NOTES FOR REMARKS*

BY

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EXTENDICARE INC.

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*check against delivery

Mel Rhinelander

President and CEO

Thank you David and good afternoon.

Introduction

The past twelve months have been a remarkably busy period for Extendicare. I would like to begin by briefly reviewing some of our key achievements in 2005 and then discuss our Company's outlook for 2006.

Most importantly, 2005 was a rewarding year for Extendicare as we achieved a number of operational successes enabling us to deliver to shareholders an eighth consecutive year of improved financial results. These included:

1. Our successful acquisition and turnaround of Assisted Living Concepts, Inc., or ALC;
2. New highs for Medicare census and overall occupancy;
3. A restructured management team with dedicated leadership for each of our operating groups;
4. Industry leading EBITDA [1] margins in the U.S.;
5. The initiation of a common share dividend for our shareholders;
6. The realization of a significant gain in value from our Omnicare warrants; and, most importantly;
7. We accomplished all of this without compromising our top mission, to provide high quality care to our patients and their families.

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[1] Refer to discussion of non-GAAP measures at the end of this report.

Financial Review

We have also managed to achieve a remarkable level of financial success over the past few years.

Measured on a diluted per share basis, Extendicare achieved recurring health care earnings per share of $1.33 in 2005 compared to $1.23 in 2004. And, a short while ago we issued our 2006 first quarter results and reported health care earnings of 26 cents per share, before the impact of a 3 cent expense for stock-based compensation due to the rise in our stock price.

Looking at our EBITDA, we reported a 16.3% increase in 2005 of $267.3 million compared to $229.9 million in 2004. [2]

The financial success that Extendicare has enjoyed in the past few years has significantly strengthened the Company's balance sheet. This in turn enabled us to take on additional debt in 2005 associated with ALC. Subsequent to the close of the transaction we retired $70 million of debt, and maintained our debt ratings with Standard & Poor's and Moody's.

Acquisition of ALC

I would now like to take a few moments and discuss in greater detail some of the highlights from 2005 and highlight the challenges and opportunities we are facing in 2006.

As noted, one of the more significant events of 2005 was the acquisition of ALC in January for approximately US$285 million.

We immediately set about improving its operational performance which has resulted in moving its EBITDA from US$28.1 million in 2004 to a run rate of more then US$40 million by the second quarter of 2005 and we believe there is still more upside.

[2] As reported in the Company's 2005 Annual Report.

Extendicare Health Services, Inc. (EHSI)

A key indicator of our success is the growth we have achieved in Medicare patient census, which are our highest margin patients. We have significant progress over the past few years at driving growth in our Medicare patient census from 10.7% in 1999 to 18.3% in 2005. For the first quarter of 2006, Medicare census was 18.6%, which is more or less on par with last year.

A key development for the industry was the finalization of the new Resource Utilization Group funding categories for Medicare patients, which took effect in January 2006. Many in the industry feared this would lead to cuts on per patient day rates for Medicare patients…however, as the quarter progressed they have in fact worked out to a small increase for Extendicare, averaging US$367 in the first quarter, up four dollars from the fourth quarter of 2005.

Maintaining adequate levels of funding for Medicaid patients in the U.S. continues to be a challenge for our industry – as this is already our lowest margin business.

Our average Medicaid rate increases in 2005 averaged just 1.5%, well below inflation rates of 3%. Of the 11 states in which we operate nursing homes, 7 of them implement rate changes on July 1. While we can not yet predict what rate changes will be in store for us this year, we have received indications that two of our key states – Pennsylvania and Ohio, will be announcing new reimbursement systems.

The U.S. nursing home industry also continues to face staffing shortages in certain job categories – most notably for qualified therapists. EHSI has responded to this by implementing a new benefits program, which we think will help us to attract and retain therapists long term. Given our strong business focus on driving the higher margin Medicare patients into our nursing facilities, we feel this is a prudent and necessary strategy.

With respect to providing quality care I would like to make one thing clear…we have worked very hard over the years to put in place a solid foundation at EHSI. This has involved the rigorous implementation of new policies and procedures, plus a significant amount of employee training…and this is not something we are willing to tamper with simply to achieve short-term results.

Rather we are prepared to take a long-term business approach with the confidence of knowing that our processes and systems are the best way to deliver value for shareholders.

Extendicare (Canada) Inc. (ECI)

Our Canadian operations continued their steady performance in 2005. Occupancy in Ontario, our largest market has rebounded, with all of our facilities except one operating at 97% occupancy or better. This performance continues to be ahead of many of our competitors and speaks very well to our marketing strength and overall reputation as a quality operator.

Next, I would like to offer investors an update regarding the Request For Proposal, or RFP, review process in Ontario that is affecting our home health care business – ParaMed Home Health Care (ParaMed). The government recently announced its intention to accept 68 of 70 recommendations in the Caplan review and will support it with $30.0 million in new funding. Several key recommendations appear to reward operators who are innovative, efficient and deliver consistent, quality care – which should benefit ParaMed. In the meantime, contracts that come up for renewal will continue to be extended.

Strategic Options

Moving on to our announcement made in February to pursue strategic options, I would like to begin by saying Extendicare has made remarkable progress over the past few years.

When the Medicare Prospective Payment System was implemented in the U.S. we were one of only three companies that avoided Chapter 11.

We were the first Company to recognize the litigation issue in Florida and Texas; and we were the first Company to articulate and execute a strategy to exit those states.

We subsequently engineered a significant turn around of our U.S. operations, and constructed a number of new homes in both Canada and the United States.

We completed the acquisition of ALC, a significant assisted living company and substantially improved its profitability.

We have delivered industry leading EBITDA margins, Medicare census and overall occupancy levels.

