Interim Condensed Consolidated Financial Statements

Q2 2025

Extendicare Inc.
Dated: August 6, 2025

Extendicare Inc.
Interim Condensed Consolidated Financial Statements

Three and six months ended June 30, 2025 and 2024

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

(thousands of dollars)	***notes***	**June 30, 2025**	**December 31, 2024**
Assets			
Current assets			
Cash and cash equivalents		**72,615**	121,846
Restricted cash	***17***	**76,061**	710
Accounts receivable		**95,647**	92,324
Income taxes recoverable		**1,142**	—
Other assets		**22,577**	28,819
Total current assets		**268,042**	243,699
Non-current assets			
Property and equipment	***4***	**330,759**	295,231
Goodwill and other intangible assets	***5***	**115,928**	120,907
Other assets		**33,588**	29,433
Deferred tax assets		**5,791**	5,772
Investment in joint ventures	***6***	**23,722**	24,746
Total non-current assets		**509,788**	476,089
Total assets		**777,830**	719,788
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities		**296,790**	241,497
Income taxes payable		**2,869**	20,293
Current portion of long-term debt	***7***	**16,861**	31,093
Total current liabilities		**316,520**	292,883
Non-current liabilities			
Long-term debt	***7***	**267,254**	261,394
Provisions		**9,716**	9,055
Other long-term liabilities		**30,073**	24,943
Deferred tax liabilities		**5,359**	7,161
Total non-current liabilities		**312,402**	302,553
Total liabilities		**628,922**	595,436
Share capital	***9***	**469,523**	469,328
Contributed surplus	***8***	**12,330**	14,331
Accumulated deficit		**(327,035)**	(352,546)
Accumulated other comprehensive loss		**(5,910)**	(6,761)
Shareholders' equity		**148,908**	124,352
Total liabilities and equity		**777,830**	719,788

See accompanying notes to the unaudited interim condensed consolidated financial statements.
Commitments and Contingencies (*Note 13)*, Subsequent Events *(Notes 7, 17).*

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

(thousands of dollars except for per share amounts)	***notes***	**Three months ended June 30, 2025**	**Three months ended June 30, 2024**	**Six months ended June 30, 2025**	**Six months ended June 30, 2024**
Revenue		**383,445**	348,482	**758,099**	715,577
Operating expenses		**328,473**	295,675	**652,899**	618,027
Administrative costs		**15,187**	14,196	**29,809**	28,807
Total expenses	***10***	**343,660**	309,871	**682,708**	646,834
Earnings before depreciation, amortization, and other		**39,785**	38,611	**75,391**	68,743
Depreciation and amortization	***4, 5***	**8,480**	8,049	**16,753**	16,204
Other income	***11***	**(11,910)**	(5,692)	**(8,740)**	(3,786)
Share of profit from investment in joint ventures	***6***	**(210)**	(265)	**(84)**	(1,395)
Earnings before net finance costs and income taxes		**43,425**	36,519	**67,462**	57,720
Net finance costs	***12***	**2,013**	3,627	**7,131**	7,235
Earnings before income taxes		**41,412**	32,892	**60,331**	50,485
Current income tax expense		**9,171**	8,785	**15,500**	14,558
Deferred income tax expense (recovery)		**314**	(1,783)	**(2,127)**	(3,059)
Total income tax expense		**9,485**	7,002	**13,373**	11,499
Net earnings		**31,927**	25,890	**46,958**	38,986
Basic Earnings per Share					
Net earnings		**$0.378**	$0.307	**$0.556**	$0.463
Diluted Earnings per Share					
Net earnings		**$0.373**	$0.289	**$0.548**	$0.443

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

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

	Three months ended June 30,		Six months ended June 30,	
(thousands of dollars)	**2025**	**2024**	**2025**	**2024**
Net earnings	**31,927**	25,890	**46,958**	38,986
Other Comprehensive Income, Net of Taxes				
Items that will not be reclassified to profit or loss:				
Defined benefit plan actuarial gains	**1,249**	62	**1,158**	342
Tax expense on changes in defined benefit plan	**(331)**	(17)	**(307)**	(91)
Other comprehensive income, net of taxes	**918**	45	**851**	251
Total comprehensive income	**32,845**	25,935	**47,809**	39,237

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, 2024		*83,158,315*	467,347	7,085	13,087	(393,471)	(6,128)	87,920
Share-based compensation	*8*	*308,663*	1,981	—	(1,916)	(526)	—	(461)
Net earnings		—	—	—	—	38,986	—	38,986
Dividends declared	*9*	—	—	—	—	(20,001)	—	(20,001)
Other comprehensive income		—	—	—	—	—	251	251
Balance at June 30, 2024		*83,466,978*	469,328	7,085	11,171	(375,012)	(5,877)	106,695

