Annual and Special Meeting

The Gallery, TMX Broadcast Centre
130 King Street West,
TO, ON, Canada

June 18, 2015

NOTES FOR REMARKS*

BY

TIM LUKENDA
President and Chief Executive Officer

&

ELAINE EVERSON
Vice President and Controller,
incoming Chief Financial Officer

*** check against delivery**

Extendicare – Annual and Special Meeting, June 18, 2015

Non-GAAP Measures

Extendicare assesses and measures operating results and financial position based on performance measures referred to as "net operating income", "net operating income margin", "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA margin", "earnings before depreciation, amortization, loss from asset impairment, disposal and other items", "earnings (loss) from continuing operations before separately reported gains/losses, net of taxes", "earnings (loss) before separately reported gains/losses, net of taxes", "Funds from Operations", and "Adjusted Funds from Operations". These measures are commonly used by Extendicare and its investors as a means of assessing the performance of the core operations in comparison to prior periods. They are presented by Extendicare on a consistent basis from period to period, thereby allowing for consistent comparability of its operating performance. These are not measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. These non-GAAP measures are presented in this document because either: (i) management believes that they are a relevant measure of the ability of Extendicare to make cash distributions; or (ii) certain ongoing rights and obligations of Extendicare may be calculated using these measures. Such non-GAAP measures may differ from similar computations as reported by other issuers, and accordingly, may not be comparable to similarly titled measures as reported by such issuers. They are not intended to replace earnings (loss) from continuing operations, net earnings (loss), cash flow, or other measures of financial performance and liquidity reported in accordance with GAAP. Detailed descriptions of these terms can be found in the disclosure documents filed by Extendicare with the securities regulatory authorities, available at www.sedar.com and on Extendicare's website at www.extendicare.com.

Forward-looking Statements

Information provided by Extendicare from time to time, including these remarks, contains or may contain forward-looking statements concerning anticipated financial events, results, circumstances, economic performance or expectations with respect to Extendicare and its subsidiaries, including, without limitation, statements regarding its business operations, business strategy, growth strategy, results of operations and financial condition; the sale by the Company of substantially all of its U.S. business (the "U.S. Sale Transaction"), including statements relating to the expected net after-tax cash proceeds, the net benefit (pre-tax) of an ongoing cash stream relating to certain U.S. skilled nursing centres to be leased prior to the closing of the U.S. Sale Transaction and the net proceeds from the sale of the remaining three U.S. skilled nursing centres that are not part of the U.S. Sale Transaction; and the acquisition by the Company of the home health business from Revera Inc. (the "Home Health Acquisition"), including statements related to the expected annual revenue and adjusted funds from operations to be derived from the acquisition. Forward-looking statements can be identified by the expressions "anticipate", "believe", "estimate", "expect", "intend", "objective", "plan", "project", "will" or other similar expressions or the negative thereof. These forward-looking statements reflect the Company's current expectations regarding future results, performance or achievements and are based upon information currently available to the Company and on assumptions that the Company believes are reasonable. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of Extendicare to differ materially from those expressed or implied in the statements.

The forward-looking statements contained in these remarks are expressly qualified by this cautionary statement. Given these risks and uncertainties, readers are cautioned not to place undue reliance on the forward-looking statements of Extendicare. The forward-looking statements speak only as of the date of these remarks. 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. Further information can be found in the disclosure documents filed by Extendicare with the securities regulatory authorities, available at www.sedar.com and on Extendicare's website at www.extendicare.com.

Tim Lukenda
President and CEO

Thank you Mr. Chairman, and thanks to everyone for coming today and to all those listening in via the web.

Helping people live better – it is Extendicare's motto, and it's at the heart of everything we do as demonstrated by our Mission, Vision and Values.

For more than 45 years, our mission has been to help people live better, and we do this by promoting quality of care and quality of life, and by creating remarkable moments through our more than 22,000 highly engaged and motivated team members.

And our many stakeholders know that we deliver on our mission, because we are continually measuring, improving, and sharing our performance with them.

