15.0 %	256	256	Q4-20	Q1-24	70.0
Limestone Ridge (Kingston)	15.0 %	150	192	Q2-21	Q2-24	49.7
Crossing Bridge (Stittsville)	15.0 %	256	256	Q4-21	Q2-24	75.1
Peterborough	15.0 %	172	256	Q2-23	Q4-25	100.6
Orleans	100.0 %	240	256	Q4-23	Q2-26	102.2
		1,074	**1,216**			**397.6**

(i) Development costs are defined on a GAAP basis (which includes the cost of land, hard construction and soft development costs, furniture, fixtures and equipment, financing costs and capitalized interest costs during construction), net of any capital development government grant receivable on substantial completion of construction, if applicable.

Certain of the LTC development projects continue to experience inflationary pressures, labour disruptions and rising interest rates that have impacted our projected completion and opening dates and construction cost increases outside of the initial contingency levels included in estimated development costs. In the current quarter, delays on our Kingston and Stittsville projects have moved the expected openings for these projects into Q2 2024. We continue to work with our general contractors and construction partners to mitigate the impacts of these factors on schedules and costs.

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.

During 2022, the impact of COVID-19 sub-variants on our workforce capacity, exacerbated by a tight labour market, impeded the recovery of our home health care ADV during 2021. During this time, referral activity remained strong and in Q4 2022, our home health care operations experienced a return to sequential growth in ADV that has continued for four consecutive quarters. In Q3 2023, home health care overcame the seasonal softness usually experienced in the summer months to record ADV of 27,378, up 1.0% from Q2 2023 and 9.3% from Q3 2022.

Home Health Care			**2023**				**2022**	**2021**
Service Volumes	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Hours of service *(000's)*	**2,518.8**	**2,466.3**	**2,343.8**	2,349.8	2,304.7	2,290.9	2,209.7	2,373.2
ADV	**27,378**	**27,102**	**26,043**	25,542	25,051	25,174	24,552	25,796
Change over prior year period	**9.3 %**	**7.7 %**	**6.1 %**	(1.0)%	(1.2)%	(0.4)%	0.8 %	7.7 %
Sequential quarterly change	**1.0 %**	**4.1 %**	**2.0 %**	2.0 %	(0.5)%	2.5 %	(4.8)%	1.8 %

Managed Services

The following table provides information in respect of the third-party clients, including the joint ventures, receiving services from Extendicare Assist and SGP at the end of each period for the past eight quarters. For Extendicare Assist, the key performance indicators reflect those homes and beds under our management contracts offering, and exclude those homes that receive consulting and other services.

At September 30, 2023, Extendicare Assist has management contacts with 73 LTC homes and retirement communities with capacity for 9,962 senior residents, and provides a further 53 homes with consulting and other services. The decline in Q4 2022 of 304 beds from Q3 2022 related to ward-style beds no longer in service.

SGP continues to grow its market share, increasing its third-party, including joint-venture, beds served by 20.5% at the end of Q3 2023 from Q3 2022, and by 11.6% from Q2 2023.

The Revera Transactions completed in August 2023, added 56 homes and 6,990 beds to our Extendicare Assist managed services and SGP group purchasing services divisions. Extendicare Assist provides Revera with fully managed services in respect of the 30 Class C LTC homes in Ontario and one personal care home in Manitoba, and the 25 LTC homes owned by Axium JV II. Separately, we entered into new fully managed services contracts with two additional homes representing 340 beds that were former third-party managed clients of Revera.

During Q3 2023, certain of Extendicare Assist's clients moved to self-management, changed their contracted scope of services or ceased operations, and while they are no longer counted as management contract homes in our key performance indicators, a significant portion of them remain as consulting and other services clients of Extendicare Assist. There is minimal impact on SGP, as substantially all of the homes that moved to self-management are continuing as customers of SGP.

			2023				**2022**	**2021**
Managed Services	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Extendicare Assist Management Contracts								
Homes at period end								
Third party	**48**	**50**	**50**	50	50	50	50	50
Joint venture	**25**	**—**	**—**	—	—	—	—	—
Total homes at period end	**73**	**50**	**50**	50	50	50	50	50
Resident capacity								
Third party	**6,780**	**5,959**	**5,959**	5,959	6,263	6,263	6,263	6,263
Joint venture	**3,182**	**—**	**—**	—	—	—	—	—
Total resident capacity	**9,962**	**5,959**	**5,959**	5,959	6,263	6,263	6,263	6,263
Change over prior year period	**59.1 %**	**(4.9)%**	**(4.9)%**	(4.9)%	(1.5)%	(1.5)%	(1.5)%	(1.8)%
Sequential quarterly change	**67.2 %**	**— %**	**— %**	(4.9)%	— %	— %	— %	(1.5)%
SGP Clients								
Third-party and joint-venture beds	**128,901**	**115,455**	**111,772**	109,725	106,989	102,219	98,845	93,208
Change over prior year period	**20.5 %**	**12.9 %**	**13.1 %**	17.7 %	21.0 %	22.4 %	21.9 %	18.1 %
Sequential quarterly change	**11.6 %**	**3.3 %**	**1.9 %**	2.6 %	4.7 %	3.4 %	6.0 %	5.4 %

SELECT QUARTERLY FINANCIAL INFORMATION

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

			2023				2022	2021
(thousands of dollars unless otherwise noted)	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Revenue	**322,529**	**307,535**	**324,712**	310,393	308,889	296,585	305,710	306,162
Net operating income[1]	**35,210**	**28,460**	**44,564**	21,686	23,526	30,341	32,976	38,742
NOI margin[1]	***10.9%***	***9.3%***	***13.7%***	*7.0%*	*7.6%*	*10.2%*	*10.8%*	*12.7%*
Adjusted EBITDA[1]	**20,770**	**14,776**	**30,978**	9,160	10,034	18,057	20,203	24,506
Adjusted EBITDA margin[1]	***6.4%***	***4.8%***	***9.5%***	*3.0%*	*3.2%*	*6.1%*	*6.6%*	*8.0%*
Share of profit from investment in joint ventures	**598**	**—**	**—**	—	—	—	—	—
Earnings (loss) from continuing operations	**11,831**	**1,951**	**11,580**	(7,704)	(4,362)	3,510	4,045	(4,483)
per basic and diluted share *($)*	**0.14**	**0.02**	**0.14**	(0.09)	(0.04)	0.04	0.04	(0.06)
(Loss) earnings from operating activities of discontinued operations	**—**	**—**	**—**	(306)	96	(37)	75	661
Gain on sale of discontinued operations, net of income taxes	**—**	**—**	**—**	6,317	—	67,920	—	—
Net earnings (loss)	**11,831**	**1,951**	**11,580**	(1,693)	(4,266)	71,393	4,120	(3,822)
per basic share *($)*	**0.14**	**0.02**	**0.14**	(0.02)	(0.04)	0.79	0.04	(0.04)
per diluted share *($)*	**0.14**	**0.02**	**0.14**	(0.02)	(0.04)	0.72	0.04	(0.04)
AFFO[1]	**12,290**	**9,037**	**20,839**	1,889	2,112	9,624	12,518	16,530
per basic share *($)*	**0.14**	**0.11**	**0.24**	0.02	0.02	0.11	0.14	0.18
per diluted share *($)*	**0.14**	**0.11**	**0.23**	0.02	0.02	0.11	0.13	0.17
Maintenance capex	**4,895**	**2,728**	**2,047**	6,630	4,240	2,700	1,412	5,472
Cash dividends declared	**10,122**	**10,104**	**10,178**	10,275	10,584	10,754	10,750	10,746
per share *($)*	**0.120**	**0.120**	**0.120**	0.120	0.120	0.120	0.120	0.120
Weighted Average Number of Shares *(000's)*								
Basic	**85,009**	**85,212**	**85,437**	86,678	89,178	90,139	90,075	90,040
Diluted	**95,870**	**96,009**	**96,229**	97,604	100,079	101,102	101,190	100,953

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 reasons.

COVID-19 has impacted the Company's quarterly results from both continuing operations and discontinued operations since Q1 2020 (refer to the discussion that follows under "COVID-19 and Related Expenses and Funding").

The significant factors that impact the results from period to period, in addition to the impacts that result from COVID-19, are as follows:

- Ontario long-term care funding tied to flow-through funding envelopes requires revenue be deferred until it is matched with the related costs for resident care in the periods in which the costs are incurred, resulting in a fluctuation in revenue and operating expenses by quarter, with both generally being at their lowest in 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 "fair value adjustments".

COVID-19 and Related Expenses and Funding

In March 2023, the Government of Ontario ended prevention and containment funding for pandemic costs incurred through to March 31, 2023. They further indicated that the increase in direct hours of care funding, effective April 1, 2023, is expected to be sufficient support for any ongoing costs that may continue as the pandemic transitions to endemic status, which coincided with the April 1st phase out of certain prevention and containment measures in LTC homes. The change in measures includes the elimination of regular testing of asymptomatic staff, caregivers and visitors and relaxing of certain masking, screening and physical distancing requirements. With these changes in funding and prevention and containment measures, we expect that the significant volatility in our financial results caused by the timing of COVID-19 funding and related expenses will normalize as we continue to work on adjusting our staffing levels in line with the new direct care models that have been introduced in the provinces (refer to the discussions under "Business Overview – Long-term Care – Ontario LTC Funding Changes"). Similarly, the Manitoba and Alberta governments ended funding support for prevention and containment measures for costs incurred through to March 31, 2023 and June 30, 2023, respectively.

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. Provincial government reimbursement of such costs ceased at the end of Q2 2023. 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

	2023			2022					2021
(millions of dollars)	**Q2**	**Q1**	**YTD Q3**	**Q4**	**Q3**	**Q2**	**Q1**	**YTD Q3**	**Q4**
Revenue									
Long-term care[(i)]	**3.6**	**24.1**	**27.7**	14.4	18.7	17.0	43.1	78.8	27.4
Home health care	**0.3**	**0.7**	**1.0**	0.9	3.3	4.5	7.6	15.4	8.7
Revenue impact	**3.9**	**24.8**	**28.7**	15.3	22.0	21.5	50.7	94.2	36.1
Operating Expenses									
Long-term care	**3.6**	**12.0**	**15.6**	22.1	18.4	16.1	32.3	66.8	21.3
Home health care	**0.3**	**0.7**	**1.0**	1.7	4.0	5.9	9.8	19.7	9.8
Operating expenses impact	**3.9**	**12.7**	**16.6**	23.8	22.4	22.0	42.1	86.5	31.1
NOI									
Long-term care	**—**	**12.1**	**12.1**	(7.7)	0.3	0.9	10.8	12.0	6.1
Home health care	**—**	**—**	**—**	(0.8)	(0.7)	(1.4)	(2.2)	(4.3)	(1.1)
NOI impact	**—**	**12.1**	**12.1**	(8.5)	(0.4)	(0.5)	8.6	7.7	5.0
Administrative costs	**—**	**—**	**—**	—	0.1	0.1	0.1	0.3	0.1
Adjusted EBITDA impact	**—**	**12.1**	**12.1**	(8.5)	(0.5)	(0.6)	8.5	7.4	4.9
Discontinued operations impact	**—**	**—**	**—**	—	(0.5)	(1.0)	(3.2)	(4.7)	(0.7)
Total impact	**—**	**12.1**	**12.1**	(8.5)	(1.0)	(1.6)	5.3	2.7	4.2

(i) Q1 2023 includes funding of $13.1 million towards costs incurred in prior years. 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. Q4 2021 includes funding of $11.9 million towards costs incurred in Q1 2021.

In Q3 2022 our continuing operations recognized $22.0 million of COVID-19 funding, of which $1.1 million related to prior year unfunded COVID-19 costs, and our consolidated NOI and Adjusted EBITDA from continuing operations were reduced by $0.4 million and $0.5 million, respectively.

During the nine months ended September 30, 2023, we recognized $28.7 million in COVID-19 funding, of which $13.1 million related to prior year unfunded COVID-19 costs. Our consolidated NOI and Adjusted EBITDA for the nine months ended September 30, 2023, increased by $12.1 million and excluding prior year funding, were reduced by unfunded COVID costs of $1.0 million. In comparison, during the nine months ended September 30, 2022, our continuing operations recognized $94.2 million in COVID-19 funding, of which $16.0 million related to prior year unfunded COVID-19 costs. Our consolidated NOI and Adjusted EBITDA from continuing operations were increased by $7.7 million and $7.4 million, respectively, and excluding prior year funding, were reduced by unfunded COVID costs of $8.3 million and $8.6 million respectively.

