

Extendicare REIT Announces 2010 First Quarter Results *Improved EBITDA Margins and AFFO*

MARKHAM, ONTARIO – Extendicare Real Estate Investment Trust (“Extendicare REIT” or the “REIT”) (TSX: EXE.UN) today reported results for the three months ended March 31, 2010.

HIGHLIGHTS

- Revenue of \$508.8 million in Q1 2010, an increase of 2.1% over Q1 2009, exclusive of the impact of foreign exchange.
- EBITDA of \$59.8 million in Q1 2010, an increase of 7.7% over Q1 2009, exclusive of the impact of foreign exchange, mainly due to growth from same-facility operations in both the U.S. and Canada.
- EBITDA margins improved to 11.7% in Q1 2010 from 11.2% in Q1 2009 and 11.4% in Q4 2009.
- Average daily revenue rate for Medicare Part A grew by 2.1% in Q1 2010 over Q1 2009 despite a 1.1% rate reduction on October 1, 2009, while the average daily Managed Care rate declined by 0.6% from Q1 2009.
- AFFO from continuing operations improved to \$24.3 million (\$0.312 per basic unit) in Q1 2010 from \$23.2 million (\$0.318 per basic unit) in Q1 2009.
- Distributions in Q1 2010 totalled \$16.7 million, or \$0.21 per unit, representing approximately 69% of AFFO from continuing operations for the same period.
- Cash on hand totalled \$215.9 million at March 31, 2010 with no significant debt maturities until 2011 and beyond.

“Extendicare REIT had a solid first quarter of 2010, with the improvement in EBITDA margins and AFFO consistent with our expectations,” said Tim Lukenda, President and CEO of Extendicare REIT. “We continue to enhance our EBITDA margins through revenue rate improvements and cost controls, despite lower than target skilled mix and total census levels that continue to lag relative to our expectations. However, our U.S. operations are seeing early signs of growth in occupancy levels as a result of marketing initiatives implemented in 2009, and we anticipate continued improvement as the year progresses.

“In Canada, plans for our Ontario redevelopment projects got under way during the first quarter. The two new centers slated for construction in Sault Ste. Marie and Timmins will demonstrate leadership in design and quality care, and will act as prototypes for future development projects in the province. We are also pleased to release today our first Annual Quality and Social Responsibility Report that demonstrates our organization-wide commitment to quality care.”

Mr. Lukenda continued, “We continue to closely analyze the challenges and opportunities presented by the recently passed health care reform in the U.S., and intend to adopt strategies to mitigate the impact of the negative aspects of the reform while taking advantage of the positive elements to strengthen our business. Going forward, we are confident that Extendicare REIT’s proven business model, strong balance sheet and experienced management team will enable us to navigate our course to continued future success.”

2010 FIRST QUARTER FINANCIAL REVIEW

2010 First Quarter Comparison to 2009 First Quarter

Revenue grew by \$12.1 million, or 2.1%, exclusive of the negative impact of the stronger Canadian dollar. Approximately \$7.9 million of the increase was due to growth in same-facility operations of 1.4% quarter over quarter as a result of funding improvements, including \$2.1 million of Canadian home health care funding related to 2009, partially offset by lower U.S. census levels. However, total revenue declined \$56.8 million to \$508.8 million in the 2010 first quarter from \$565.6 million in the 2009 first quarter as a result of the negative impact of the stronger Canadian dollar.

EBITDA grew by \$4.9 million, or 7.7%, exclusive of the negative impact of the stronger Canadian dollar, and as a percent of revenue improved to 11.7% from 11.2% in the 2009 first quarter. Growth from same-facility operations in both the U.S. and Canadian operations contributed \$4.8 million to the improvement. Despite these improvements, the negative impact of the stronger Canadian dollar resulted in a reported \$3.8 million decline in EBITDA to \$59.8 million in the 2010 first quarter from \$63.6 million in the 2009 first quarter.

TABLE 1	Q1	Q1	Q4
<i>(millions of dollars unless otherwise noted)</i>	2010	2009	2009
Revenue			
U.S. operations (US\$)	335.0	331.3	334.2
U.S. operations (C\$)	348.4	412.7	353.7
Canadian operations	160.4	152.9	167.3
Total Revenue	508.8	565.6	521.0
EBITDA ⁽¹⁾			
U.S. operations (US\$)	42.2	40.9	40.1
U.S. operations (C\$)	43.9	51.0	42.0
Canadian operations	15.9	12.6	17.4
Total EBITDA	59.8	63.6	59.4
EBITDA margin	11.7%	11.2%	11.4%
Average US/Canadian dollar exchange rate	1.0400	1.2456	1.0586

⁽¹⁾ Refer to discussion of non-GAAP measures.