We also help people live better by constantly adhering to our core value system: We are committed to treating our customers and all of our stakeholders according to these values, with respect, integrity, compassion, responsiveness and dignity.

Our goal is to be the health care provider that meets the needs of our customers and their families, when and where they need it, in a person-centered environment.

2014: A Transformational Year

2014 was a transformational year for Extendicare.

At the conclusion of a multi- year strategic process, we announced a deal to divest our U.S. skilled nursing and rehabilitation business with a view to becoming a pure play Canadian senior care and services company.

Throughout the past year, we worked diligently to execute on this strategy, and we are on track to close on the sale of our U.S. business by the end of June.

What this means for us is that we will have a significant amount of capital to actively grow Extendicare in the Canadian senior care market where we already have a strong history and great potential.

Refocused on Canada

Our goal, simply put, is to be the BEST senior care and services company.

We are the largest private provider of long-term care in Canada, with 57 owned and operated long-term care (LTC) centres with a capacity for 7,800 residents in need of care. We also manage 38 LTC centres with a capacity for 4,700 residents on behalf of third parties through our Extendicare Assist management services division.

And our ParaMed Home Health Care (ParaMed) business, already the largest private home health care provider in Ontario, is now a national platform for growth in an exciting and important segment of the health care market, as a result of our recent acquisition of a competing home health care provider. This acquisition was an important step in the execution of our strategy to grow across the continuum of care in the Canadian market.

Our LTC and home health care operating segments represented 75% and 24% of our Canadian operations revenue in 2014, respectively. The home health care acquisition is expected to double our revenue from this segment, thereby changing our revenue mix from the LTC operating segment to roughly 60% and the home health care segment to 39%, based on 2014 results.

In addition, we currently have a small presence in the retirement and assisted living segment. We own and operate one standalone designated supportive living centre, and have three assisted living wings attached to our long-term care centres. As well, we manage 15 retirement and assisted living centres, with 1,300 beds, for third parties.

Redeployment Strategy

The great opportunity before us is to redeploy the estimated after-tax proceeds of approximately C$300 million from the sale of our U.S. operations.

I want to be clear that we will go about these investments strategically. While we intend to redeploy these funds as soon as possible, we will be systematic about allocating this capital to its highest and best strategic use. Our investments will span the continuum of care and grow our presence in important and evolving segments.

In the rapidly growing home health care segment, our recent acquisition positions us as a dominant player with a strong, national platform with room for additional growth in both the government - funded and private-pay sectors. We are currently working on leveraging approximately $40 million of this $83 million acquisition with long-term debt, with the balance to be covered from the proceeds of the U.S. sale.

We will build on our solid base in long-term care through the allocation of a portion of these proceeds to the redevelopment of our long-term care centres in Ontario.

Our goal is to deploy the majority of the proceeds to investments in growing our presence in the retirement market. While we have a small presence in this segment now, we see great potential to diversify our revenue by adding more non-government revenue streams and enhancing our continuum offerings. We will pursue opportunities in this space through accretive acquisitions, and by developing our own retirement centres. We believe our strategic advantage is in the care delivery aspect of the seniors market and we intend to bring this expertise to the retirement living segment.

One Customer

At the heart of each of these segments is one customer – the senior in need of care. And in over 45 years of serving them, we have come to know them, and their changing and evolving needs, very well. We ourselves are evolving as a company to meet the demands of this changing market.

Canadian society is undergoing an unprecedented demographic shift that will see the number of seniors increase dramatically in the coming decades as the percentage of people aged 65 and over more than doubles by 2050. The population of those over 85, who are often in need of more care, will almost quadruple over that period.

Seniors are living longer and with greater needs, yet with more two income households, there are fewer family caregivers than in prior generations. Providing quality, person-centered care for our Canadian seniors is an imperative. As an established leader in the long-term care industry, we are strongly positioned to meet this demand and, in the process, grow our business and create value for shareholders.

A Strong Reputation for Quality of Care

And providing this high-quality care, in a cost-effective manner, is something that Extendicare has become well-known for throughout our history.