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”.

	2023				2022(2)					2021
(thousands of dollars)	Q3	Q2	Q1	YTD Q3	Q4	Q3	Q2	Q1	YTD Q3	Q4
Earnings (loss) from continuing operations before income taxes	**13,668**	**3,105**	**15,766**	**32,539**	(10,364)	(5,042)	4,646	6,264	5,868	(3,556)
Add (Deduct):										
Depreciation and amortization	**9,023**	**7,173**	**7,351**	**23,547**	7,692	7,558	8,058	8,251	23,867	7,845
Net finance costs	**3,725**	**3,096**	**4,243**	**11,064**	3,081	3,931	4,378	5,048	13,357	5,248
Other (income) expense	**(5,048)**	**1,402**	**3,618**	**(28)**	8,751	3,587	975	640	5,202	14,969
Share of profit from investment in joint ventures	**(598)**	**—**	**—**	**(598)**	—	—	—	—	—	—
Adjusted EBITDA	**20,770**	**14,776**	**30,978**	**66,524**	9,160	10,034	18,057	20,203	48,294	24,506
Administrative costs	**14,440**	**13,694**	**13,586**	**41,720**	12,526	13,492	12,284	12,773	38,549	14,236
Net operating income	**35,210**	**28,470**	**44,564**	**108,244**	21,686	23,526	30,341	32,976	86,843	38,742

STATEMENT OF EARNINGS

The following provides the consolidated statement of earnings for the periods ended September 30, 2023 and 2022.

	Three months ended September 30,			Nine months ended September 30,		
(thousands of dollars unless otherwise noted)	**2023**	**2022**[(2)]	**Change**	**2023**	**2022**[(2)]	**Change**
Revenue	**322,529**	308,889	13,640	**954,776**	911,184	43,592
Operating expenses	**287,319**	285,363	1,956	**846,532**	824,341	22,191
Net operating income[(1)]	**35,210**	23,526	11,684	**108,244**	86,843	21,401
Administrative costs	**14,440**	13,492	948	**41,720**	38,549	3,171
Adjusted EBITDA[(1)]	**20,770**	10,034	10,736	**66,524**	48,294	18,230
Depreciation and amortization	**9,023**	7,558	1,465	**23,547**	23,867	(320)
Other (income) expense	**(5,048)**	3,587	(8,635)	**(28)**	5,202	(5,230)
Share of profit from investment in joint ventures	**(598)**	—	(598)	**(598)**	—	(598)
Earnings (loss) before net finance costs and income taxes	**17,393**	(1,111)	18,504	**43,603**	19,225	24,378
Interest expense (net of capitalized interest)	**5,099**	5,317	(218)	**15,602**	15,397	205
Interest revenue	**(1,266)**	(1,386)	120	**(4,694)**	(2,677)	(2,017)
Accretion	**381**	310	71	**1,128**	917	211
Fair value adjustments	**(489)**	(310)	(179)	**(972)**	(280)	(692)
Net finance costs	**3,725**	3,931	(206)	**11,064**	13,357	(2,293)
Earnings (loss) from continuing operations before income taxes	**13,668**	(5,042)	18,710	**32,539**	5,868	26,671
Income Tax Expense (Recovery)						
Current	**1,035**	(25)	1,060	**5,387**	5,035	352
Deferred	**802**	(655)	1,457	**1,790**	(2,360)	4,150
Total income tax expense	**1,837**	(680)	2,517	**7,177**	2,675	4,502
Earnings (loss) from continuing operations	**11,831**	(4,362)	16,193	**25,362**	3,193	22,169
Earnings from operating activities of discontinued operations	**—**	96	(96)	**—**	68,054	(68,054)
Net earnings (loss)	**11,831**	(4,266)	16,097	**25,362**	71,247	(45,885)
Earnings (loss) from continuing operations	**11,831**	(4,362)	16,193	**25,362**	3,193	22,169
Add (Deduct)[(i)]**:**						
Fair value adjustments	**(359)**	(228)	(131)	**(714)**	(216)	(498)
Other (income) expense	**(5,727)**	2,643	(8,370)	**(2,037)**	3,831	(5,868)
Earnings (loss) from continuing operations before separately reported items, net of taxes[(1)]	**5,745**	(1,947)	7,692	**22,611**	6,808	15,803

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

2023 THIRD QUARTER FINANCIAL REVIEW

The following is an analysis of the consolidated results from operations for Q3 2023, as compared to Q3 2022. The impact of COVID-19 affects the comparability of the Company's consolidated results (refer to "Select Quarterly Financial Information – COVID-19 and Related Expenses and Funding").

Revenue

Revenue of $322.5 million in Q3 2023 increased by $13.6 million or 4.4% from $308.9 million in Q3 2022. Improvements in revenue were driven primarily by LTC flow-through funding enhancements, timing of spend under the flow-through care envelopes, improvements in LTC occupancy, growth in home health care ADV of 9.3%, higher billing rates, and growth in managed services, partially offset by COVID-19 funding of $22.0 million recognized in Q3 2022.

Operating Expenses

Operating expenses of $287.3 million in Q3 2023 increased by $2.0 million or 0.7% from Q3 2022. This increase was driven by higher costs related to labour (including increased hours of care supported by increased flow-through funding, labour rate increases and staffing agency costs) and technology across the business segments, partially offset by estimated costs related to COVID-19 of $22.4 million in Q3 2022.

Net Operating Income

Net operating income of $35.2 million in Q3 2023 increased by $11.7 million or 49.7% from $23.5 million in Q3 2022 and represented 10.9% of revenue as compared to 7.6% in Q3 2022, reflecting LTC cost management, lower staffing agency use, funding enhancements and higher occupancy, growth in home health care ADV of 9.3%, higher billing rates, growth in managed services, and the impact in Q3 2022 of unfunded estimated COVID-19 costs of $0.4 million, partially offset by higher operating costs across all segments.

Administrative Costs

Administrative costs increased by $0.9 million to $14.4 million in Q3 2023, primarily due to higher labour costs.

Adjusted EBITDA

Adjusted EBITDA increased by $10.7 million to $20.8 million in Q3 2023 from $10.0 million in Q3 2022 and represented 6.4% of revenue as compared to 3.2% in the same prior year period, reflecting the increase in NOI, partially offset by higher administrative costs.

Depreciation and Amortization

Depreciation and amortization costs increased by $1.5 million to $9.0 million in Q3 2023, primarily due to the implementation of key cloud-based IT platforms and amortization of operational entitlements in connection with the Revera Transactions.

Other (Income) Expense

Other income was $5.0 million in Q3 2023 compared to an expense of $3.6 million in Q3 2022. The favourable year-over-year change of $8.6 million related to the gain on sale of assets to Axium JV of $9.1 million, partially offset by a $0.5 million increase in strategic transformation costs. The strategic transformation costs include transaction, legal, regulatory, IT integration and management transition costs. Refer to the discussion under "Significant Developments – Completed Strategic Transactions With Revera and Axium".

Share of Profit From Investment in Joint Ventures

Share of profit from joint ventures was $0.6 million in Q3 2023, reflecting the Company's 15% interest in Axium JV II. Refer to the discussion under "Significant Developments – Completed Strategic Transactions With Revera and Axium" and to *Note 6* of the unaudited interim condensed consolidated financial statements.

Net Finance Costs

Net finance costs declined by $0.2 million in Q3 2023, primarily due to a decline in long-term debt.

Income Taxes

The income tax provision of $1.8 million in Q3 2023, represented an effective tax rate of 13.4%, as compared to a tax recovery of $0.7 million and an effective tax rate of 13.5% in Q3 2022, largely due to changes in taxable income of certain of the legal entities.

Earnings (Loss) From Continuing Operations

The Company reported earnings from continuing operations of $11.8 million ($0.14 per basic share) in Q3 2023 as compared to a loss of $4.4 million ($0.04 loss per basic share) in Q3 2022. The increase in earnings of $16.2 million largely resulted from the improvement in Adjusted EBITDA of $10.7 million and other (income) expense of $8.6 million ($8.4 million net of tax), partially offset by higher depreciation and amortization.

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. The impact of COVID-19 affects the comparability of the LTC and home health care business segments (refer to "Select Quarterly Financial Information – COVID-19 and Related Expenses and Funding").

Three months ended September 30 *(thousands of dollars unless otherwise noted)*	**Long-term Care**	**Home Health Care**	**Managed Services**	**Total**
2023				
Revenue	**191,679**	**118,132**	**12,718**	**322,529**
Operating expenses	**175,086**	**106,535**	**5,698**	**287,319**
Net operating income(1)	**16,593**	**11,597**	**7,020**	**35,210**
NOI margin(1)	***8.7%***	***9.8%***	***55.2%***	***10.9%***
2022				
Revenue	192,293	107,780	8,816	308,889
Operating expenses	178,440	102,592	4,331	285,363
Net operating income(1)	13,853	5,188	4,485	23,526
NOI margin(1)	*7.2%*	*4.8%*	*50.9%*	*7.6%*
Change				
Revenue	(614)	10,352	3,902	13,640
Operating expenses	(3,354)	3,943	1,367	1,956
Net operating income(1)	2,740	6,409	2,535	11,684

LONG-TERM CARE OPERATIONS

Revenue from LTC operations declined by $0.6 million to $191.7 million in Q3 2023. Excluding a reduction in funding of $18.7 million to support costs associated with COVID-19, revenue increased by $18.1 million largely driven by funding increases and timing of spend, including $7.5 million in Ontario flow-through funding, and improvements in occupancy.

Net operating income from LTC operations increased by $2.7 million or 19.8% to $16.6 million in Q3 2023 as compared to $13.9 million in Q3 2022, with NOI margins increasing to 8.7% from 7.2% in the same prior year period, reflecting cost management, lower staffing agency use, funding enhancements, timing of spend and increased occupancy, partially offset by higher operating costs and the impact in Q3 2022 of a recovery of estimated COVID-19 costs of $0.3 million.

HOME HEALTH CARE OPERATIONS

Revenue from home health care operations increased by $10.4 million or 9.6% to $118.1 million in Q3 2023 from $107.8 million in Q3 2022, driven by 9.3% growth in ADV and billing rate increases, partially offset by reduced funding of $3.3 million to support the costs associated with COVID-19.

Net operating income from home health care operations increased by $6.4 million to $11.6 million in Q3 2023 from $5.2 million in Q3 2022, with NOI margins increasing to 9.8% from 4.8%, respectively. Excluding the impact of unfunded estimated COVID-19 costs of $0.7 million in Q3 2022, NOI improved by $5.7 million from an NOI of $5.9 million and NOI margin of 5.7% in Q3 2022, reflecting higher ADV and rate increases, partially offset by higher wages and benefits.

MANAGED SERVICES

Revenue from managed services increased by $3.9 million or 44.3% to $12.7 million in Q3 2023 compared to Q3 2022, largely due to the addition of the Revera and Axium JV II homes and other new SGP clients, partially offset by Extendicare Assist clients that reduced their scope of services. Refer to the discussion under "Key Performance Indicators – Managed Services".

Net operating income from managed services increased by $2.5 million or 56.5% to $7.0 million in Q3 2023 compared to Q3 2022, reflecting revenue growth, partially offset by higher costs related to operating expenses to support the growth in clients served as a result of the Revera and Axium Transactions and changes to the mix of Extendicare Assist consulting and other services.

2023 NINE MONTH FINANCIAL REVIEW

The following is an analysis of the consolidated results from operations for the nine months ended September 30, 2023, as compared to the same period in 2022. The impact of COVID-19 affects the comparability of the Company's consolidated results (refer to "Select Quarterly Financial Information – COVID-19 and Related Expenses and Funding").

Revenue

Revenue of $954.8 million for the nine months ended September 30, 2023, increased by $43.6 million or 4.8% from $911.2 million for the nine months ended September 30, 2022. 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 of $3.7 million, improvements in LTC occupancy, growth in home health care ADV of 7.7%, higher billing rates, and growth in managed services, partially offset by lower COVID-19 funding of $65.5 million.

Operating Expenses

Operating expenses of $846.5 million for the nine months ended September 30, 2023, increased by $22.2 million or 2.7% from $824.3 million for the nine months ended September 30, 2022. This increase was driven by higher labour costs (including increased hours of care supported by increased flow-through funding, labour rate increases and agency costs) and technology costs across the business segments and the impact of workers compensation rebates of $3.9 million received in Q2 2022, partially offset by lower estimated costs related to COVID-19 of $69.9 million.