(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, 2025		***83,466,978***	**469,328**	**—**	**14,331**	**(352,546)**	**(6,761)**	**124,352**
Share-based compensation	***8***	***350,931***	**195**	**—**	**(2,001)**	**(688)**	**—**	**(2,494)**
Net earnings		**—**	**—**	**—**	**—**	**46,958**	**—**	**46,958**
Dividends declared	***9***	**—**	**—**	**—**	**—**	**(20,759)**	**—**	**(20,759)**
Other comprehensive income		**—**	**—**	**—**	**—**	**—**	**851**	**851**
Balance at June 30, 2025		***83,817,909***	**469,523**	**—**	**12,330**	**(327,035)**	**(5,910)**	**148,908**

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

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

		Three months ended June 30,		Six months ended June 30,	
(thousands of dollars)	***notes***	**2025**	**2024**	**2025**	**2024**
Operating Activities					
Net earnings		**31,927**	25,890	**46,958**	38,986
Adjustments for:					
Share-based compensation		**1,418**	509	**(2,494)**	(461)
Depreciation and amortization	***4, 5***	**8,480**	8,049	**16,753**	16,204
Net finance costs	***12***	**2,013**	3,627	**7,131**	7,235
Current taxes		**9,266**	8,428	**15,595**	14,201
Deferred taxes		**(1,223)**	(1,783)	**(3,664)**	(3,059)
Defined benefit plan expenses		**244**	249	**487**	498
Defined benefit plan contributions		**(501)**	(561)	**(937)**	(1,002)
Gain on sale of assets to joint venture, net of tax	***11***	**(11,081)**	(2,707)	**(11,081)**	(2,707)
Gain on sale of Class C LTC assets, net of tax	***11***	**—**	(4,450)	**—**	(4,450)
Share of profit from investment in joint ventures	***6***	**(210)**	(265)	**(84)**	(1,395)
		40,333	36,986	**68,664**	64,050
Net change in operating assets and liabilities					
Accounts receivable		**(1,222)**	19,914	**1,392**	6,819
Other assets		**8,581**	1,388	**8,669**	2,249
Accounts payable and accrued liabilities		**14,987**	(8,345)	**31,529**	22,135
		62,679	49,943	**110,254**	95,253
Interest paid, net		**(2,462)**	(3,906)	**(4,832)**	(5,169)
Income taxes paid, net		**(7,281)**	(1,882)	**(34,065)**	(6,513)
Net cash from operating activities		**52,936**	44,155	**71,357**	83,571
Investing Activities					
Purchase of property, equipment and other intangible assets	***4, 5***	**(13,894)**	(9,432)	**(29,334)**	(18,791)
Change in other assets		**405**	391	**808**	859
Proceeds from sale of assets to joint venture		**57,360**	20,482	**57,360**	20,482
Proceeds from sale of Class C LTC assets		**—**	5,337	**—**	5,337
Investment in joint ventures	***6***	**(1,080)**	(435)	**(1,080)**	(435)
Distributions from investment in joint ventures	***6***	**180**	225	**597**	450
Change in restricted cash	***17***	**(75,085)**	—	**(75,085)**	—
Acquisition of LTC assets	***3***	**(41,908)**	—	**(41,908)**	—
Net cash (used in) from investing activities		**(74,022)**	16,568	**(88,642)**	7,902
Financing Activities					
Repayment of long-term debt and lease liabilities	***7***	**(4,393)**	(4,558)	**(10,376)**	(9,704)
Change in restricted cash		**(133)**	(204)	**(266)**	(263)
Dividends paid	***9***	**(10,561)**	(10,000)	**(20,577)**	(19,988)
Financing costs	***7***	**(684)**	(104)	**(727)**	(299)
Net cash used in financing activities		**(15,771)**	(14,866)	**(31,946)**	(30,254)
(Decrease) increase in cash and cash equivalents		**(36,857)**	45,857	**(49,231)**	61,219
Cash and cash equivalents at beginning of period		**109,472**	90,546	**121,846**	75,184
Cash and cash equivalents at end of period		**72,615**	136,403	**72,615**	136,403

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 Network ("SGP") brands and is committed to delivering quality care to meet the needs of a growing seniors' population, inspired by its mission to provide people with the care they need, wherever they call home. 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 IAS 34 *Interim Financial Reportin*g as issued by the International Accounting Standards Board ("IASB"), and were approved by the board of directors (the "Board") of the Company on August 6, 2025.

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 2024 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, 2024, other than the new material accounting policy outlined below.

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 Material Accounting Policy

BUSINESS COMBINATIONS AND ASSET ACQUISITIONS

The Company accounts for business combinations under the acquisition method in accordance with IFRS 3 *Business Combinations* when the acquired set of activities and assets meets the definition of a business and control is transferred. In determining whether a particular set of activities and assets is a business, the Company assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Company also uses the optional fair value concentration test when determining whether a transaction is to be accounted for as an asset acquisition or a business combination.

The cost of a business combination is measured at the fair value of consideration transferred at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition. The Company recognizes assets or liabilities, if any, resulting from a contingent consideration arrangement at their acquisition date fair value and such amounts form part of the cost of the asset acquisition. Subsequent changes in the fair value of contingent consideration arrangements are recognized in profit and loss.