EBITDA from U.S. operations improved by US\$1.3 million, or 3.2%, to US\$42.2 million in the 2010 first quarter from US\$40.9 million in the 2009 first quarter, and as a percent of revenue grew to 12.6% from 12.3%. This improvement was due primarily to improved Resource Utilization Groupings (RUGs) mix, Medicaid and private-pay revenue rates, improved collection of accounts receivable that reduced bad debt provisions, and cost controls, partially offset by lower census. Despite a 1.1% reduction in Medicare Part A rates effective October 1, 2010, our average Medicare Part A rate improved by 2.1% over the 2009 first quarter due to the change in mix of patients served.

EBITDA from Canadian operations improved by \$3.3 million to \$15.9 million this quarter from \$12.6 million in the 2009 first quarter, and as a percent of revenue was 9.9% and 8.3%, respectively. During the 2010 first quarter, we recorded home health care funding of \$2.1 million related to reimbursement by the Ontario government for costs incurred in 2009 with respect to elect-to-work pay. These costs have also been funded for the first quarter of 2010, and it is anticipated they will continue to be going forward. The remaining improvement of \$1.2 million was primarily due to funding enhancements net of increased field staff labour costs.

2010 First Quarter Comparison to 2009 Fourth Quarter

In comparison to the 2009 fourth quarter, revenue this quarter declined by \$6.0 million, or 1.2%, exclusive of the negative impact of the stronger Canadian dollar, primarily due to timing of spending under the Canadian nursing home flow-through envelopes and two fewer days between quarters, partially offset by higher U.S. rates and census mix levels. The negative impact of the stronger Canadian dollar resulted in a reported \$12.2 million decline in revenue this quarter to \$508.8 million from \$521.0 million in the 2009 fourth quarter.

Revenue from U.S. operations increased by US\$0.8 million from the 2009 fourth quarter, of which US\$2.0 million was due to newly opened centers. Revenue from same-facility operations declined by US\$1.2 million primarily due to two fewer days in the quarter (approximately US\$6.7 million), partially offset by a 2.1% weighted average increase in rates (approximately US\$2.4 million) and an improvement in census mix (approximately US\$2.6 million). Our average Medicare Part A rate increased by 0.5% between quarters, and while total same-facility average daily census (ADC) was relatively unchanged, our Skilled Mix ADC improved by 126 days in the 2010 first quarter from the 2009 fourth quarter.

Revenue from Canadian operations declined by \$6.9 million this quarter from the 2009 fourth quarter. Excluding the \$2.1 million of retroactive home health care funding, revenue was lower by \$9.0 million. Revenue from nursing home operations was lower by \$5.9 million primarily due to timing of spending under the Ontario flow-through envelopes, a reduction in Alberta funding effective December 1, 2009 (approximately \$0.3 million) and two fewer days in the quarter. Home health care revenue, excluding the retroactive funding, was lower by \$3.1 million primarily due to a 5.6% decline in volumes (approximately \$2.2 million) and two fewer days in the quarter.

EBITDA improved by \$0.7 million between the 2010 first and 2009 fourth quarters, exclusive of a \$0.3 million negative impact of the stronger Canadian dollar, and as a percent of revenue was 11.7% compared to 11.4%. Improvements in EBITDA from the U.S. operations were partially offset by a decline in the Canadian operations, as discussed below.

EBITDA from U.S. operations this quarter improved by US\$2.1 million, or 5.2%, and as a percent of revenue was 12.6% compared to 12.0% in the 2009 fourth quarter. New facilities contributed US\$0.7 million to EBITDA, with same-facility operations growing by US\$1.4 million, or 3.4%, despite two fewer days between quarters and a seasonal increase in utility costs of US\$1.0 million. This increase in same-facility EBITDA primarily related to improvements in mix of residents served and continued cost controls.

EBITDA from Canadian operations declined by \$1.5 million to \$15.9 million in the 2010 first quarter from \$17.4 million in the 2009 fourth quarter. Excluding the \$2.1 million of retroactive home health care funding, EBITDA declined by \$3.6 million between quarters primarily due to two fewer days in the quarter, a seasonal increase in utility costs, timing of spending under the Ontario flow-through envelopes, and lower home health care volumes.

2010 First Quarter Earnings from Continuing Operations

Earnings from continuing operations in the 2010 first quarter improved to \$15.1 million (\$0.19 per diluted unit) from \$3.8 million (\$0.05 per diluted unit) in the 2009 first quarter. The 2010 first quarter reflected an after-tax gain on our derivative financial instruments and foreign exchange of \$3.9 million (pre-tax \$3.2 million) compared to a loss of \$5.2 million (pre-tax \$5.0 million) in the same 2009 period. The after-tax amounts of these derivative and foreign exchange amounts are greater than the pre-tax amounts because a portion of the items relate to foreign exchange gains or losses of a non-taxable entity.