Net Operating Income

Net operating income increased by $21.4 million or 24.6% to $108.2 million for the nine months ended September 30, 2023, representing 11.3% of revenue as compared to 9.5% for the same prior year period. Excluding the impact of higher year-over-year recovery of estimated COVID-19 costs of $4.4 million and the benefit of prior period LTC funding adjustments of $3.7 million, partially offset by workers compensation rebates of $3.9 million received in Q2 2022, NOI improved by $17.2 million, reflecting LTC cost management, lower staffing agency use, funding enhancements and higher occupancy, growth in home health care ADV of 7.7%, higher billing rates, and growth in managed services, partially offset by higher operating costs across all segments.

Administrative Costs

Administrative costs increased by $3.2 million or 8.2% to $41.7 million for the nine months ended September 30, 2023, primarily due to higher labour and technology costs, partially offset by lower costs related to COVID-19 of $0.3 million.

Adjusted EBITDA

Adjusted EBITDA improved by $18.2 million to $66.5 million for the nine months ended September 30, 2023, from $48.3 million for the nine months ended September 30, 2022, representing 7.0% of revenue as compared to 5.3% in the prior year, reflecting the increase in NOI, partially offset by higher administrative costs.

Depreciation and Amortization

Depreciation and amortization costs decreased by $0.3 million to $23.5 million for nine months ended September 30, 2023.

Other (Income) Expense

Other (income) expense was nominal for the nine months ended September 30, 2023, compared to an expense of $5.2 million for the same prior year period. The favourable year-over-year change of $5.2 million related to the gain on sale of assets to Axium JV of $9.1 million, partially offset by a $3.9 million increase in strategic transformation costs. The strategic transformation costs include transaction, legal, regulatory, IT integration and management transition costs. Refer to the discussion under "Significant Developments – Completed Strategic Transactions With Revera and Axium".

Share of Profit From Investment in Joint Ventures

Share of profit from joint ventures was $0.6 million for nine months ended September 30, 2023, reflecting the Company's 15% interest in Axium JV II. Refer to the discussion under "Significant Developments – Completed Strategic Transactions With Revera and Axium" and to *Note 6* of the unaudited interim condensed consolidated financial statements.

Net Finance Costs

Net finance costs decreased by $2.3 million for the nine months ended September 30, 2023, reflecting increased interest revenue from cash on hand and a favourable change of $0.7 million in fair value adjustments related to interest rate swaps, partially offset by higher interest expense and accretion.

Income Taxes

The income tax provision of $7.2 million for the nine months ended September 30, 2023, represented an effective tax rate of 22.1%, as compared to $2.7 million and an effective tax rate of 45.6% for the nine months ended September 30, 2022, largely due to changes in taxable income of certain of the legal entities.

Earnings From Continuing Operations

The Company reported earnings from continuing operations of $25.4 million ($0.30 per basic share) for the nine months ended September 30, 2023, as compared to earnings of $3.2 million ($0.04 per basic share) for the nine months ended September 30, 2022. The increase in earnings of $22.2 million resulted from the improvement in Adjusted EBITDA of $18.2 million, lower net finance costs, and the favourable change in other (income) expense of $5.2 million ($5.9 million net of tax). The year-over-year increase in earnings includes the higher recovery of estimated unfunded COVID-19 costs of $4.7 million ($3.5 million net of tax, or $0.04 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. The impact of COVID-19 affects the comparability of the LTC and home health care business segments (refer to "Select Quarterly Financial Information – COVID-19 and Related Expenses and Funding").

Nine months ended September 30 *(thousands of dollars unless otherwise noted)*	**Long-term Care**	**Home Health Care**	**Managed Services**	**Total**
2023				
Revenue	**581,667**	**341,886**	**31,223**	**954,776**
Operating expenses	**517,447**	**313,803**	**15,282**	**846,532**
Net operating income(1)	**64,220**	**28,083**	**15,941**	**108,244**
NOI margin(1)	***11.0%***	***8.2%***	***51.1%***	***11.3%***
2022				
Revenue	573,742	313,203	24,239	911,184
Operating expenses	515,678	297,096	11,567	824,341
Net operating income(1)	58,064	16,107	12,672	86,843
NOI margin(1)	*10.1%*	*5.1%*	*52.3%*	*9.5%*
Change				
Revenue	7,925	28,683	6,984	43,592
Operating expenses	1,769	16,707	3,715	22,191
Net operating income(1)	6,156	11,976	3,269	21,401

LONG-TERM CARE OPERATIONS

Revenue from LTC operations grew by $7.9 million or 1.4% to $581.7 million for the nine months ended September 30, 2023. Excluding a reduction in funding of $51.1 million to support costs associated with COVID-19, revenue increased by $59.0 million largely driven by funding enhancements and timing of spend, including $32.2 million in Ontario flow-through funding, improvements in occupancy and approximately $3.7 million of prior period funding adjustments. Prior period funding adjustments include Manitoba funding in support of prior year wage settlements of $6.1 million and other adjustments of $0.5 million recognized in Q1 2023, partially offset by $2.9 million of retroactive funding recognized in Q1 2022.

Net operating income from LTC operations increased by $6.2 million or 10.6% to $64.2 million for the nine months ended September 30, 2023, from $58.1 million in the same prior year period, with NOI margins of 11.0% and 10.1%, respectively. Excluding a $2.0 million net impact related to a higher recovery of estimated COVID-19 costs of $0.1 million and prior period funding adjustments of $3.7 million, partially offset by workers compensation rebates of $1.8 million received in Q2 2022, NOI increased by $4.2 million, reflecting cost management, lower staffing agency use, funding enhancements, timing of spend and increased occupancy, partially offset by higher operating costs.

HOME HEALTH CARE OPERATIONS

Revenue from home health care operations increased by $28.7 million or 9.2% to $341.9 million for the nine months ended September 30, 2023, from $313.2 million in the same prior year period, driven by 7.7% growth in ADV, billing rate increases and approximately $9.5 million to support government funded wage enhancements, partially offset by reduced funding of $14.4 million to support costs associated with COVID-19.

Net operating income from home health care operations increased by $12.0 million to $28.1 million for the nine months ended September 30, 2023, from $16.1 million in the same prior year period, reflecting NOI margins of 8.2% and 5.1%, respectively. Excluding a reduction in unfunded estimated COVID-19 costs of $4.3 million, NOI improved by $7.7 million reflecting higher ADV and rate increases, partially 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 the impact of workers compensation rebates of $2.1 million received in 2022. NOI margins excluding the impact of unfunded COVID-19 costs and the workers compensation rebates improved to 8.2% for the nine months ended September 30, 2023, from 6.2% in the same prior year period.

MANAGED SERVICES

Revenue from managed services increased by $7.0 million or 28.8% to $31.2 million for the nine months ended September 30, 2023, largely due to the addition of the Revera and Axium JV II homes and other SGP clients, partially offset by Extendicare Assist clients that reduced their scope of services. Refer to the discussion under "Key Performance Indicators – Managed Services".

Net operating income from managed services increased by $3.3 million or 25.8% to $15.9 million for the nine months ended September 30, 2023, reflecting revenue growth, partially offset by higher costs related to operating expenses to support the growth in clients served as a result of the Revera and Axium Transactions, changes in the mix of Extendicare Assist consulting and other services, business development and technology.

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 September 30,			**Nine months ended September 30,**		
(thousands of dollars unless otherwise noted)	**2023**	**2022**(2)	**Change**	**2023**	**2022**(2)	**Change**
Earnings from continuing operations	**11,831**	(4,362)	16,193	**25,362**	3,193	22,169
Add (Deduct):						
Depreciation and amortization	**9,023**	7,558	1,465	**23,547**	23,867	(320)
Depreciation for FFEC (maintenance capex)	**(3,455)**	(2,173)	(1,282)	**(7,945)**	(6,763)	(1,182)
Depreciation for office leases	**(791)**	(771)	(20)	**(2,388)**	(2,181)	(207)
Other expense	**(5,048)**	3,587	(8,635)	**(28)**	5,202	(5,230)
Fair value adjustments	**(489)**	(310)	(179)	**(972)**	(280)	(692)
Current income tax expense (recovery) on other expense and fair value adjustments	**(679)**	(944)	265	**(2,009)**	(1,371)	(638)
Deferred income tax expense (recovery)	**802**	(655)	1,457	**1,790**	(2,360)	4,150
FFO adjustments for joint ventures(i)	**218**	—	218	**218**	—	218
FFO from discontinued operations	**—**	96	(96)	**—**	(534)	534
FFO	**11,412**	2,026	9,386	**37,575**	18,773	18,802
Amortization of deferred financing costs	**354**	443	(89)	**1,072**	1,287	(215)
Accretion costs	**381**	310	71	**1,128**	843	285
Non-cash share-based compensation	**940**	483	457	**1,970**	1,732	238
Principal portion of government capital funding	**534**	917	(383)	**2,037**	3,134	(1,097)
Additional maintenance capex	**(1,240)**	(2,067)	827	**(1,525)**	(1,515)	(10)
AFFO adjustments for joint ventures(i)	**(91)**	—	(91)	**(91)**	—	(91)
AFFO	**12,290**	2,112	10,178	**42,166**	24,254	17,912
Per Basic Share *($)*						
FFO	**0.13**	0.02	0.11	**0.44**	0.21	0.23
AFFO	**0.14**	0.02	0.12	**0.49**	0.27	0.22
Per Diluted Share *($)*						
FFO	**0.13**	0.02	0.11	**0.44**	0.21	0.23
AFFO	**0.14**	0.02	0.12	**0.47**	0.27	0.20
Dividends						
Declared	**10,122**	10,584	(462)	**30,404**	32,088	(1,684)
Declared per share *($)*	**0.12**	0.12	—	**0.36**	0.36	—
Weighted Average Number of Shares						
Basic *(000's)*	**85,009**	89,178		**85,218**	89,794	
Diluted *(000's)*	**95,870**	100,079		**96,106**	100,799	
Current income tax expense included in FFO	**1,714**	953	761	**7,396**	5,987	1,409
FFO effective tax rate	***13.1 %***	*32.0 %*		***16.4 %***	*24.2 %*	

(i) Refer to the additional information provided under "FFO and AFFO Adjustments for Joint Ventures".

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 September 30,			Nine months ended September 30,		
(thousands of dollars)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Net cash from operating activities	**7,223**	943	6,280	**4,244**	66,598	(62,354)
Add (Deduct):						
Net change in operating assets and liabilities, including interest and taxes	**5,901**	2,620	3,281	**39,935**	(38,776)	78,711
Other expense	**4,072**	3,587	485	**9,092**	5,202	3,890
Current income tax on items excluded from AFFO	**(679)**	(944)	265	**(2,009)**	(1,371)	(638)
Depreciation for office leases	**(791)**	(771)	(20)	**(2,388)**	(2,181)	(207)
Depreciation for FFEC (maintenance capex)(i)	**(3,455)**	(2,173)	(1,282)	**(7,945)**	(6,837)	(1,108)
Additional maintenance capex(i)	**(1,240)**	(2,067)	827	**(1,525)**	(1,515)	(10)
Principal portion of government capital funding	**534**	917	(383)	**2,037**	3,134	(1,097)
Adjustments for joint ventures(ii)	**725**	—	725	**725**	—	725
AFFO	**12,290**	2,112	10,178	**42,166**	24,254	17,912
Total maintenance capex(i)	**4,895**	4,240	655	**9,670**	8,352	1,318

(i) Total maintenance capex represents the aggregate of the items classified as "depreciation for FFEC" and "additional maintenance capex", and includes $0.2 million in respect of the Company's 15% interest in joint ventures, for the three and nine months ended September 30, 2023. 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.

(ii) Refer to the additional information provided under "FFO and AFFO Adjustments for Joint Ventures".

AFFO 2023 Financial Review

In Q3 2023, AFFO increased by $10.2 million to $12.3 million ($0.14 per basic share) from $2.1 million ($0.02 per basic share) in Q3 2022, reflecting the improvement in Adjusted EBITDA, partially offset by higher current income taxes and maintenance capex.

For the nine months ended September 30, 2023, AFFO increased by $17.9 million to $42.2 million ($0.49 per basic share) from $24.3 million ($0.27 per basic share) for the nine months ended September 30, 2022, reflecting the improvement in Adjusted EBITDA and lower net finance costs, partially offset by a decline in the principal portion of government capital funding and higher maintenance capex and current income taxes. The year-over-year increase in AFFO included a higher recovery of estimated COVID-19 costs from continuing operations of $4.7 million ($3.5 million net of tax, or $0.04 per basic share).