However, these successes had not been reflected in Extendicare's share price – which was made quite evident by its performance since we announced the process.

Unfortunately we are not yet in a position to disclose a course of action. I would like to say to investors, that the process is ongoing, and will only be announced when it is complete.

We recognize that this may frustrate some investors, but be assured, we proceeding as expeditiously as possible. As soon as we are in a position to disclose our intentions, we will do so.

Growth Initiatives

In the meantime, we have a business to run. We will continue to assess acquisition opportunities primarily in the U.S. and act upon them where they make sense. Our focus continues to be one of acquiring nursing and assisted living facilities in states where we already operate and can take advantage of our sales oriented programs to increase their performance.

As well, our new build program in the U.S. is also proceeding smoothly. We are now more than half way through our construction program that began in 2003, representing 19 projects to add 389 assisted living units and 191 nursing home beds. To date 13 projects have been completed comprising 348 assisted living units and 38 nursing home beds. We are well on track to complete the remaining projects by the end of 2007. As well, we will continue to examine our portfolio to see where further additions can be made.

We are also continuing to build new facilities in Canada. Early in 2006 we were selected to construct a new 220-bed continuing care project in Red Deer, Alberta that may potentially be expanded to 280 beds. We expect to complete this project by the end of 2008.

Closing

At Extendicare we are focused on our core values of providing quality care to our residents and their families; providing an energizing work environment to our employees; and creating profitable long-term value for our shareholders. For Extendicare, success is achieved by embracing these values.

I firmly believe that a Company's reputation is paramount. Extendicare has built a strong legacy in that department and regardless of how the structure of our Company may change in the coming months, I know we will continue to honour it.

Before closing, I would like to thank our Board of Directors for their ongoing knowledge and guidance, and acknowledge the efforts of our senior management team across our three business groups. As well I would like to thank all of our employees across North America for their continuing dedication and effort – they perform a tough job and they do it admirably.

That concludes my prepared remarks today, I would now like to open the floor to questions – however before I do, with respect to the strategic initiative we have just announced, be aware that our ability to answer questions is limited right now. As we go through the process, we will ensure that investors are kept apprised of our progress.

Non-GAAP Measures

EBITDA is generally defined as earnings from continuing operations before interest, income taxes, depreciation, amortization, and accretion. In this calculation, the Company has excluded the line items "valuation adjustment on interest rate caps" and "loss (gain) from restructuring charges, asset disposal and other items". These line items are reported separately because they relate to the change in fair value of interest rate caps associated with the Company's long-term debt, gains or losses on the disposal or impairment of assets, provisions for restructuring costs and ceased operations, and the write-off of unamortized financing costs on early retirement of debt. The Company believes that EBITDA provides meaningful supplemental information regarding its core results, because it excludes the effects of non-operating factors related to its capital assets, such as the historical cost of the assets. The Company reports specific line items separately, and excludes them from EBITDA, because such items are transitional in nature, and would otherwise distort historical trends. The Company believes that certain lenders, investors and analysts use EBITDA to measure a company's ability to service debt and meet other payment obligations, or as a common valuation measurement in the long-term care industry. For example, certain of the Company's debt covenants use EBITDA in their calculations. In addition, management uses EBITDA to assess the Company's operating performance and in making financing decisions. EBITDA is presented by the Company on a consistent basis from period to period, thereby allowing for consistent comparability of its operating performance.

The Company has also reported separately a "prior year tax benefit" in the fourth quarter of 2004, as this related to the tax benefit on a loss that occurred in 1999 and does not relate to income earned in the current period. In addition, the Company determines and reports the above line items on an after-tax basis as a means of deriving the remaining earnings from health care operations and related diluted earnings per share. The resulting term "continuing health care operations before undernoted" is a measure commonly used by the Company and its investors as a means of assessing the performance of the core operations in comparison to prior periods.

Neither EBITDA nor "continuing health care operations before undernoted" have a standardized meaning under Canadian GAAP, and they are not necessarily comparable to similar measures disclosed by other issuers. Accordingly, EBITDA and "continuing health care operations before undernoted" are not intended to replace earnings (loss) from operations, net earnings (loss) for the period, cash flow, or other measures of financial performance and liquidity reported in accordance with Canadian GAAP.

Forward-looking Statements

Statements contained in this document other than statements of historical fact, including statements regarding anticipated financial performance, business strategy and management's plans and objectives for future operations, are forward-looking statements. These forward-looking statements can be identified as such because the statements generally include words such as "expect", "intend", "anticipate", "believe", "estimate", "plan" or "objective" or other similar expressions. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, these statements. In addition to the risks and uncertainties related to these statements, other risks and uncertainties are identified in Extendicare Inc.'s or Extendicare Health Services, Inc.'s filings with Canadian and United States securities regulators and include, but are not limited to, the following: changes in the Company's structure from a sale or reorganization of all or part of Extendicare from the recently announced initiative by the Board of Directors; changes in the health care industry in general and the long-term care industry in particular because of political and economic influences; changes in regulations governing the industry and the Company's compliance with such regulations; changes in government funding levels for health care services; resident care litigation, including exposure for punitive damage claims and increased insurance costs, and other claims asserted against the Company; the Company's ability to maintain and increase census levels; changes in foreign currency translation; the Company's ability to attract and retain qualified personnel; the availability and terms of capital to fund the Company's capital expenditures; changes in competition; and demographic changes. Given these risks and uncertainties, readers are cautioned not to place undue reliance on the Company's forward-looking statements. All forward-looking statements contained in this report are necessarily estimates reflecting the best judgement of the party making such statements based upon current information, and the Company assumes no obligation to update any forward-looking statement.