When an acquisition does not meet the criteria for business combination accounting treatment, it is accounted for as an acquisition of a group of assets and liabilities, the cost of which includes transaction costs that are allocated upon initial recognition to the assets and liabilities acquired based upon their relative fair values. In determining the fair values that drive such analysis, the Company estimates the fair value of each component using a number of sources including independent appraisals, internal analysis of recently acquired or developed properties, existing comparable properties and other market data.

d) Future Changes in Accounting Policies

PRESENTATION AND DISCLOSURE IN FINANCIAL STATEMENTS

In April 2024, the IASB published its new standard IFRS 18 *Presentation and Disclosure in Financial Statements*. This standard will replace IAS 1 *Presentation of Financial Statements* and introduce new presentation and disclosure requirements, including updates to the statement of earnings and disclosures relating to performance measures. The new standard will be effective January 1, 2027 onwards. The Company is currently assessing the potential impact of this standard on its consolidated financial statements.

3. SIGNIFICANT TRANSACTIONS

In the fourth quarter of 2024, the Company entered into an agreement with Revera Inc. (with its affiliates, “Revera”) to acquire nine Class C LTC homes located in Ontario and Manitoba and one parcel of vacant land located in Ontario (the "Transaction").

On June 1, 2025, Extendicare completed the Transaction. The purchase price of $41.9 million was funded from cash on hand. Upon closing of the Transaction, the Company’s existing management agreements with Revera in respect of the nine homes, as well as related development arrangement agreements, terminated in accordance with their terms.

The Company applied the optional concentration test in accordance with IFRS 3 *Business Combinations* and accounted for the Transaction as an acquisition of a group of assets and liabilities.

	notes	**June 1, 2025**
Accounts receivable		622
Other assets		190
Property and equipment[(i)]	*4*	68,463
Accounts payable and accrued liabilities		(27,367)
Net assets acquired		**41,908**

[(i)]Includes transaction costs of $1.7 million.

Relatedly, Revera completed a previously announced transaction to sell 21 of Revera’s Class C LTC homes located in Ontario that were managed by Extendicare to a third party. Upon closing of the transaction on May 1, 2025, the Company’s existing management agreements with Revera in respect of the 21 homes, as well as related development agreements, terminated in accordance with their terms. In connection with the termination of the management agreements, the Company was reimbursed an amount of $1.6 million by Revera related to amounts previously paid toward operational entitlement rights (*Note 5*).

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, 2024	38,764	344,301	106,440	78,838	33,043	7,417	608,803
Additions	—	236	2,911	1,164	22,090	16,297	42,698
Derecognition	—	—	(1,178)	—	—	—	(1,178)
Write-offs	—	—	—	—	(479)	—	(479)
Sale of assets to joint venture *(Note 6)*	—	—	—	—	(16,059)	(257)	(16,316)
Sale of Class C LTC assets	(616)	(4,692)	—	(2,420)	—	—	(7,728)
Purchase of LTC assets from lessor	—	38,711	(82,581)	—	—	—	(43,870)
Transfers	699	11,442	—	3,891	2,521	(18,553)	—
December 31, 2024	38,847	389,998	25,592	81,473	41,116	4,904	581,930
Additions	**—**	**156**	**2,128**	**395**	**15,273**	**8,495**	**26,447**
Derecognition	**—**	**—**	**—**	**(69)**	**—**	**—**	**(69)**
Sale of assets to joint venture *(Note 6)*	**—**	**—**	**—**	**—**	**(46,743)**	**—**	**(46,743)**
Acquisition of LTC assets *(Note 3)*	**24,906**	**39,948**	**—**	**1,981**	**1,628**	**—**	**68,463**
Transfers	**34**	**2,348**	**(85)**	**2,756**	**—**	**(5,053)**	**—**
June 30, 2025	**63,787**	**432,450**	**27,635**	**86,536**	**11,274**	**8,346**	**630,028**

	Land & Land Improve-ments	Buildings & Leasehold Improvements	Right-of-use Assets	Furniture & Equipment	CIP	PIP	Total
Accumulated Depreciation and Impairment Losses							
January 1, 2024	6,612	210,062	53,573	42,659	—	—	312,906
Depreciation	607	11,557	5,380	7,824	—	—	25,368
Derecognition	—	—	(767)	—	—	—	(767)
Sale of Class C LTC assets	(214)	(4,311)	—	(1,369)	—	—	(5,894)
Purchase of LTC assets from lessor	—	—	(44,914)	—	—	—	(44,914)
December 31, 2024	7,005	217,308	13,272	49,114	—	—	286,699
Depreciation	**304**	**7,282**	**1,235**	**3,808**	**—**	**—**	**12,629**
Derecognition	**—**	**—**	**—**	**(59)**	**—**	**—**	**(59)**
June 30, 2025	**7,309**	**224,590**	**14,507**	**52,863**	**—**	**—**	**299,269**
Carrying Amounts							
December 31, 2024	31,842	172,690	12,320	32,359	41,116	4,904	295,231
June 30, 2025	**56,478**	**207,860**	**13,128**	**33,673**	**11,274**	**8,346**	**330,759**

5. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Operational Entitlements	Software and Other Intangible Assets	Total
Cost				
January 1, 2024	45,850	20,809	99,462	166,121
Additions	—	—	7,661	7,661
December 31, 2024	45,850	20,809	107,123	173,782
Additions	**—**	**—**	**772**	**772**
Derecognition (*Note 3*)	**—**	**(5,423)**	**—**	**(5,423)**
June 30, 2025	**45,850**	**15,386**	**107,895**	**169,131**

	Goodwill	Operational Entitlements	Software and Other Intangible Assets	Total
Accumulated Amortization				
January 1, 2024	—	550	41,264	41,814
Amortization	—	1,266	7,134	8,400
Impairment	—	2,661	—	2,661
December 31, 2024	—	4,477	48,398	52,875
Amortization	**—**	**380**	**3,744**	**4,124**
Derecognition (*Note 3*)	**—**	**(3,796)**	**—**	**(3,796)**
June 30, 2025	**—**	**1,061**	**52,142**	**53,203**
Carrying Amounts				
December 31, 2024	45,850	16,332	58,725	120,907
June 30, 2025	**45,850**	**14,325**	**55,753**	**115,928**

6. JOINT VENTURES

Axium Extendicare LTC LP

Axium Extendicare LTC LP ("Axium JV") is jointly redeveloping certain of Extendicare's existing Ontario Class C homes. Axium LTC Limited Partnership (with its affiliates, "Axium") owns an 85% interest and Extendicare has the remaining 15% managed interest. The Company has undertaken all development activities in respect of the joint venture homes and will operate the homes upon completion of construction for a customary management fee.

In the second quarter of 2025, the Company completed the sale of three LTC homes currently under construction to Axium JV (*Note 11*). Upon completion of the transaction, Axium JV owns eight LTC homes located in Ontario, three of which are operational and five of which are under construction.

Axium Extendicare LTC II LP

Axium Extendicare LTC II LP ("Axium JV II") owns 19 Class A LTC homes located in Ontario and six homes in Manitoba, consisting of approximately 3,000 funded LTC beds, and one LTC home under construction in Ontario. The Company has a 15% managed interest in the joint venture, with the remaining 85% interest owned by Axium. Extendicare is operating the homes in consideration for a customary management fee.

The Company accounts for its investments in the joint ventures above using the equity method:

	June 30, 2025	December 31, 2024
Interest in Axium JV - 15% ownership	**8,955**	8,420
Interest in Axium JV II - 15% ownership	**14,767**	16,326
Total	**23,722**	24,746

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

	June 30, 2025	December 31, 2024
Current assets (including cash and cash equivalents - $47,515)	**88,472**	57,593
Non-current assets	**875,263**	751,203
Total assets	**963,735**	808,796
Current liabilities (Current portion of long-term debt - $204,634)	**365,858**	274,786
Long-term debt	**422,048**	369,721
Other long-term liabilities	**17,223**	7,648
Total liabilities	**805,129**	652,155
Total net assets (100%)	**158,606**	156,641
Company share of net assets (15%)	**23,722**	23,467
Difference between investment carrying amount and underlying equity in net assets[(i)]	**—**	1,279
Carrying amount of investment in joint ventures	**23,722**	24,746

[(i)]Related primarily to provincial land transfer taxes and losses not attributable to Extendicare.

	June 30, 2025	December 31, 2024
Investment in joint ventures as at January 1	**24,746**	24,527
Investment in joint ventures	**1,080**	718
Distributions from investment in joint ventures	**(597)**	(2,432)
Share of profit from investment in joint ventures	**84**	1,933
Other adjustments[(i)]	**(1,591)**	—
Investment in joint ventures as at end of period	**23,722**	24,746

[(i)]Related primarily to provincial land transfer taxes and losses not attributable to Extendicare.

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

	Three months ended June 30,		Six months ended June 30,	
	2025	**2024**	**2025**	**2024**
Revenue	**113,844**	93,930	**222,085**	190,166
Operating expenses	**105,095**	84,848	**205,268**	167,897
Administrative costs	**110**	167	**130**	236
Earnings before depreciation, amortization, and net finance costs	**8,639**	8,915	**16,687**	22,033
Depreciation and amortization	**4,495**	3,662	**8,984**	6,806
Net finance costs	**2,745**	3,487	**7,146**	5,930
Net income (100%)	**1,399**	1,766	**557**	9,297
Company share of net income (15%)	**210**	265	**84**	1,395