Dividends declared as a percentage of AFFO for the nine months ended September 30, 2023, represented a payout ratio of 72%. In addition to cash on hand of $96.3 million at September 30, 2023, and ongoing cash generated from operations, the Company has available undrawn credit facilities totalling $75.8 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 "2023 Third Quarter Financial Review", "2023 Nine Month Financial Review", and "Discontinued Operations".

The current income tax expense included in AFFO was $7.4 million for the nine months ended September 30, 2023, compared to $6.0 million in the same prior year period, representing an effective tax rate on FFO of 16.4% and 24.2%, respectively. The Company's current income taxes for both periods have been impacted by the effects of COVID-19. In particular, increased costs as a result of COVID-19 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 15% to 18%.

Including the Company's 15% interest in joint ventures and activity of discontinued operations in 2022, maintenance capex was $4.9 million for Q3 2023 compared to $4.2 million for Q3 2022 and to $2.7 million for Q2 2023, representing 1.5%, 1.3% and 0.9% of revenue, respectively. For the nine months ended September 30, 2023, maintenance capex was $9.7 million compared to $8.4 million in the same prior year period, representing 1.0% and 0.9% 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 September 30,			Nine months ended September 30,		
(thousands of dollars)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Adjusted EBITDA	**20,770**	10,034	10,736	**66,524**	48,294	18,230
Add (Deduct):						
Depreciation for FFEC (maintenance capex)	**(3,455)**	(2,173)	(1,282)	**(7,945)**	(6,763)	(1,182)
Depreciation for office leases	**(791)**	(771)	(20)	**(2,388)**	(2,181)	(207)
Accretion costs	**(381)**	(310)	(71)	**(1,128)**	(917)	(211)
Interest expense	**(5,099)**	(5,317)	218	**(15,602)**	(15,397)	(205)
Interest revenue	**1,266**	1,386	(120)	**4,694**	2,677	2,017
Discontinued operations, pre-tax	**—**	130	(130)	**—**	(953)	953
FFO adjustments for joint ventures	**816**	—	816	**816**	—	816
	13,126	2,979	10,147	**44,971**	24,760	20,211
Current income tax expense	**1,714**	953	761	**7,396**	5,987	1,409
FFO	**11,412**	2,026	9,386	**37,575**	18,773	18,802
Amortization of deferred financing costs	**354**	443	(89)	**1,072**	1,287	(215)
Accretion costs	**381**	310	71	**1,128**	843	285
Non-cash share-based compensation	**940**	483	457	**1,970**	1,732	238
Principal portion of government capital funding	**534**	917	(383)	**2,037**	3,134	(1,097)
Additional maintenance capex	**(1,240)**	(2,067)	827	**(1,525)**	(1,515)	(10)
AFFO adjustments for joint ventures	**(91)**	—	(91)	**(91)**	—	(91)
AFFO	**12,290**	2,112	10,178	**42,166**	24,254	17,912

FFO and AFFO Adjustments for Joint Ventures

The following tables provide additional information in respect of the adjustments to FFO and AFFO for joint ventures. Refer to the discussion under "Non-GAAP Measures".

	Three and nine months ended September 30,		
(thousands of dollars unless otherwise noted)	**2023**	**2022**	**Change**
Depreciation and amortization	**274**	—	274
Depreciation for FFEC (maintenance capex)	**(56)**	—	(56)
FFO adjustments for joint ventures	**218**	—	218
Amortization of deferred financing costs	**3**	—	3
Principal portion of government capital funding	**50**	—	50
Additional maintenance capex	**(144)**	—	(144)
AFFO adjustments for joint ventures	**(91)**	—	(91)

	Three and nine months ended September 30,		
(thousands of dollars unless otherwise noted)	**2023**	**2022**	**Change**
Net cash from operating activities	**1,093**	—	1,093
Net change in operating assets and liabilities, including interest and taxes	**(218)**	—	(218)
Depreciation for FFEC (maintenance capex)	**(56)**	—	(56)
Additional maintenance capex	**(144)**	—	(144)
Principal portion of government capital funding	**50**	—	50
Adjustments for joint ventures	**725**	—	725

(thousands of dollars unless otherwise noted)	Three and nine months ended September 30, 2023	2022	Change
Adjusted EBITDA	**1,093**	—	1,093
Depreciation for FFEC (maintenance capex)	**(56)**	—	(56)
Interest expense	**(323)**	—	(323)
Interest revenue	**102**	—	102
FFO adjustments for joint ventures	**816**	—	816
Amortization of deferred financing costs	**3**	—	3
Principal portion of government capital funding	**50**	—	50
Additional maintenance capex	**(144)**	—	(144)
AFFO adjustments for joint ventures	**(91)**	—	(91)

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

The following summarizes the sources and uses of cash between continuing and discontinued operations for the nine months ended September 30, 2023 and 2022.

	Nine months ended September 30,			
	2023			2022
(thousands of dollars)	Total	Continuing	Discontinued	Total
Net cash from (used in) operating activities	**4,244**	71,510	(4,912)	66,598
Net cash (used in) from investing activities	**(65,259)**	(70,438)	244,782	174,344
Net cash used in financing activities	**(10,014)**	(49,160)	(121,796)	(170,956)
(Decrease) increase in cash and cash equivalents	**(71,029)**	(48,088)	118,074	69,986

As at September 30, 2023, the Company had cash and cash equivalents on hand of $96.3 million, reflecting a decline in cash of $71.0 million from the beginning of the year. Cash flow from operating activities of the continuing operations was $4.2 million for the nine months ended September 30, 2023, reflecting earnings offset by timing of working capital changes, including in respect of COVID-19 funding recognition and receipt and payroll cycles. Cash dividends paid of $30.4 million for the nine months ended September 30, 2023, were largely funded from cash on hand.

Net cash from operating activities was a source of cash of $4.2 million for the nine months ended September 30, 2023, down $62.4 million from $66.6 million in the prior year, reflecting unfavourable changes in operating assets and liabilities and cash income taxes between periods. 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 income taxes reflected taxes paid of $7.3 million in 2023 compared to net income taxes received of $9.0 million in 2022, which included the receipt of a prior year tax recoverable related to the former U.S. operations.

Net cash from investing activities was a use of cash of $65.3 million for the nine months ended September 30, 2023 as compared to a source of cash of $174.3 million in the prior year. The 2023 activity included proceeds of $66.9 million from the sale of assets to Axium JV, including assumed debt, the collection of other assets of $2.0 million and distributions from investments in joint ventures of $0.3 million, partially offset by purchases of property, equipment and other intangible assets of $109.2 million and investments in joint ventures of $25.4 million. The 2022 activity included proceeds of $245.6 million from the sale of the retirement living segment, including assumed debt, net of taxes paid, and the collection of other assets of $3.1 million, partially offset by purchases of property, equipment and other intangible assets of $74.4 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, investments in transitioning key IT platforms to cloud-based solutions, 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.

	Nine months ended September 30,			
	2023			2022
(thousands of dollars)	Total	Continuing	Discontinued	Total
Growth capex	**51,354**	68,113	—	68,113
Maintenance capex	**9,470**	7,534	818	8,352
	60,824	75,647	818	76,465

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 is 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 growth initiatives (refer to "Other Contractual Obligations and Contingencies – Commitments"). The level of future growth capex will primarily be impacted by the timing of redevelopment projects advancing to construction, which is dependent on future enhancements to the Capital Funding Program in Ontario, any potential redevelopment programs that are introduced in Alberta and Manitoba, and whether such projects are sold to Axium JV.

Net cash used in financing activities was a use of cash of $10.0 million for the nine months ended September 30, 2023, a decrease of $160.9 million from $171.0 million in the prior year. The 2023 activity included draws on LTC construction financings of $39.0 million, offset by debt and lease liability repayments of $15.0, purchases of shares for cancellation of $5.6 million and cash dividends paid of $30.4 million. The 2022 activity included debt and lease liability repayments of $141.4 million, including $121.6 million related to the divested operations, purchases of shares for cancellation of $15.9 million, and cash dividends paid of $32.2 million, partially offset by draws on LTC construction financings of $18.2 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 13* of the unaudited interim condensed consolidated financial statements.

Capital Structure

SHAREHOLDERS' EQUITY

Total shareholders' equity as at September 30, 2023, was $95.6 million as compared to $100.7 million at December 31, 2022, reflecting the contributions from net earnings and comprehensive income, offset by dividends declared of $30.4 million and the purchase of Common Shares through the NCIB at a cost of $5.6 million.

As at September 30, 2023, the Company had 84,031,646 Common Shares issued and outstanding (carrying value – $472.3 million), as compared to 84,728,744 Common Shares (carrying value – $475.4 million) as at December 31, 2022, reflecting 875,800 Common Shares purchased and cancelled through the NCIB, partially offset by 178,702 Common Shares issued under the Company's equity-based compensation plan.

Share Information *(000's)*	**November 8, 2023**	**September 30, 2023**	**December 31, 2022**
Common Shares (TSX symbol: EXE)[(i)]	**83,509.4**	**84,031.6**	84,728.7

(i) Closing market value per TSX on November 8, 2023, was $5.98.

As at November 9, 2023, the Company had an aggregate of 3,884,611 Common Shares reserved and available for issuance pursuant to the Company's long-term incentive plan, of which there were in aggregate 2,297,849 performance share units and deferred share units outstanding as at September 30, 2023 (refer to *Note 8* of the unaudited interim condensed consolidated financial statements).

As at November 9, 2023, the Company had $126.5 million in aggregate principal amount of convertible subordinate debentures outstanding that mature in April 2025, which in the aggregate are convertible into 10,326,531 Common Shares.

Dividends

The Company declared cash dividends of $0.36 per share in the nine months ended September 30, 2023, consistent with that declared in 2022, representing $30.4 million and $32.1 million in each period, respectively.

Normal Course Issuer Bid

As at November 8, 2023, the Company had purchased for cancellation 1,398,033 Common Shares year to date, at a cost of $8.8 million, representing a weighted average price per share of $6.29, of which 875,800 had been purchased as at September 30, 2023, at a cost of $5.6 million.

In June 2023, the Company received approval from the TSX to renew its NCIB to purchase for cancellation up to 7,273,707 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, 2023, and provides the Company with flexibility to purchase Common Shares for cancellation until June 29, 2024, 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 36,281 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. The Board authorized the NCIB 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 quantity and timing of purchases of Common Shares are based on market conditions, share price, the outlook for capital needs, including LTC redevelopment needs and other factors. As at November 8, 2023, the Company had purchased 770,533 Common Shares at a cost of $4.7 million under the current NCIB.

Under its prior NCIB that expired on June 29, 2023, the Company purchased 5,638,680 Common Shares at a cost of $39.1 million, representing a weighted average price per share of $6.94, of which 627,500 were acquired in 2023 at a cost of $4.1 million (refer to "Significant Developments – Normal Course Issuer Bid").

Long-term Debt

Long-term debt totalled $339.3 million as at September 30, 2023, as compared to $384.0 million as at December 31, 2022, representing a decrease of $44.7 million, reflecting the transfer of $72.3 million in construction loans to Axium JV in connection with the Axium Transaction and regular debt and lease liability repayments of $15.0 million, partially offset by draws on construction loans of $39.0 million prior to their transfer to the joint venture, new lease liabilities and changes in accretion and deferred financing costs. The current portion of long-term debt as at September 30, 2023, was $20.6 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 September 30, 2023. Details of the components, maturities dates, terms and conditions of long-term debt are provided in *Note 7* of the unaudited interim condensed consolidated financial statements.

CREDIT FACILITIES

The Company has two demand credit facilities totalling $112.3 million. One 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 September 30, 2023, $27.3 million of the facilities secure the Company's legacy defined benefit pension plan obligations, $3.0 million securing the Company's obligation to fund capital contributions to the joint ventures in connection with construction of LTC redevelopment projects within the joint ventures, and $6.2 million was used in connection with obligations relating to LTC homes, leaving $75.8 million of undrawn capacity on the demand facilities.

LONG-TERM DEBT KEY METRICS

Management has limited the amount of debt that may be subject to changes in interest rates, with $20.7 million of mortgage debt at variable rates. The Company's term loan aggregating $28.9 million as at September 30, 2023, has effectively been converted to fixed-rate financings with interest rate swaps over the full term. As at September 30, 2023, the interest rate swaps were valued as an asset of $1.2 million.