We recently completed our annual survey of residents and family members for all of our owned and managed centres across Canada and are happy to share those results with you. Of the 3,200 respondents nation-wide, at least 87% were satisfied or very satisfied with the quality of nursing care, management responsiveness, cleanliness, security, the courtesy of dining service and restorative care staff, and safety. These are some truly heartening results and indicate our continued quest to maintain a consistently high standard of care. Quality is the key to our success, and we always put the needs of our residents and clients first before any others.

All of our long-term care centres have successfully completed the rigorous Accreditation Canada process. In addition, a number of our employees participate as surveyors in accreditation reviews of other centres. As well, our ParaMed operations are accredited by Accreditation Canada with the highest rating of “accreditation with exemplary standing”.

Strong and Stable Platform

As we are moving forward on executing on our goal of becoming Canada’s leading provider of high-quality senior care and services, we do so from a position of strength. We intend to pursue growth across multiple business segments, and I now want to speak to our plans and potential in each of these.

Ontario LTC Capital Redevelopment Program

In long-term care, demand in Canada has long outpaced supply, unlike in the U.S. market. The waitlist for long-term care in Ontario alone is over 23,000 individuals, there is a restricted supply of licenses for long-term care operators, and governments have no intention of increasing the supply. This imbalance has resulted in high and stable occupancy rates in the upper 90% range.

The Ontario government has indicated that the licenses for existing Class “C” long-term care centres, built to 1972 standards, will expire in ten years, or in 2025, and it is the government’s intent to have all of these centres redeveloped in that period.

At the end of February, the Ontario government released revisions to its capital redevelopment program for class "C" long-term care centres. These revisions include an increase in the construction subsidy for large homes to $16.65 per resident day, representing $152,000 per bed over 25 years undiscounted, compared to the previous $13.30 per resident day, or $121,000 per bed. This $3.35 increase in subsidy is intended to be paid as well to eligible providers who participated in Phase 1 of the redevelopment program. For Extendicare's two projects in Timmins and Sault Ste. Marie, this translates to an additional $500,000 a year of capital funding.

We've expressed interest in redeveloping two or three of our highest-priority centres in the first round of awards expected this fall, and we are in the process of assessing the viability of redeveloping the balance of our homes on a case-by-case basis, where we believe there will be additional economic redevelopment opportunities.

We continue to work with our colleagues in the sector to inform government as to the challenges that exist in redeveloping many of the older homes, especially in areas where land is difficult or expensive to find. In order for the Ontario government to meet its goal of redeveloping all 31,000 "C" beds over the next 10 years, we believe that further refinements in the standards or supplementary funding will be required.

Building on Our Solid LTC Business

Participating in this program will give us a great opportunity to further enhance our long-term care segment by upgrading our existing centres and improving revenue through a higher mix of preferred accommodation beds.

Through converting our existing mix of private and semi-private C beds into 1,972 private beds, we will be eligible to receive the higher premium rate of $25.00 per resident day, representing incremental annual revenue of up to $10.8 million.

We have a strong in-house redevelopment team, which we plan to further leverage by providing services to other long-term care providers looking to benefit from our experience and expertise, through our Extendicare Assist management services division, which I will speak to in a moment.

ParaMed Home Health Care, Pre-acquisition

Another important aspect of our strategy to invest across the continuum of care is growth in our home health care business. For our pre-acquisition home health care business, volumes were up 6.5% over 2013, and volumes for the first quarter of 2015 were up 2% over the first quarter of 2014. We feel so strongly about the potential for growth in this area that we invested $83 million in the acquisition of a competitor's home health care business.

ParaMed Today

With this acquisition, we have brought together two leading Canadian private sector home health care providers, have effectively doubled our volume, and substantially expanded our national footprint which gives us a greater diversification of payer. This home health care acquisition provides a perfect complement to our existing centre-based care and services, and is a great opportunity to increase the private-pay portion of our business. We now have a national platform for growth, with home health care operations expanded to six provinces across the country.

Our Potential in Home Health Care

Approximately 95% of the combined home health care revenue is generated from government contracts.