7. LONG-TERM DEBT

	Interest Rate	Year of Maturity	June 30, 2025	December 31, 2024
CMHC mortgages, fixed rate	2.65% - 7.70%	2026 - 2037	**35,234**	36,771
CMHC mortgage, variable rate	Variable	2027	**19,500**	19,878
Non-CMHC mortgages and loans	5.05% - 5.64%	2027 - 2038	**92,822**	95,003
Lease liabilities[i]	4.27% - 5.50%	2025 - 2030	**15,459**	14,736
Senior secured credit facility, term loan[ii]	4.99%	2027	**125,125**	130,000
Total debt			**288,140**	296,388
Deferred financing costs			**(4,025)**	(3,901)
Total debt, net of deferred financing costs			**284,115**	292,487
Less: current portion			**(16,861)**	(31,093)
Long-term debt			**267,254**	261,394

[i] 'Year of Maturity' excludes options to extend the lease term at the end of the non-cancellable lease term.
[ii] Further discussion on interest rate in the Senior Secured Credit Facility section below.

Principal Repayments

	Mortgages and Loans		Lease	Credit	
	Regular	**Maturity**	**Liabilities**	**Facility**	**Total**
2025 remaining	4,186	—	1,825	3,250	9,261
2026	8,639	—	3,529	6,500	18,668
2027	7,140	43,151	2,936	115,375	168,602
2028	6,747	—	2,189	—	8,936
2029	7,099	—	1,773	—	8,872
Thereafter	50,623	19,971	6,221	—	76,815
Total debt principal and lease liability repayments	84,434	63,122	18,473	125,125	291,154
Interest on lease liabilities	—	—	(3,014)	—	(3,014)
Principal and lease liabilities, after interest	84,434	63,122	15,459	125,125	288,140

Long-term Debt Continuity

	June 30, 2025	December 31, 2024
As at January 1	**292,487**	334,516
Issuance of long-term debt	**—**	130,000
New lease liabilities	**2,128**	2,911
Accretion and other	**—**	1,108
Repayments of long-term debt	**(8,971)**	(8,232)
Payment of lease liabilities	**(1,405)**	(2,514)
Payment of lease liabilities related to purchased LTC assets from lessor	**—**	(8,190)
Increase in deferred financing costs	**(727)**	(3,331)
Amortization of deferred financing costs and other	**603**	1,817
Redemption of convertible debentures	**—**	(125,680)
Release of lease liabilities related to purchase of LTC assets from lessor	**—**	(29,918)
As at end of period	**284,115**	292,487

CMHC Variable Rate Mortgage

The Company has one variable rate mortgage, insured through the Canada Mortgage and Housing Corporation ("CMHC") program, that is secured by a Canadian financial institution at a variable rate based on the lender's cost of funds plus 225 basis points.

Non-CMHC Mortgages and Loans

In the first quarter of 2025, the Company renewed three of its mortgages. These renewed mortgages each have a maturity date of April 1, 2030 and a fixed interest rate of 5.05%.

Senior Secured Credit Facility

In the second quarter of 2025, the Company amended the existing senior secured credit facility agreement to increase the revolving credit facility by $45.0 million for up to $190.0 million (the "Revolving Facility") and the delayed draw term loan facility by $55.0 million in an amount up to $185.0 million (the "Delayed Draw Facility"), for a total of $375.0 million (the "Senior Secured Credit Facility"). The Senior Secured Credit Facility is secured by 30 LTC homes and is subject to certain customary financial and non-financial covenants and other terms. The Company utilized $130.0 million of the Delayed Draw Facility in the fourth quarter of 2024.

Borrowings under the Senior Secured Credit Facility can take place by way of direct borrowings at either the prime rate plus an applicable margin ranging from 0.70% to 1.95%, or the Canadian Overnight Repo Rate Average ("CORRA") plus an applicable margin ranging from 1.70% to 2.95%, or through letters of credit. The Company has swap contracts with a syndicate of Canadian chartered banks for the Delayed Draw Facility that fix the CORRA portion of the interest rate of the credit facility at a rate of 2.74%, and mature in November 2029 (*Note 12*).

Subsequent to the second quarter of 2025, the Company utilized the remaining $55.0 million of its Delayed Draw Facility to fund part of the purchase price related to the acquisition of Closing the Gap Healthcare Group Inc. (*Note 17*). The Company also then amended its existing swap contracts with a syndicate of Canadian chartered banks for the total remaining amount owing under the Delayed Draw Facility of $180.1 million to fix the CORRA portion of the interest rate of the credit facility at a rate of 2.80%, maturing in November 2029.

As at June 30, 2025, $24.2 million of the Revolving Facility secures the Company's defined benefit pension plan obligations (December 31, 2024 – $23.2 million), $13.1 million secures the Company's obligation to fund capital contributions to the joint ventures in connection with construction of LTC redevelopment projects within the joint ventures (December 31, 2024 – $10.9 million), and $0.5 million was used in connection with obligations relating to LTC homes (December 31, 2024 – $2.4 million), leaving $152.2 million unutilized (December 31, 2024 – $108.5 million).