The following summarizes key metrics of consolidated long-term debt as at September 30, 2023, and December 31, 2022.

	September 30, 2023			
(thousands of dollars unless otherwise noted)	**Before Adjustments for Joint Ventures**	**Adjustments for Joint Ventures**(ii)	**Adjusted for Joint Ventures**	**December 31, 2022**
Weighted average interest rate of long-term debt outstanding	**5.4 %**		**5.7 %**	5.5 %
Weighted average term to maturity of long-term debt outstanding	**5.5 yrs**		**6.4 yrs**	5.8 yrs
Trailing twelve months consolidated interest coverage ratio(i) (1)	**3.1 X**		**3.1 X**	2.6 X
Debt to Gross Book Value (GBV)				
Total assets (carrying value)	**687,994**	**66,818**	**754,812**	781,579
Accumulated depreciation on property and equipment	**306,691**	**5,524**	**312,215**	287,890
Accumulated amortization on other intangible assets	**39,400**	**798**	**40,198**	35,228
GBV	**1,034,085**	**73,140**	**1,107,225**	1,104,697
Debt(iii)	**344,146**	**50,984**	**395,130**	391,157
Debt to GBV	**33.3 %**		**35.7 %**	35.4 %

(i) Capitalized interest included in the calculation of the interest coverage ratio before adjustments for joint ventures was $3.9 million for the trailing twelve months ended September 30, 2023 ($3.3 million for the nine months ended September 30, 2023), and $1.5 million for the year ended December 31, 2022. The calculation adjusted for joint ventures includes the Company's 15% share of the joint ventures' Adjusted EBITDA of $1.1 million and interest expense of $0.4 million (inclusive of a nominal amount of capitalized interest).

(ii) The adjustments to GBV represent the Company's 15% share of the joint ventures' GBV of $98.8 million less the Company's carrying value in the joint ventures of $25.6 million. The adjustment for debt represents the Company's 15% share of the joint ventures' mortgages at carrying amount, excluding deferred financing costs.

(iii) Debt includes the Company's convertible debentures at face value of $126.5 million and excludes deferred financing costs.

Future Liquidity and Capital Resources

The Company's consolidated cash and cash equivalents on hand was $96.3 million as at September 30, 2023, as compared with $167.3 million as at December 31, 2022, representing a decrease of $71.0 million. In addition, the Company has access to a further $75.8 million in undrawn demand credit facilities. Cash and cash equivalents exclude restricted cash of $0.6 million.

The Company had a working capital deficiency (current liabilities less current assets) of $23.7 million as at September 30, 2023, including the current portion of long-term debt of $20.6 million.

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 Company's capital requirements, in partnership with Axium, to support our long-term care redevelopment program. 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.

Inflationary impacts on operating costs, rising interest rates such that capital and credit markets and industry sentiment are adversely affected, ongoing pressures of funding and rate increases not keeping pace with cost increases, health care staffing constraints and the potential for another pandemic, epidemic or outbreak may make it 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 and rising interest rates 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 September 30, 2023, the Company has outstanding commitments of $24.3 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 14* of the unaudited interim condensed consolidated financial statements).

Subsequent to September 30, 2023, the Company entered into a $71.7 million fixed-price construction agreement in connection with the construction of a new 256-bed LTC home in Orleans, Ontario. Construction commenced in Q4 2023 and is targeted to open in Q2 2026.

Guarantees

The Company provides unsecured guarantees related to certain credit facilities held by its joint ventures; namely, construction loans and letter of credit facilities in support of ongoing construction of joint venture LTC redevelopment projects and term loans and lease-up credit facilities for operating joint venture LTC homes. As at September 30, 2023, 23 LTC homes within the joint ventures have existing credit facilities available of up to $505.7 million. The guarantees provided by the Company vary depending upon the joint venture and the project, but are typically either on a joint and several basis for 50% of the loan amount or on a several basis for 15% of the loan amount or some lesser portion thereof. The amount of the guarantees vary as borrowings increase on projects under construction and reduce as homes move into operations when guarantee requirements are generally lower. As at September 30, 2023, the Company has provided unsecured guarantees of $89.5 million in support of the credit facilities held by its joint ventures (refer to *Note 14* of the unaudited interim condensed 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 impacting 2022, which include the impact of COVID-19 funding and related costs (refer to "Select Quarterly Financial Information – COVID-19 and Related Expenses and Funding"). Further details are provided in *Note 13* of the unaudited interim condensed consolidated financial statements.

Sale of Retirement Living Portfolio

On May 16, 2022, the Company completed the 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%. The Company recorded a gain on sale of $67.9 million net of taxes, other adjustments and transaction costs, through discontinued operations. For the year ended December 31, 2022, these operations generated revenue of $18.9 million, NOI(1) of $3.9 million, and AFFO(1) of $0.9 million ($0.01 per basic share).

Sale of Saskatchewan LTC Homes

On October 9, 2022, the SHA and the Company completed the transition of operations and ownership of the Company's five LTC homes located in Saskatchewan to the SHA, including 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. For the year ended December 31, 2022, these operations generated revenue of $40.9 million, a net operating loss of $3.1 million, and an AFFO loss of $2.3 million ($0.02 loss per basic share).

Earnings (Loss) from Discontinued Operations

The following table provides the results of discontinued operations and a calculation of AFFO for the three and nine months ended September 30, 2022.

Discontinued Operations	**Three months ended September 30, 2022**			**Nine months ended September 30, 2022**		
(thousands of dollars unless otherwise noted)	**Retirement Living**	**SK LTC Homes**	**Total**	**Retirement Living**	**SK LTC Homes**	**Total**
Revenue	—	13,421	13,421	18,937	39,791	58,728
Operating expense	—	13,291	13,291	15,058	42,491	57,549
Net operating income (loss)	—	130	130	3,879	(2,700)	1,179
Reconciliation to AFFO						
Earnings (loss) from operating activities of discontinued operations	—	96	96	2,118	(1,984)	134
Add (Deduct):						
Depreciation and amortization	—	—	—	565	—	565
Depreciation for FFEC (maintenance capex)	—	—	—	(74)	—	(74)
Fair value adjustments	—	—	—	(1,627)	—	(1,627)
Deferred income tax expense (recovery)	—	—	—	468	—	468
FFO from discontinued operations	—	96	96	1,450	(1,984)	(534)
Amortization of deferred financing costs	—	—	—	263	—	263
Accretion costs	—	—	—	(74)	—	(74)
Additional maintenance capex	—	(1)	(1)	(727)	(17)	(744)
AFFO from discontinued operations	—	95	95	912	(2,001)	(1,089)
AFFO per basic share *($)*	—	—	—	0.01	(0.02)	(0.01)
Total maintenance capex	—	1	1	801	17	818

ACCOUNTING POLICIES AND ESTIMATES

Critical Accounting Policies and Estimates

A full discussion of the Company's critical accounting policies and estimates was provided in the MD&A and the accompanying notes to the audited consolidated financial statements for the year ended December 31, 2022, contained in the Company's 2022 Annual Report. The disclosures in such report have not materially changed since that report was filed, and to the extent there have been any changes in management's estimates, they are discussed under "Significant Developments".

New Accounting Policies

During the nine months ended September 30, 2023, the Company applied the accounting policy related to joint ventures in connection with the Revera and Axium Transactions (refer to "Significant Developments – Completed Strategic Transactions With Revera and Axium". A full disclosure and effect of the accounting policy is described in *Notes 2 and 3* of the unaudited interim condensed consolidated financial statements.

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 items “share of profit from investment in joint ventures” and “other (income) expense”, and as a result, is equivalent to the line item “earnings before depreciation, amortization, and other” 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: “fair value adjustments” and “other (income) 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. “Fair value adjustments” relate to the change in the fair value of or gains and losses on interest rate agreements. “Other (income) expense” 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 and fair value adjustments, and the line item “other (income) expense”, 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 “fair value adjustments” and “other (income) expense” that are not otherwise included in FFO). The Company determines and includes its 15% share of FFO from its joint ventures on this same basis. 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. The Company determines and includes its 15% share of AFFO from its joint ventures on this same basis. 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.

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in securities and activities of the Company, which investors should carefully consider before investing in the Company. Risks and uncertainties are disclosed in the Company's 2022 Annual Information Form, including without limitation, "Risks Related to a Pandemic, Epidemic or Outbreak of a Contagious Illness, such as COVID-19", "Risks Related to Inflationary Pressures and Supply Chain Interruptions", "Risks Related to Liability and Insurance" and "Risks Related to Government Oversight, Funding and Regulatory Changes" found under the section "Risk Factors – Risks Related to the Business". To the extent there have been any changes to those risks or uncertainties as of the date of this MD&A, they are discussed under "Forward-looking Statements" and "Significant Developments".

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 11* of the unaudited interim condensed consolidated financial statements.

Interim Condensed Consolidated Financial Statements

Q3 2023

Extendicare Inc.
Dated: November 9, 2023

Extendicare Inc.
Interim Condensed Consolidated Financial Statements

Three and nine months ended September 30, 2023 and 2022

Interim Condensed Consolidated Financial Statements		**1**
Notes to the Unaudited Interim Condensed Consolidated Financial Statements		
1	**General Information and Nature of the Business**	**6**
2	**Basis of Preparation**	**6**
3	**Significant Transactions**	**6**
4	**Property and Equipment**	**7**
5	**Goodwill and Other Intangible Assets**	**8**
6	**Joint Ventures**	**9**
7	**Long-term Debt**	**9**
8	**Share-based Compensation**	**11**
9	**Share Capital**	**12**
10	**Expenses by Nature**	**12**
11	**Other Income and Expense**	**13**
12	**Net Finance Costs**	**13**
13	**Discontinued Operations**	**13**
14	**Commitments and Contingencies**	**14**
15	**Financial Instruments**	**16**
16	**Related Party Transactions**	**16**
17	**Segmented Information**	**16**

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

(thousands of dollars)	***notes***	**September 30, 2023**	**December 31, 2022**
Assets			
Current assets			
Cash and cash equivalents		**96,252**	167,281
Restricted cash		**599**	2,701
Accounts receivable		**79,837**	61,166
Income taxes recoverable		**1,104**	2,908
Other assets		**28,110**	23,982
Total current assets		**205,902**	258,038
Non-current assets			
Property and equipment	***4***	**290,480**	388,719
Goodwill and other intangible assets	***5***	**124,876**	97,064
Other assets		**35,772**	30,468
Deferred tax assets		**5,335**	7,290
Investment in joint ventures	***6***	**25,629**	—
Total non-current assets		**482,092**	523,541
Total assets		**687,994**	781,579
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities		**207,049**	250,140
Income taxes payable		**1,971**	5,606
Long-term debt	***7***	**20,567**	19,239
Total current liabilities		**229,587**	274,985
Non-current liabilities			
Long-term debt	***7***	**318,708**	364,735
Provisions		**10,788**	10,512
Other long-term liabilities		**25,261**	23,757
Deferred tax liabilities		**8,021**	6,889
Total non-current liabilities		**362,778**	405,893
Total liabilities		**592,365**	680,878
Share capital	***9***	**472,255**	475,415
Equity portion of convertible debentures		**7,085**	7,085
Contributed surplus		**11,543**	10,619
Accumulated deficit		**(391,054)**	(384,620)
Accumulated other comprehensive loss		**(4,200)**	(7,798)
Shareholders' equity		**95,629**	100,701
Total liabilities and equity		**687,994**	781,579

See accompanying notes to the unaudited interim condensed consolidated financial statements.
Commitments and Contingencies (*Note 14),* Subsequent Event (*Note 14*).