We are just scratching the surface of capitalizing on the opportunities provided by the growing demand for care in the home. This demand comes both from clients, who prefer the comforts provided by being cared for in a familiar environment, and from governments who are showing a strong preference to keeping individuals out of the more expensive health care settings.

However, while funding for home health care is increasing, governments are limited in terms of the volume and frequency of services they will fund. Family caregivers are stretched tight, and are similarly limited in the number of hours of care they can provide, especially when balancing the demands of both children and elderly parents.

This gives us great untapped potential to leverage our national platform to expand into offering more private-pay home care services, including interesting possibilities involving the use of technology to bring customers and caregivers together.

Record Growth in Management and Purchasing Services

Another area of potential growth for us is our management and group purchasing services. We saw record growth in our Extendicare Assist and Silver Group Purchasing divisions in 2014, with revenue up 30%, and will continue to foster growth in this area.

Extendicare Assist partners with a mix of public, non-profit and private sector senior care centres that seek assistance with the day-to-day management of their operations, recognizing that because of our years of experience in this industry, we can offer greater expertise and efficiency through the implementation of our systems and policies. Our number of beds under management increased by 38% in the first quarter of this year from Q1 2014, evidence that our expertise drives success in providing service to our third-party partners in a increasingly complex environment.

Our Silver Group Purchasing division provides cost-effective group purchasing to other senior care providers, giving them access to high-quality national food brands, furnishings and other capital equipment, cleaning and nursing supplies, and office products. Our number of clients grew by 4% in the first quarter of this year, over Q1 2014, and we are actively looking for further growth in this business by offering significant cost advantages through economies of scale.

Both of these businesses have low capital intensity, and are perfect complements to our existing businesses.

Expansion into Retirement Segment

Our strategy also includes further opportunities in the retirement living space, both through development and accretive acquisitions, which further diversifies our revenue by bringing more non-government revenue streams online.

There is a growing demand for options in the retirement care space, as seniors value the option of living in a social and hospitality-oriented environment with access to care that is adaptable to their needs.

We are already under way with three developments in this space, one each in Simcoe, Bolton, and Uxbridge, Ontario, with 304 beds between them. The Simcoe and Bolton centres are anticipated to begin construction this year, for completion in 2016, while the Uxbridge centre is anticipated to begin construction in 2016 for completion in 2017. These developments, which are a combination of independent living and assisted living, are the start of our development pipeline in Ontario and will serve as models for the continued development of state-of-the-art centres for retirement living.

The anticipated cost of these three developments is $71 million. We expect to be able to leverage 65% of the cost, thereby giving us an opportunity to redeploy some of the U.S. sale proceeds in a beneficial way.

Integration Along the Continuum of Care

It is our intention to be the health care provider that can meet the needs of seniors as their needs evolve at different times in their lives. In the future, we believe it will be less significant where care is being provided than the type of care and services needed to meet the demands of tomorrow's seniors.

Seniors may need any of our services at different points of their lives, and our goal is to ensure that we are delivering the right care when and where our customer needs it. This is why we think of all of our businesses holistically, as parts all working toward achieving this goal.

And with that, I would like to introduce to you Elaine Everson, your new Chief Financial Officer effective with the closing of the sale of our U.S. operations.

Elaine Everson
Vice President and Controller

Thank you, Tim.

We saw encouraging results from continuing operations in 2014.

Consolidated revenue from continuing operations grew by 4.1%, or approximately $32 million to $816 million in 2014, and was substantially derived from funding enhancements and volume growth in our home health care, management and group purchasing businesses.

A large portion of the funding improvement was tied to the flow-through spending under the Ontario envelope program and, for the home health care PSW wage rate increases. In addition, we saw increases in 2014 for food costs, supplies, repairs and maintenance, and utilities.

As a result, the improvement in net operating income from continuing operations of approximately $2 million to $108 million in 2014, was largely realized from increased volumes in our home health care operations.

Adjusted EBITDA, however, increased by approximately $5 million to $75 million in 2014. In addition to the impacts to NOI, we were favourably impacted in 2014 by a refund of our Captive reinsurance premiums and lower professional fees.