Financial Covenants

The Company is subject to debt service coverage covenants on certain of its loans and its Senior Secured Credit Facility. The Company was in compliance with all of these covenants as at June 30, 2025.

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 DSUs and PSUs as follows:

	DSUs and PSUs	
	Six months ended June 30,	
(number of units)	**2025**	**2024**
Settled in Common Shares issued from treasury	**350,931**	308,663
Settled in cash	**399,657**	346,655
DSUs and PSUs settled during the period	**750,588**	655,318

During the three and six months ended June 30, 2025, the Company's DSUs and PSUs were an expense of $1.4 million and $2.7 million, respectively (June 30, 2024 – $1.3 million and $2.1 million, respectively), 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:

	June 30, 2025	**December 31, 2024**
Contributed surplus – DSUs	**6,305**	6,132
Contributed surplus – PSUs	**6,025**	8,199
Total	**12,330**	14,331

As at June 30, 2025, an aggregate of 3,225,017 (December 31, 2024 – 3,575,948) Common Shares were reserved and available for issuance pursuant to the LTIP.

DSU and PSU activity was as follows:

	DSUs		PSUs	
(number of units)	**Six months ended June 30, 2025**	**Year ended December 31, 2024**	**Six months ended June 30, 2025**	**Year ended December 31, 2024**
Units outstanding, beginning of period	**825,011**	857,813	**1,623,854**	1,486,841
Granted	**42,451**	97,145	**379,715**	564,584
Reinvested dividend equivalents	**15,742**	49,267	**30,698**	92,223
Change due to performance and forfeiture	**—**	—	**115,691**	(43,690)
Settled	**(79,506)**	(179,214)	**(671,082)**	(476,104)
Units outstanding, end of period	**803,698**	825,011	**1,478,876**	1,623,854
Weighted average fair value of units granted during the period at grant date	**$13.31**	$8.49	**$14.50**	$8.19

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:

	Six months ended June 30, 2025		Year ended December 31, 2024	
Grant date	**Mar 10, 2025**	Nov 22, 2024	Aug 22, 2024	Mar 19, 2024
Vesting date	**Mar 10, 2028**	Mar 19, 2027	Mar 19, 2027	Mar 19, 2027
PSUs granted	**379,715**	37,671	28,065	498,848
Fair value of AFFO component	**$6.52**	$5.17	$4.29	$3.81
Fair value of TSR component	**$7.98**	$6.28	$4.75	$4.09
Grant date fair value	**$14.50**	$11.45	$9.04	$7.90
Expected volatility of the Company's Common Shares	**21.77 %**	21.39 %	20.66 %	18.43 %
Expected volatility of the Index	**15.06 %**	12.99 %	16.17 %	15.85 %
Risk-free rate	**2.51 %**	3.34 %	3.24 %	3.94 %
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 six months ended June 30, 2025, the Company declared cash dividends of $0.126 per share and $0.248 per share, respectively (June 30, 2024 – $0.120 per share and $0.240 per share, respectively).

In June 2025, the Company received approval from the TSX to renew its normal course issuer bid ("NCIB") to purchase for cancellation up to 7,281,193 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 July 2, 2025, and provides the Company with flexibility to purchase Common Shares for cancellation until July 1, 2026, 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 44,803 Common Shares. There were no purchases under the Company's NCIB program during the three and six months ended June 30, 2025.

10. EXPENSES BY NATURE

	Three months ended June 30,		Six months ended June 30,	
	2025	**2024**(i)	**2025**	**2024**(i)
Employee wages and benefits	**306,212**	271,130	**602,937**	564,417
Food, drugs, supplies and other variable costs	**14,571**	14,899	**27,668**	29,812
Property based and leases	**11,162**	11,149	**24,230**	24,207
Other	**11,715**	12,693	**27,873**	28,398
Total operating expenses and administrative costs	**343,660**	309,871	**682,708**	646,834

(i)Certain comparative information has been reclassified to conform to the current year presentation.

11. OTHER INCOME AND EXPENSE

	Three months ended June 30,		Six months ended June 30,	
	2025	**2024**	**2025**	**2024**
Strategic transformation costs	**—**	1,822	**3,182**	3,728
Gain on sale of assets to joint venture	**(12,523)**	(2,862)	**(12,523)**	(2,862)
Gain on sale of Class C LTC assets	**—**	(4,652)	**—**	(4,652)
Transaction costs	**632**	—	**632**	—
Other	**(19)**	—	**(31)**	—
Total other income	**(11,910)**	(5,692)	**(8,740)**	(3,786)

Strategic Transformation Costs

In the first quarter of 2025, the Company incurred transaction, legal, regulatory, IT integration and management transition costs related to the strategic transformation of the Company.

Gain on Sale of Assets to Joint Venture

In the second quarter of 2025, the Company completed the sale to Axium JV of its LTC homes currently under construction in St. Catharines, Ontario (256 beds), Port Stanley, Ontario (128 beds), and London, Ontario (192 beds) for cash proceeds of $56.3 million, net of Extendicare's 15% retained interest, holdbacks and closing costs. The net book value of the projects was $43.0 million, resulting in a gain, before taxes of $1.4 million, of $12.5 million.