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

(thousands of dollars except for per share amounts)	***notes***	**Three months ended September 30, 2023**	**Three months ended September 30, 2022**	**Nine months ended September 30, 2023**	**Nine months ended September 30, 2022**
CONTINUING OPERATIONS					
Revenue		**322,529**	308,889	**954,776**	911,184
Operating expenses		**287,319**	285,363	**846,532**	824,341
Administrative costs		**14,440**	13,492	**41,720**	38,549
Total expenses	***10***	**301,759**	298,855	**888,252**	862,890
Earnings before depreciation, amortization, and other		**20,770**	10,034	**66,524**	48,294
Depreciation and amortization		**9,023**	7,558	**23,547**	23,867
Other (income) expense	***11***	**(5,048)**	3,587	**(28)**	5,202
Share of profit from investment in joint ventures	***6***	**(598)**	—	**(598)**	—
Earnings (loss) before net finance costs and income taxes		**17,393**	(1,111)	**43,603**	19,225
Net finance costs	***12***	**3,725**	3,931	**11,064**	13,357
Earnings (loss) before income taxes		**13,668**	(5,042)	**32,539**	5,868
Current income tax expense (recovery)		**1,035**	(25)	**5,387**	5,035
Deferred income tax expense (recovery)		**802**	(655)	**1,790**	(2,360)
Total income tax expense (recovery)		**1,837**	(680)	**7,177**	2,675
Earnings (loss) from continuing operations		**11,831**	(4,362)	**25,362**	3,193
DISCONTINUED OPERATIONS					
Earnings from discontinued operations, net of income taxes	***13***	**—**	96	**—**	68,054
Net earnings (loss)		**11,831**	(4,266)	**25,362**	71,247
Basic Earnings per Share					
Earnings (loss) from continuing operations		**$0.14**	$(0.04)	**$0.30**	$0.04
Net earnings (loss)		**$0.14**	$(0.04)	**$0.30**	$0.79
Diluted Earnings per Share					
Earnings (loss) from continuing operations		**$0.14**	$(0.04)	**$0.30**	$0.04
Net earnings (loss)		**$0.14**	$(0.04)	**$0.30**	$0.75

See accompanying notes to the unaudited interim condensed consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
(thousands of dollars)	**2023**	**2022**	**2023**	**2022**
Net earnings (loss)	**11,831**	(4,266)	**25,362**	71,247
Other Comprehensive Income, Net of Taxes				
Items that will not be reclassified to profit or loss:				
Defined benefit plan actuarial gains (losses)	**4,106**	(906)	**4,895**	4,929
Tax (expense) recovery on changes in defined benefit plan	**(1,088)**	239	**(1,297)**	(1,308)
Other comprehensive income (loss), net of taxes	**3,018**	(667)	**3,598**	3,621
Total comprehensive income (loss)	**14,849**	(4,933)	**28,960**	74,868

See accompanying notes to the unaudited interim condensed consolidated financial statements.

Extendicare Inc.

Interim Condensed Consolidated Statements of Changes in Equity

(Unaudited)

(thousands of dollars, except for number of shares)	***notes***	***Number of Shares***	**Share Capital**	**Equity Portion of Convertible Debentures**	**Contributed Surplus**	**Accumulated Deficit**	**Accumulated Other Comprehensive Loss**	**Shareholders' Equity**
Balance at January 1, 2022		*89,562,499*	500,877	7,085	8,182	(402,453)	(11,768)	101,923
Purchase of shares for cancellation		*(2,199,112)*	(12,321)	—	—	(3,540)	—	(15,861)
Share-based compensation	*8*	*177,425*	1,901	—	(169)	—	—	1,732
Net earnings		—	—	—	—	71,247	—	71,247
Dividends declared	*9*	—	—	—	—	(32,088)	—	(32,088)
Other comprehensive income		—	—	—	—	—	3,621	3,621
Balance at September 30, 2022		87,540,812	490,457	7,085	8,013	(366,834)	(8,147)	130,574

(thousands of dollars, except for number of shares)	***notes***	***Number of Shares***	**Share Capital**	**Equity Portion of Convertible Debentures**	**Contributed Surplus**	**Accumulated Deficit**	**Accumulated Other Comprehensive Loss**	**Shareholders' Equity**
Balance at January 1, 2023		***84,728,744***	**475,415**	**7,085**	**10,619**	**(384,620)**	**(7,798)**	**100,701**
Purchase of shares for cancellation	***9***	***(875,800)***	**(4,921)**	**—**	**—**	**(677)**	**—**	**(5,598)**
Share-based compensation	***8***	***178,702***	**1,761**	**—**	**924**	**(715)**	**—**	**1,970**
Net earnings		**—**	**—**	**—**	**—**	**25,362**	**—**	**25,362**
Dividends declared	***9***	**—**	**—**	**—**	**—**	**(30,404)**	**—**	**(30,404)**
Other comprehensive income		**—**	**—**	**—**	**—**	**—**	**3,598**	**3,598**
Balance at September 30, 2023		***84,031,646***	**472,255**	**7,085**	**11,543**	**(391,054)**	**(4,200)**	**95,629**

See accompanying notes to the unaudited interim condensed consolidated financial statements.

Extendicare Inc.
Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)

		Three months ended September 30,		Nine months ended September 30,	
(thousands of dollars)	***notes***	**2023**	**2022[i]**	**2023**	**2022[i]**
Operating Activities					
Net earnings (loss)		**11,831**	(4,266)	**25,362**	71,247
Adjustments for:					
Share-based compensation		**940**	483	**1,970**	1,732
Depreciation and amortization	***4, 5***	**9,023**	7,558	**23,547**	24,432
Net finance costs	***12***	**3,725**	3,931	**11,064**	13,788
Current taxes		**635**	9	**4,987**	4,616
Deferred taxes		**802**	(655)	**1,790**	(1,892)
Defined benefit plan expenses		**312**	203	**934**	608
Defined benefit plan contributions		**—**	(541)	**(1,096)**	(2,241)
Gain on sale of retirement living segment, net of tax	***13***	**—**	—	**—**	(67,920)
Gain on sale of assets to joint venture, net of tax	***3***	**(8,720)**	—	**(8,720)**	—
Share of profit from investment in joint venture	***6***	**(598)**	—	**(598)**	—
		17,950	6,722	**59,240**	44,370
Net change in operating assets and liabilities					
Accounts receivable		**(1,047)**	(8,057)	**(20,148)**	(2,894)
Other assets		**(4,800)**	3,885	**(4,718)**	2,687
Accounts payable and accrued liabilities		**(4,304)**	(1,407)	**(15,743)**	24,871
		7,799	1,143	**18,631**	69,034
Interest paid, net		**(1,478)**	(1,645)	**(7,122)**	(11,404)
Income taxes received (paid), net		**902**	1,445	**(7,265)**	8,968
Net cash from operating activities		**7,223**	943	**4,244**	66,598
Investing Activities					
Purchase of property, equipment and other intangible assets	***4, 5***	**(43,926)**	(36,625)	**(109,192)**	(74,420)
Change in other assets		**534**	916	**2,037**	3,133
Proceeds from sale of retirement living segment, net of taxes paid	***13***	**—**	—	**—**	245,631
Proceeds from sale of assets to joint venture	***3***	**66,927**	—	**66,927**	—
Investment in joint ventures	***6***	**(25,373)**	—	**(25,373)**	—
Distributions from investment in joint venture		**342**	—	**342**	—
Net cash (used in) from investing activities		**(1,496)**	(35,709)	**(65,259)**	174,344
Financing Activities					
Issuance of long-term debt	***7***	**15,306**	4,858	**38,962**	18,211
Repayment of long-term debt and lease liabilities	***7, 13***	**(4,785)**	(6,901)	**(14,974)**	(141,397)
Change in restricted cash		**2,387**	(135)	**2,102**	465
Purchase of shares for cancellation	***9***	**(1,471)**	(15,861)	**(5,598)**	(15,861)
Dividends paid	***9***	**(10,114)**	(10,665)	**(30,432)**	(32,169)
Financing costs		**(71)**	—	**(74)**	(205)
Net cash from (used in) financing activities		**1,252**	(28,704)	**(10,014)**	(170,956)
Increase (decrease) in cash and cash equivalents		**6,979**	(63,470)	**(71,029)**	69,986
Cash and cash equivalents at beginning of period		**89,273**	238,083	**167,281**	104,627
Cash and cash equivalents at end of period		**96,252**	174,613	**96,252**	174,613

[i] Certain comparative information has been reclassified to conform to the current year presentation.
See accompanying notes to the unaudited interim condensed consolidated financial statements.

1. GENERAL INFORMATION AND NATURE OF THE BUSINESS

The common shares (the "Common Shares") of Extendicare Inc. ("Extendicare" or the "Company") are listed on the Toronto Stock Exchange ("TSX") under the symbol "EXE". The Company and its predecessors have been in operation since 1968. The Company is a leading provider of care and services for seniors across Canada, operating under the Extendicare, ParaMed, Extendicare Assist and SGP Purchasing Partner Network ("SGP") brands and is committed to delivering quality care throughout the health continuum to meet the needs of a growing seniors population. The registered office of the Company is located at 3000 Steeles Avenue East, Suite 400, Markham, Ontario, Canada, L3R 4T9.

2. BASIS OF PREPARATION

a) Statement of Compliance

The unaudited interim condensed consolidated financial statements (the "consolidated financial statements") have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board, and were approved by the board of directors (the "Board") of the Company on November 9, 2023.

The consolidated financial statements do not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the Company's 2022 annual audited consolidated financial statements. These consolidated financial statements follow the same accounting policies and methods of application as the consolidated financial statements for the year ended December 31, 2022.

b) Basis of Measurement

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

c) New Significant Accounting Policy

JOINT VENTURES

Joint ventures are accounted for in the Company's consolidated financial statements as investments using the equity method, whereby the investment is initially recognized at cost, and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income or loss of the joint venture from the date of acquisition, increased by the Company's contributions and reduced by distributions received. The Company's share of joint venture profit or loss is included in the consolidated statements of earnings.

Unrealized gains and losses arising from transactions with the joint ventures are eliminated against the investment in the joint ventures to the extent of the Company's interest in the joint ventures; unrealized losses are eliminated to the extent that there is no evidence of impairment.

The gain on sale of assets to the joint ventures includes variable consideration. The measurement of variable consideration is subject to judgement.

3. SIGNIFICANT TRANSACTIONS

Revera Transactions

On March 1, 2022, the Company entered into agreements with Revera Inc. and its affiliates ("Revera") to acquire a 15% managed interest in AXR Operating (National) LP (now Axium Extendicare LTC II LP ("Axium JV II")), which owns 19 Class A long-term care ("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 LTC Limited Partnership (with its affiliates, "Axium") and Extendicare will operate the homes in consideration for a customary management fee.

In addition, the Company entered into management contracts with Revera to manage all of Revera's other LTC homes, which comprise 30 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. In addition, the Company entered 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 granted the Company (either alone or with Axium) a right to participate in any redevelopment of Revera's 30 Class C homes in Ontario should Revera determine to pursue redevelopment of any of those homes into new LTC homes. If the Company 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.

On August 1, 2023, Extendicare completed the Revera Transactions.

The aggregate consideration paid for the acquisition of the joint venture interest and rights to manage the 56 homes was $69.7 million, comprised of cash proceeds, net of holdbacks, of $32.6 million and the assumption of Extendicare's prorated share of fixed rate mortgages within the joint venture of $37.1 million. Included in the purchase price, and recorded as an intangible asset, was $20.8 million for the rights to manage the operations of the 56 homes.

Axium Transaction

On March 1, 2022, the Company entered into an agreement with Axium in respect of the formation of a joint venture, Axium Extendicare LTC LP ("Axium JV"), to jointly redevelop certain of Extendicare's existing Ontario Class C homes. Axium owns an 85% interest in the joint venture and Extendicare has the remaining 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 transaction with Axium, Extendicare and Axium entered into a master development agreement pursuant to which Extendicare 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 in the future should the parties so choose. 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 homes would be acquired by Axium JV and the Company would operate the homes on the same terms as it will operate the homes acquired in the Revera Acquisition.

On September 13, 2023, Extendicare completed the sale of four of its redevelopment projects, Sudbury, Kingston, Stittsville, and Peterborough (960 LTC beds), to Axium JV, in which Extendicare has a 15% managed interest (the "Axium Transaction") for an aggregate purchase price of $147.3 million, before assumption of debt of $72.3 million. The net book value was $135.8 million, resulting in a gain, net of taxes, certain closing costs and other costs of $8.7 million. The gain is also net of $2.7 million of gain eliminated related to the Company's 15% interest in the joint venture.