AFFO from continuing operations improved by just over $1 million to $34 million, as a result of the increase in Adjusted EBITDA combined with lower net finance costs, partially offset by fewer tax loss carryforwards and increased maintenance capex spending.

Turning now to our total AFFO and distributions per share; for 2014, we reported AFFO from total operations, including those of our discontinued U.S. operations, of 84 cents per basic share and we declared dividends of 48 cents per basic share, representing a payout ratio of 57 **p**ercent.

Our AFFO from continuing operations generated 39 cents per share of the total 84 cents per share in 2014.

However, as we've indicated, we plan to redeploy the proceeds from the sale of our U.S. operations to further grow our AFFO from Canadian operations, and through this transition period we intend to maintain our current dividend.

Our recent acquisition of the home health care business is a significant step towards that with an anticipated contribution to AFFO of 10 cents per share in the first full year or operations, prior to financing costs.

I'd also like to highlight our very positive results for the first quarter of 2015.

Revenue from continuing operations of $202 million grew by 4.1% over Q1 2014, and net operating income of $26 million grew by 13.7%.

Adjusted EBITDA of $16 million improved by just over $2 million, or 16.6%, reflecting enhanced LTC funding and growth in home health care volumes and management and purchasing clients.

AFFO from continuing operations of $7 million increased by 11.1%, and our total AFFO grew by 1.7% to $22 million this quarter.

We are off to a strong start to 2015.

I'll now pass it back to Tim for some concluding remarks.

Tim Lukenda
President and CEO

Thank you Elaine.

We are indeed off to a great start in our transformation – we have a critical mass of properties around the country, and a singular focus on serving the needs of Canadian seniors across the continuum of care. We are already leaders in the Canadian senior care market, and are perfectly positioned to execute on our vision of being the dominant player in markets across Canada.

Extendicare Today

As you can see, we have significantly expanded our geographic footprint with the recent home health care acquisition, which in turn diversifies our payer base across numerous jurisdictions, and provides us with a national platform for the Extendicare brand and opportunities to expand the private-pay segment.

We have a broad footprint in Canada, from coast to coast, and a solid financial profile, and we intend to continue to build on our success as the leader in the Canadian senior care space.

Extendicare Tomorrow

To summarize, this is an exciting time for Extendicare as we actively reposition the Company.

This includes growing our long-term care revenue through redevelopment, growing our home health care operations, including in the private-pay home health care market, and exploring opportunities in the private-pay retirement space, and as such diversifying our revenue through the addition of non-government revenue streams.

Our vision is to be the premier provider of care and services to the growing segment of the Canadian population. Our mantra is to provide the right care at the right time in the right place.

By repositioning ourselves as a pure-play Canadian senior care investment, we will gain improved clarity on our valuation as the market is able to understand our true potential.

In fact, we are so confident of that potential that we are buying back our shares as one way of returning cash to our shareholders. We announced a Normal Course Issuer Bid which took effect on December 31, 2014, and to date we have spent $7 million to acquire and cancel just under 980,000 common shares at an average price of $7.15 per share.

And as Elaine mentioned, we also plan to maintain our current dividend, which yields 6.8% as of June 17.

In closing, I would like to first thank our residents and their families, who put their trust in us to deliver high-quality, affordable health care wherever and whenever they need us.

To our team members and caregivers, we can only do this through your high levels of engagement and motivation. We thank you for your continued dedication and daily contributions, as they are the essential ingredient that drives our success. We want to continue to be your health care employer of choice.

To our health care partners and other stakeholders, our thanks for making us a valued contributor to the triple aim of high-quality, lower cost and greater customer satisfaction from all health care providers.

To our Board, our thanks for your wise counsel and support as we position ourselves to embark upon this exciting transformation of Extendicare in Canada.

And to our shareholders, we offer our gratitude for your continued support and belief in the Board and Management. We have great confidence in our vision, and look forward to crystallizing value for you as we reposition ourselves as a pure-play Canadian investment.