Transaction Costs

During the three and six months ended June 30, 2025, the Company incurred transaction and legal costs related to the acquisition of Closing the Gap Healthcare Group Inc. (*Notes 13, 17)*.

12. NET FINANCE COSTS

	Three months ended June 30,		Six months ended June 30,	
	2025	**2024**	**2025**	**2024**
Interest expense	**4,304**	5,228	**8,518**	10,216
Interest revenue	**(1,358)**	(1,922)	**(2,735)**	(3,375)
Accretion	**76**	205	**661**	598
Fair value adjustments	**(1,009)**	116	**687**	(204)
Net finance costs	**2,013**	3,627	**7,131**	7,235

Fair Value Adjustments

Fair value adjustments related to interest rate swap contracts for the three and six months ended June 30, 2025 were a gain of $1.0 million and a loss of $0.7 million, respectively (June 30, 2024 – loss of $0.1 million and gain of $0.2, respectively). The interest rate swaps changed from a liability of $0.6 million as at December 31, 2024 to a liability of $1.3 million as at June 30, 2025. All interest rate swap contracts are measured at FVTPL and are categorized as Level 2 on the fair value hierarchy, and hedge accounting has not been applied (*Note 7*).

13. COMMITMENTS AND CONTINGENCIES

Commitments

As at June 30, 2025, the Company has outstanding commitments of $28.0 million, primarily related to various IT service and licence agreements for IT cloud-based applications in support of the Company's growth initiatives. The expected payments towards those obligations are due as follows:

	Total
2025	3,891
2026	10,436
2027 and thereafter	13,668
Total	27,995

In the third quarter and the fourth quarter of 2024, the Company entered into fixed-price construction agreements totalling $183 million, in connection with the constructions of new homes in St, Catharines, Port Stanley, and London, Ontario. In the second quarter of 2025, the Company sold the aforementioned LTC homes currently under construction to Axium JV, with Extendicare retaining a 15% managed interest. The aforementioned fixed-price construction agreements were assumed by Axium JV upon sale of the redevelopment projects by the Company to Axium JV in the second quarter of 2025.

In the second quarter of 2025, the Company, through its wholly owned home health care subsidiary, ParaMed, entered into an agreement to acquire all of the issued and outstanding shares of Closing the Gap Healthcare Group Inc. and certain affiliates (collectively, "Closing the Gap") (the "CTG Transaction"). The CTG Transaction includes an earnout tied to new business revenue generation in the twelve months after closing. The estimated additional purchase price from the earnout is between $3.5 million to $5.5 million, and is expected to be funded from cash on hand and the Company's existing Senior Secured Credit Facility.

Subsequent to the second quarter of 2025, the Company completed the CTG Transaction (*Note 17*).

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 June 30, 2025, 28 LTC homes within the joint ventures have existing credit facilities available of up to $910.9 million. The guarantees provided by the Company vary depending upon 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 become operational, when guarantee requirements are generally lower. As at June 30, 2025, the Company has provided unsecured guarantees of $287.9 million in support of the credit facilities held by its joint ventures.

The joint ventures are subject to debt service coverage covenants on certain of its credit facilities. The joint ventures were in compliance with the covenants as at June 30, 2025.

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, four active class actions against the Company in Ontario were consolidated 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 $110.0 million. On March 7, 2024, the consolidated claim was certified against the Company in respect of owned and managed homes with a gross negligence cause of action.

The Company is vigorously defending 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 LTC 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 June 30, 2025. This matter could have a materially adverse impact on the Company's business, results of operations and financial condition.

14. 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 June 30, 2025	**Carrying Amount**	**Fair Value**	**Fair Value Hierarchy**
Financial assets			
Construction funding subsidy receivable(i)	**27,141**	**25,985**	Level 2
	27,141	**25,985**	
Financial liabilities			
Long-term debt(i)(ii)	**147,556**	**147,078**	Level 2
Senior secured credit facility, term loan	**125,125**	**111,998**	Level 2
	272,681	**259,076**	

As at December 31, 2024	**Carrying Amount**	**Fair Value**	**Fair Value Hierarchy**
Financial assets			
Construction funding subsidy receivable(i)	27,949	26,826	Level 2
	27,949	26,826	
Financial liabilities			
Long-term debt(i)(ii)	151,652	150,308	Level 2
Senior secured credit facility, term loan	130,000	111,731	Level 2
	281,652	262,039	

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

15. RELATED PARTY TRANSACTIONS

Transactions with Joint Ventures

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.

In the second quarter of 2025, the Company completed the sale to Axium JV of three LTC homes currently under construction (*Note 11*).