4. PROPERTY AND EQUIPMENT

	Land & Land Improve-ments	Buildings & Leasehold Improvements	Right-of-use Assets	Furniture & Equipment	Construction in Progress ("CIP")	Projects in Progress ("PIP")	Total
Cost							
January 1, 2022	61,343	534,150	102,205	69,101	51,880	10,493	829,172
Additions	362	6,124	5,476	7,738	71,318	13,360	104,378
Derecognition	(2)	(1,565)	(1,669)	(2,021)	—	—	(5,257)
Transfers	94	11,569	—	1,107	—	(12,770)	—
Disposal of retirement living operations (*Note 13*)	(24,609)	(215,010)	(20)	(9,512)	(2,533)	—	(251,684)
December 31, 2022	37,188	335,268	105,992	66,413	120,665	11,083	676,609
Additions	**244**	**4,203**	**1,251**	**4,267**	**55,611**	**6,133**	**71,709**
Derecognition	**—**	**(1)**	**(542)**	**(31)**	**—**	**—**	**(574)**
Sale of assets to joint venture (*Note 3*)	**—**	**—**	**—**	**—**	**(150,573)**	**—**	**(150,573)**
Transfers	**—**	**1,575**	**—**	**3,832**	**—**	**(5,407)**	**—**
September 30, 2023	**37,432**	**341,045**	**106,701**	**74,481**	**25,703**	**11,809**	**597,171**

	Land & Land Improve-ments	Buildings & Leasehold Improvements	Right-of-use Assets	Furniture & Equipment	CIP	PIP	Total
Accumulated Depreciation and Impairment Losses							
January 1, 2022	5,968	211,021	44,059	32,524	—	—	293,572
Depreciation	537	14,330	5,832	7,046	—	—	27,745
Derecognition	(2)	(1,565)	(1,669)	(2,021)	—	—	(5,257)
Impairment losses	133	4,505	—	304	—	—	4,942
Disposal of retirement living operations (*Note 13*)	(555)	(29,381)	(4)	(3,172)	—	—	(33,112)
December 31, 2022	6,081	198,910	48,218	34,681	—	—	287,890
Depreciation	**388**	**10,710**	**2,388**	**5,889**	**—**	**—**	**19,375**
Derecognition	**—**	**(1)**	**(542)**	**(31)**	**—**	**—**	**(574)**
September 30, 2023	**6,469**	**209,619**	**50,064**	**40,539**	**—**	**—**	**306,691**
Carrying Amounts							
December 31, 2022	31,107	136,358	57,774	31,732	120,665	11,083	388,719
September 30, 2023	**30,963**	**131,426**	**56,637**	**33,942**	**25,703**	**11,809**	**290,480**

5. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Operational Entitlements[i]	Software and Other Intangible Assets	Total
Cost				
January 1, 2022	45,850	—	78,486	124,336
Additions	—	—	10,951	10,951
Disposal of retirement living operations (*Note 13*)	—	—	(2,928)	(2,928)
Derecognition	—	—	(67)	(67)
December 31, 2022	45,850	—	86,442	132,292
Additions	**—**	**20,809**	**11,175**	**31,984**
September 30, 2023	**45,850**	**20,809**	**97,617**	**164,276**

[i] Amounts related to operational entitlements as part of the transactions with Revera and Axium (*Note 3*).

	Goodwill	Operational Entitlements	Software and Other Intangible Assets	Total
Accumulated Amortization				
January 1, 2022	—	—	31,852	31,852
Amortization	—	—	4,379	4,379
Disposal of retirement living operations *(Note 13)*	—	—	(936)	(936)
Derecognition	—	—	(67)	(67)
December 31, 2022	—	—	35,228	35,228
Amortization	**—**	**231**	**3,941**	**4,172**
September 30, 2023	**—**	**231**	**39,169**	**39,400**
Carrying Amounts				
December 31, 2022	45,850	—	51,214	97,064
September 30, 2023	**45,850**	**20,578**	**58,448**	**124,876**

6. JOINT VENTURES

The Company has investments in the following joint ventures, each of which are accounted for using the equity method:

	September 30, 2023
Interest in Axium JV II - 15% ownership	**17,739**
Interest in Axium JV - 15% ownership	**7,890**
Total	**25,629**

The assets and liabilities of the joint ventures for the periods below including fair value adjustments at acquisition and a reconciliation to the carrying amount of Extendicare's interest are as follows:

	September 30, 2023
Current assets (including cash and cash equivalents - $28,471)	**37,611**
Non-current assets	**578,704**
Total assets	**616,315**
Current liabilities (Current portion of long-term debt - $5,138)	**110,720**
Long-term debt	**334,735**
Total liabilities	**445,455**
Total net assets (100%)	**170,860**
Company share of net assets (15%)	**25,629**
Carrying amount of investment in joint ventures	**25,629**

Financial information of the joint ventures for the periods are as follows:

	Three months ended September 30, 2023
Revenue	**52,571**
Operating expenses	**45,276**
Administrative costs	**6**
Earnings before depreciation, amortization, and net finance costs	**7,289**
Depreciation and amortization	**1,829**
Net finance costs	**1,474**
Net income (100%)	**3,986**
Company share of net income (15%)	**598**

7. LONG-TERM DEBT

	Interest Rate	Year of Maturity	September 30, 2023	December 31, 2022
Convertible unsecured subordinated debentures	5.00%	2025	**124,572**	123,719
CMHC mortgages, fixed rate	2.65% - 7.70%	2024 - 2037	**40,794**	43,498
CMHC mortgage, variable rate	Variable	2025	**20,659**	21,121
Non-CMHC mortgages and loans	3.49% - 5.64%	2025 - 2038	**100,516**	103,248
Construction facilities and loans	N/A	N/A	**—**	33,288
Lease liabilities	3.53% - 7.19%	2023 - 2029	**55,677**	63,502
Total debt			**342,218**	388,376
Deferred financing costs			**(2,943)**	(4,402)
Total debt, net of deferred financing costs			**339,275**	383,974
Less: current portion			**(20,567)**	(19,239)
Long-term debt			**318,708**	364,735

Principal Repayments

	Convertible Debentures	Mortgages and Loans Regular	Mortgages and Loans Maturity	Lease Liabilities	Total
2023 remaining	—	2,645	—	4,407	7,052
2024	—	8,278	—	15,571	23,849
2025	126,500	7,276	35,921	15,027	184,724
2026	—	6,831	—	14,027	20,858
2027	—	5,115	25,954	7,229	38,298
Thereafter	—	62,076	7,873	8,405	78,354
Total debt principal and lease liability repayments	126,500	92,221	69,748	64,666	353,135
Unamortized accretion of 2025 convertible debentures	(1,928)	—	—	—	(1,928)
Interest on lease liabilities	—	—	—	(8,989)	(8,989)
Principal and lease liabilities, after accretion and interest	124,572	92,221	69,748	55,677	342,218

Long-term Debt Continuity

	September 30, 2023	December 31, 2022
As at January 1	**383,974**	536,851
Issuance of long-term debt	**38,962**	36,393
New lease liabilities	**1,251**	5,476
Accretion and other	**853**	1,001
Repayments[(i)]	**(5,898)**	(136,687)
Payment of lease liabilities	**(9,076)**	(11,304)
Increase in deferred financing costs	**(74)**	(382)
Amortization of deferred financing costs and other[(i)]	**1,533**	6,077
Assumed debt related to the Retirement Living Sale *(Note 13)*	**—**	(53,451)
Assumed debt related to the Axium Transaction *(Note 3)*	**(72,250)**	—
As at end of period	**339,275**	383,974

(i) Includes amounts related to the Retirement Living Sale in comparative period (*Note 13*).

Construction Facilities

	September 30, 2023	December 31, 2022
Construction facilities	**—**	156,573
Amount drawn down, end of period	**—**	(33,288)
Construction facilities available	**—**	123,285

On September 13, 2023, Axium JV assumed the construction facilities upon closing of the Axium Transaction. The Company continues to guarantee a portion of these construction facilities (*Notes 3, 14*).

Credit Facilities

The Company has two demand credit facilities totalling $112.3 million. One 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 September 30, 2023, $27.3 million of the facilities secure the Company's defined benefit pension plan obligations (December 31, 2022 – $30.5 million), $9.2 million was used in connection with obligations relating to long-term care homes (December 31, 2022 – $4.8 million), leaving $75.8 million unutilized (December 31, 2022 – $77.0 million).

Financial Covenants

The Company is subject to debt service coverage covenants on certain of its mortgages and loans. The Company was in compliance with all of these covenants as at September 30, 2023.

8. SHARE-BASED COMPENSATION

Equity-settled Long-term Incentive Plan

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

DSUs and PSUs granted under the LTIP do not carry any voting rights. DSUs vest immediately upon grant and PSUs vest with a term of not less than 24 months and not more than 36 months from the date of grant. The Company settled PSUs as follows:

	PSUs	
	Nine months ended September 30,	
(number of units)	**2023**	**2022**
Settled in Common Shares issued from treasury	**178,702**	177,425
Settled in cash	**164,650**	295,722
PSUs settled during the period	**343,352**	473,147

The Company's DSUs and PSUs were an expense of $0.9 million for the three months ended September 30, 2023 (three months ended September 30, 2022 – $1.0 million), and $3.0 million for the nine months ended September 30, 2023 (nine months ended September 30, 2022 – $3.8 million), recorded in administrative costs.

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

	September 30, 2023	December 31, 2022
Contributed surplus – DSUs	**5,917**	4,994
Contributed surplus – PSUs	**5,626**	5,625
Total	**11,543**	10,619

As at September 30, 2023, an aggregate of 3,884,611 (December 31, 2022 – 4,063,313) Common Shares were reserved and available for issuance pursuant to the LTIP.

DSU and PSU activity was as follows:

	DSUs		PSUs	
(number of units)	**Nine months ended September 30, 2023**	**Year ended December 31, 2022**	**Nine months ended September 30, 2023**	**Year ended December 31, 2022**
Units outstanding, beginning of period	**670,671**	507,811	**1,302,586**	1,176,273
Granted	**102,901**	125,018	**531,890**	582,875
Reinvested dividend equivalents	**38,130**	37,842	**74,746**	92,478
Forfeited	**—**	—	**(79,723)**	(21,417)
Settled	**—**	—	**(343,352)**	(527,623)
Units outstanding, end of period	**811,702**	670,671	**1,486,147**	1,302,586
Weighted average fair value of units granted during the period at grant date	**$6.46**	$6.92	**$6.35**	$8.07

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

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

	Nine months ended September 30, 2023		**Year ended December 31, 2022**	
Grant date	**August 22, 2023**	**March 14, 2023**	September 6, 2022	March 11, 2022
Vesting date	**March 14, 2026**	**March 14, 2026**	March 11, 2025	March 11, 2025
PSUs granted	**2,088**	**529,802**	49,375	533,500
Fair value of AFFO component	**$3.30**	**$3.16**	$3.60	$3.87
Fair value of TSR component	**$3.25**	**$3.19**	$4.06	$4.24
Grant date fair value	**$6.55**	**$6.35**	$7.66	$8.11
Expected volatility of the Company's Common Shares	**17.79 %**	**19.18 %**	23.72 %	31.52 %
Expected volatility of the Index	**16.06 %**	**16.43 %**	16.29 %	22.00 %
Risk-free rate	**4.68 %**	**3.50 %**	3.56 %	1.67 %
Dividend yield	**nil**	**nil**	nil	nil

9. SHARE CAPITAL

Common Shares

Each Common Share is transferable, represents an equal and undivided beneficial interest in the assets of the Company and entitles the holder to one vote at all meetings of shareholders of the Company. Shareholders are entitled to receive dividends from the Company when declared by the Board. During the three and nine months ended September 30, 2023 and 2022, the Company declared cash dividends of $0.12 per share and $0.36 per share, respectively.

In June 2023, the Company received approval from the TSX to renew its normal course issuer bid ("NCIB") to purchase for cancellation up to 7,273,707 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, 2023, and provides the Company with flexibility to purchase Common Shares for cancellation until June 29, 2024, 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 36,281 Common Shares. During the three months ended September 30, 2023, the Company purchased 248,300 Common Shares at a cost of $1.5 million, representing a weighted average price per share of $6.18.

Under its prior NCIB that commenced on June 30, 2022 and ended on June 29, 2023, the Company purchased 5,638,680 Common Shares at a cost of $39.1 million, representing a weighted average price per share of $6.94, of which 627,500 were acquired during 2023 at a cost of $4.1 million, representing a weighted average price per share of $6.53.

10. EXPENSES BY NATURE

	Three months ended September 30,		**Nine months ended September 30,**	
	2023	**2022**	**2023**	**2022**
Employee wages and benefits	**260,578**	247,983	**757,088**	721,532
Food, drugs, supplies and other variable costs	**17,645**	21,506	**48,201**	58,022
Property based and leases	**12,585**	12,720	**43,835**	38,021
Other	**10,951**	16,646	**39,128**	45,315
Total operating expenses and administrative costs from continuing operations	**301,759**	298,855	**888,252**	862,890

11. OTHER INCOME AND EXPENSE

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Strategic transformation costs	**4,072**	3,587	**9,092**	5,202
Gain on sale of assets to joint venture (*Note 3*)	**(9,120)**	—	**(9,120)**	—
Total other (income) expense	**(5,048)**	3,587	**(28)**	5,202

Strategic Transformation Costs

During the three and nine months ended September 30, 2023, the Company incurred costs related to the strategic transformation of the Company related to the transactions with Revera and Axium in respect of the ownership, operation and redevelopment of long-term care homes (*Note 3*). Costs incurred include transaction, legal, regulatory, IT integration and management transition costs of $4.1 million and $9.1 million, respectively (September 30, 2022 – $3.6 million and $5.2 million, respectively).