As at June 30, 2025, $1.3 million (December 31, 2024 – $1.9 million) of the Company's accounts receivable is related to its joint ventures, $10.9 million (December 31, 2024 – $7.2 million) of the Company's other assets is related to receivables from its joint ventures, $4.2 million (December 31, 2024 – $2.0 million) of the Company's accounts payable and accrued liabilities is related to payables to its joint ventures, and $9.0 million (December 31, 2024 – $3.9 million) of the Company's other long-term liabilities is related to unrealized gain and deferred revenue. For the three and six months ended June 30, 2025, $5.5 million and $10.1 million, respectively (June 30, 2024 – $3.9 million and $7.0 million, respectively) of its revenue related to the joint ventures.

As at June 30, 2025, there were distributions of $0.6 million from the joint ventures to the Company (December 31, 2024 – $2.4 million).

16. 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 59 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.

	Three months ended June 30, 2025				
	Long-term Care	**Home Health Care**	**Managed Services**	**Corporate**	**Total**
Revenue	**207,147**	**158,606**	**17,692**	**—**	**383,445**
Operating expenses	**183,201**	**137,188**	**8,084**	**—**	**328,473**
Net operating income	**23,946**	**21,418**	**9,608**	**—**	**54,972**
Administrative costs				**15,187**	**15,187**
Earnings before depreciation, amortization, and other					**39,785**
Depreciation and amortization				**8,480**	**8,480**
Other income				**(11,910)**	**(11,910)**
Share of profit from investment in joint ventures				**(210)**	**(210)**
Earnings before net finance costs and income taxes					**43,425**
Net finance costs				**2,013**	**2,013**
Earnings before income taxes					**41,412**
Current income tax expense				**9,171**	**9,171**
Deferred income tax expense				**314**	**314**
Total income tax expense				**9,485**	**9,485**
Net earnings					**31,927**

	Three months ended June 30, 2024				
	Long-term Care	**Home Health Care**	**Managed Services**	**Corporate**	**Total**
Revenue	194,203	136,299	17,980	—	348,482
Operating expenses	168,593	119,180	7,902	—	295,675
Net operating income	25,610	17,119	10,078	—	52,807
Administrative costs				14,196	14,196
Earnings before depreciation, amortization, and other					38,611
Depreciation and amortization				8,049	8,049
Other income				(5,692)	(5,692)
Share of profit from investment in joint ventures				(265)	(265)
Earnings before net finance costs and income taxes					36,519
Net finance costs				3,627	3,627
Earnings before income taxes					32,892
Current income tax expense				8,785	8,785
Deferred income tax recovery				(1,783)	(1,783)
Total income tax expense				7,002	7,002
Net earnings					25,890

	Six months ended June 30, 2025				
	Long-term Care	**Home Health Care**	**Managed Services**	**Corporate**	**Total**
Revenue	**404,900**	**316,864**	**36,335**	**—**	**758,099**
Operating expenses	**359,754**	**276,380**	**16,765**	**—**	**652,899**
Net operating income	**45,146**	**40,484**	**19,570**	**—**	**105,200**
Administrative costs				**29,809**	**29,809**
Earnings before depreciation, amortization, and other					**75,391**
Depreciation and amortization				**16,753**	**16,753**
Other income				**(8,740)**	**(8,740)**
Share of profit from investment in joint ventures				**(84)**	**(84)**
Earnings before net finance costs and income taxes					**67,462**
Net finance costs				**7,131**	**7,131**
Earnings before income taxes					**60,331**
Current income tax expense				**15,500**	**15,500**
Deferred income tax recovery				**(2,127)**	**(2,127)**
Total income tax expense				**13,373**	**13,373**
Net earnings					**46,958**

	Six months ended June 30, 2024				
	Long-term Care	**Home Health Care**	**Managed Services**	**Corporate**	**Total**
Revenue	400,692	279,830	35,055	—	715,577
Operating expenses	349,753	251,958	16,316	—	618,027
Net operating income	50,939	27,872	18,739	—	97,550
Administrative costs				28,807	28,807
Earnings before depreciation, amortization, and other					68,743
Depreciation and amortization				16,204	16,204
Other income				(3,786)	(3,786)
Share of profit from investment in joint ventures				(1,395)	(1,395)
Earnings before net finance costs and income taxes					57,720
Net finance costs				7,235	7,235
Earnings before income taxes					50,485
Current income tax expense				14,558	14,558
Deferred income tax recovery				(3,059)	(3,059)
Total income tax expense				11,499	11,499
Net earnings					38,986

17. SUBSEQUENT EVENT

On July 1, 2025, the Company completed the CTG Transaction (*Note 13*). The aggregate cash consideration for the CTG Transaction is approximately $75.1 million, subject to customary and other adjustments. As at June 30, 2025, the cash proceeds were deposited in trust and therefore recognized as restricted cash as at June 30, 2025. The purchase price was funded from cash on hand. The Company expects to account for the CTG Transaction as a business combination under IFRS 3 *Business Combinations*, and expects the net assets acquired will primarily comprise net working capital, intangible assets and goodwill.