12. NET FINANCE COSTS

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Interest expense	**5,099**	5,317	**15,602**	15,397
Interest revenue	**(1,266)**	(1,386)	**(4,694)**	(2,677)
Accretion	**381**	310	**1,128**	917
Other	**(489)**	(310)	**(972)**	(280)
Net finance costs from continuing operations	**3,725**	3,931	**11,064**	13,357

13. DISCONTINUED OPERATIONS

On May 16, 2022, the Company completed the sale of its retirement living operations to Sienna-Sabra LP. In addition, on October 9, 2022, the Company completed the transition of the operations and delivery of care services of its Saskatchewan long-term care homes ("SK LTC Homes") to the Saskatchewan Health Authority ("SHA"), including the sale of the property and equipment, certain assets and the assumption of certain liabilities by the SHA.

Financial information of the discontinued operations in the interim condensed consolidated statements of earnings is set out below:

For the three months ended September 30, 2022	**Retirement Living**	**SK LTC Homes**	**Total**
Earnings from Discontinued Operations			
Revenue	—	13,421	13,421
Operating expenses	—	13,291	13,291
Earnings before income taxes	—	130	130
Total income tax expense	—	34	34
Earnings from discontinued operations	—	96	96

For the nine months ended September 30, 2022	Retirement Living	SK LTC Homes	Total
Earnings from Discontinued Operations			
Revenue	18,937	39,791	58,728
Operating expenses	15,058	42,491	57,549
Earnings (loss) before depreciation, amortization, net finance costs, and income taxes	3,879	(2,700)	1,179
Depreciation and amortization	565	—	565
Net finance costs	431	—	431
Earnings (loss) before income taxes	2,883	(2,700)	183
Current income tax expense (recovery)	297	(716)	(419)
Deferred income tax expense	468	—	468
Total income tax expense (recovery)	765	(716)	49
Earnings (loss) from operating activities	2,118	(1,984)	134
Gain on sale of discontinued operations before income tax	78,779	—	78,779
Current income tax expense related to gain on sale	3,842	—	3,842
Deferred income tax expense related to gain on sale	7,017	—	7,017
Total income tax expense on gain on sale of discontinued operations	10,859	—	10,859
Earnings (loss) from discontinued operations	70,038	(1,984)	68,054

The net cash flows provided by (used in) the discontinued operations in the interim condensed consolidated statements of cash flows are as follows:

For the three months ended September 30, 2022	Retirement Living	SK LTC Homes	Total
Cash Flows from Discontinued Operations			
Net cash used in operating activities	—	(471)	(471)
Effect on cash flows	—	(471)	(471)

For the nine months ended September 30, 2022	Retirement Living	SK LTC Homes	Total
Cash Flows from Discontinued Operations			
Net cash from (used in) operating activities	829	(5,741)	(4,912)
Net cash from (used in) investing activities	244,789	(7)	244,782
Net cash used in financing activities	(119,165)	(2,631)	(121,796)
Effect on cash flows	126,453	(8,379)	118,074

14. COMMITMENTS AND CONTINGENCIES

Commitments

As at September 30, 2023, the Company has outstanding commitments 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. The expected payments towards those obligations are due as follows:

	Amount
2023	7,443
2024	12,229
2025 and thereafter	4,588
Total	24,260

Subsequent to September 30, 2023, the Company entered into a $71.7 million fixed-price construction agreement in connection with the construction of a new 256-bed LTC home in Orleans, Ontario. Construction commenced in the fourth quarter of 2023 and the home is targeted to open in the second quarter of 2026.

Guarantees

The Company provides unsecured guarantees related to certain credit facilities held by its joint ventures; namely, construction loans and letter of credit facilities in support of ongoing construction of joint venture LTC redevelopment projects and term loans and lease-up credit facilities for operating joint venture LTC homes. As at September 30, 2023, 23 LTC homes within the joint ventures have existing credit facilities available of up to $505.7 million. The guarantees provided by the Company vary depending upon the joint venture and the project, but are typically either on a joint and several basis for 50% of the loan amount or on a several basis for 15% of the loan amount or some lesser portion thereof. The amount of the guarantees will vary as borrowings increase on projects under construction and reduce as homes move into operations when guarantee requirements are generally lower. As at September 30, 2023, the Company has provided unsecured guarantees of $89.5 million in support of the credit facilities held by its joint ventures.

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.

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 personal support workers 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. Therefore, the Company did not record a provision with respect to this matter as at September 30, 2023. This matter could have a materially adverse impact on the Company's business, results of operations and financial condition.

15. FINANCIAL INSTRUMENTS

Fair Values of Financial Instruments

The following table presents the fair value and fair value hierarchy of the Company's financial instruments and excludes financial instruments measured at amortized cost that are short-term in nature. The carrying amounts of the Company's financial instruments approximate their fair values except for items presented below.

As at September 30, 2023	**Carrying Amount**	**Fair Value**	**Fair Value Hierarchy**
Financial assets			
Construction funding subsidy receivable(i)	**30,105**	**27,478**	Level 2
	30,105	**27,478**	
Financial liabilities			
Long-term debt(ii)	**161,969**	**153,585**	Level 2
Convertible unsecured subordinated debentures	**124,572**	**119,859**	Level 1
	286,541	**273,444**	

As at December 31, 2022	**Carrying Amount**	**Fair Value**	**Fair Value Hierarchy**
Financial assets			
Construction funding subsidy receivable(i)	32,142	30,636	Level 2
	32,142	30,636	
Financial liabilities			
Long-term debt(ii)	201,157	198,314	Level 2
Convertible unsecured subordinated debentures	123,719	119,543	Level 1
	324,876	317,857	

(i) Includes current portion.
(ii) Excludes leases, convertible debentures and netting of deferred financing costs.

16. RELATED PARTY TRANSACTIONS

Transactions with Joint Ventures

On September 13, 2023, the Company sold four LTC homes under construction to Axium JV. The Company accounted for this transaction as a sale of assets, and has consequently eliminated a portion of the resulting gain of $2.7 million related to its 15% interest in the joint venture, as an unrealized gain against the investment in the joint venture, to be recognized as other income over the bed licence term of the underlying LTC homes sold into the joint venture. For details on the transaction, see *Note 3.*

Related party transactions occur between the Company and its joint ventures. These related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to between the related parties. Except as disclosed elsewhere in these consolidated financial statements, the related party balances are included in accounts receivable and accounts payable, revenue, and other income, as applicable.

As at September 30, 2023, $1.9 million (September 30, 2022 – nil) of the Company's accounts receivable related to its joint ventures, and $2.7 million (September 30, 2022 – nil) of the Company's other long-term liabilities related to unrealized gain. For the three and nine months ended September 30, 2023, $2.3 million (September 30, 2022 - nil) of its revenue (September 30, 2022 – nil) related to the joint ventures.

There were $0.3 million of distributions from the joint ventures to the Company for the three and nine months ended September 30, 2023 (three and nine months ended September 30, 2022 – nil).

17. SEGMENTED INFORMATION

The Company reports on the following segments: i) long-term care; ii) home health care; iii) managed services, composed of our Extendicare Assist and SGP divisions; and iv) the corporate functions, including the Company's joint venture interests, and any intersegment eliminations as "corporate".

The long-term care segment represents the 53 long-term care homes that the Company owns and operates in Canada. Through the Company's wholly owned subsidiary ParaMed, ParaMed's home health care operations provide complex nursing care, occupational, physical and speech therapy, and assistance with daily activities to accommodate those living at home.

The Company's managed services are composed of its management, consulting and group purchasing divisions. Through the Extendicare Assist division, the Company provides management, consulting and other services to third parties and joint ventures to which the Company is a party; and through the 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.

The Company's Saskatchewan LTC Homes were transitioned to SHA, and the Company's retirement living segment was sold; in the comparative period, the two are treated as discontinued operations and are therefore excluded from continuing operations (*Note 13*).

	Three months ended September 30, 2023				
	Long-term Care	**Home Health Care**	**Managed Services**	**Corporate**	**Total**
CONTINUING OPERATIONS					
Revenue	**191,679**	**118,132**	**12,718**	**—**	**322,529**
Operating expenses	**175,086**	**106,535**	**5,698**	**—**	**287,319**
Net operating income	**16,593**	**11,597**	**7,020**	**—**	**35,210**
Administrative costs				**14,440**	**14,440**
Earnings before depreciation, amortization, and other					**20,770**
Depreciation and amortization				**9,023**	**9,023**
Other income				**(5,048)**	**(5,048)**
Share of profit from investment in joint ventures				**(598)**	**(598)**
Earnings before net finance costs and income taxes					**17,393**
Net finance costs				**3,725**	**3,725**
Earnings before income taxes					**13,668**
Current income tax expense				**1,035**	**1,035**
Deferred income tax expense				**802**	**802**
Total income tax expense				**1,837**	**1,837**
Earnings from continuing operations					**11,831**
DISCONTINUED OPERATIONS					
Earnings from discontinued operations, net of income taxes					**—**
Net earnings					**11,831**

	Three months ended September 30, 2022				
	Long-term Care	**Home Health Care**	**Managed Services**	**Corporate**	**Total**
CONTINUING OPERATIONS					
Revenue	192,293	107,780	8,816	—	308,889
Operating expenses	178,440	102,592	4,331	—	285,363
Net operating income	13,853	5,188	4,485	—	23,526
Administrative costs				13,492	13,492
Earnings before depreciation, amortization, and other					10,034
Depreciation and amortization				7,558	7,558
Other expense				3,587	3,587
Loss before net finance costs and income taxes					(1,111)
Net finance costs				3,931	3,931
Loss before income taxes					(5,042)
Current income tax recovery				(25)	(25)
Deferred income tax recovery				(655)	(655)
Total income tax recovery				(680)	(680)
Loss from continuing operations					(4,362)
DISCONTINUED OPERATIONS					
Earnings from discontinued operations, net of income taxes					96
Net loss					(4,266)

	Nine months ended September 30, 2023				
	Long-term Care	**Home Health Care**	**Managed Services**	**Corporate**	**Total**
CONTINUING OPERATIONS					
Revenue	**581,667**	**341,886**	**31,223**	**—**	**954,776**
Operating expenses	**517,447**	**313,803**	**15,282**	**—**	**846,532**
Net operating income	**64,220**	**28,083**	**15,941**	**—**	**108,244**
Administrative costs				**41,720**	**41,720**
Earnings before depreciation, amortization, and other					**66,524**
Depreciation and amortization				**23,547**	**23,547**
Other income				**(28)**	**(28)**
Share of profit from investment in joint ventures				**(598)**	**(598)**
Earnings before net finance costs and income taxes					**43,603**
Net finance costs				**11,064**	**11,064**
Earnings before income taxes					**32,539**
Current income tax expense				**5,387**	**5,387**
Deferred income tax expense				**1,790**	**1,790**
Total income tax expense				**7,177**	**7,177**
Earnings from continuing operations					**25,362**
DISCONTINUED OPERATIONS					
Earnings from discontinued operations, net of income taxes					**—**
Net earnings					**25,362**

	Nine months ended September 30, 2022				
	Long-term Care	**Home Health Care**	**Managed Services**	**Corporate**	**Total**
CONTINUING OPERATIONS					
Revenue	573,742	313,203	24,239	—	911,184
Operating expenses	515,678	297,096	11,567	—	824,341
Net operating income	58,064	16,107	12,672	—	86,843
Administrative costs				38,549	38,549
Earnings before depreciation, amortization, and other					48,294
Depreciation and amortization				23,867	23,867
Other expense				5,202	5,202
Earnings before net finance costs and income taxes					19,225
Net finance costs				13,357	13,357
Earnings before income taxes					5,868
Current income tax expense				5,035	5,035
Deferred income tax recovery				(2,360)	(2,360)
Total income tax expense				2,675	2,675
Earnings from continuing operations					3,193
DISCONTINUED OPERATIONS					
Earnings from discontinued operations, net of income taxes					68,054
Net earnings					71,247