TABLE 2 Components of Earnings from Continuing Operations ⁽¹⁾	Three months ended March 31			
	2010		2009	
	After -tax	Per diluted unit	After -tax	Per diluted unit
<i>(thousands of dollars except per unit amounts)</i>				
Continuing Operations before Undernoted ⁽¹⁾				
U.S. operations (US\$)	9,435		7,300	
U.S. operations (C\$)	9,809		9,100	
Canadian operations	1,392		(208)	
	11,201	\$0.14	8,892	\$0.12
Gain (loss) on derivative financial instruments and foreign exchange	3,955	0.05	(5,245)	(0.07)
Gain from asset impairment, disposals and other items	—	—	171	—
Earnings from continuing operations	15,156	\$0.19	3,818	\$0.05

⁽¹⁾ Refer to discussion of non-GAAP measures.

Earnings from continuing operations prior to separately reported items, as outlined in Table 2 above, improved by \$2.3 million (\$0.02 per diluted unit) to \$11.2 million (\$0.14 per diluted unit) in the 2010 first quarter from \$8.9 million (\$0.12 per diluted unit) in the 2009 first quarter. Excluding a \$1.9 million negative impact of the stronger Canadian dollar, earnings improved by \$4.2 million primarily due to the previously discussed improvement in EBITDA and a lower effective income tax rate. Our 2010 first quarter effective tax rate on earnings prior to separately reported items was 47.6% compared to 57.8% in the 2009 first quarter. The 2009 first quarter income tax provision was at a higher effective rate primarily due to an increase in non-deductible expenses and change in state income tax rules.

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

AFFO from continuing operations improved to \$24.3 million (\$0.312 per basic unit) in the 2010 first quarter from \$23.2 million (\$0.318 per basic unit) in the 2009 first quarter. Excluding a \$4.0 million negative impact of the stronger Canadian dollar, AFFO from continuing operations improved by \$5.1 million between quarters, primarily due to the previously discussed improvements in EBITDA and lower facility maintenance capital expenditures of \$2.0 million. Our effective current tax rate on funds from continuing operations was 35.6% this quarter compared to 35.0% in the 2009 first quarter.

In comparison to the 2009 fourth quarter, AFFO from continuing operations declined by \$35.6 million this quarter from \$59.9 million (\$0.820 per basic unit), primarily due to higher income taxes of which \$38.4 million (\$0.525 per basic unit) related to the previously disclosed positive tax adjustments made in the 2009 fourth quarter, partially offset by a decline in facility maintenance capital expenditures of \$7.8 million due to timing of spending.

Facility maintenance capital expenditures of \$4.6 million in the 2010 first quarter were 0.9% of revenue, compared to \$7.3 million (1.3% of revenue) in the 2009 first quarter, and \$12.4 million (2.3% of revenue) in the 2009 fourth quarter. These costs fluctuate on a quarterly basis with the timing of projects and seasonality. It is our intention to expend between 1.5% and 2.0% of revenue annually, which is consistent with our objective to maintain and upgrade our centers. We are expecting to spend approximately \$35.0 million in facility maintenance capital expenditures and approximately \$55.0 million in growth capital expenditures in 2010.

Distributions declared in the 2010 first quarter totalled \$16.7 million, or \$0.21 per unit, representing approximately 69% of AFFO from continuing operations of \$24.3 million, compared to a payout ratio of approximately 66% in the same 2009 period.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2010, we had cash and cash equivalents of \$215.9 million compared with \$134.0 million at December 31, 2009, representing an increase of \$81.9 million, primarily due to the February 2010 equity offering for net proceeds of \$82.2 million (after offering costs). A cash pledge of \$22.4 million as collateral against a letter of credit is excluded from our available cash balance.

Long-term debt, including current portion, was \$1,218.4 million at March 31, 2010 compared to \$1,234.0 million at December 31, 2009. The \$15.6 million decrease in long-term debt was mainly due to the impact of the stronger Canadian dollar of \$24.8 million, partially offset by a net increase in borrowings associated with a draw on construction financing and refinancing of two U.S. mortgages. At March 31, 2010, long-term debt (at face value and including current portion) represented 42.8% of adjusted gross book value (35.7% excluding the convertible debentures). Our consolidated leverage ratio, or debt to trailing twelve months EBITDA remains unchanged at 4.7 times.

U.S. OPERATIONS KEY METRICS

Beginning in 2010, we have refined our revenue payor and census mix categories to reclassify the Medicaid Managed Care contracts from the Managed Care category to the Medicaid category. As a result, our Managed Care, Skilled Mix and Quality Mix categories now consist solely of non-Medicaid clients. This restatement has been made for all comparative periods presented. The impact of the change on census mix for the first quarters of 2010 and 2009 was to increase Medicaid census as a percent of total census by 130 basis points and 100 basis points, respectively, with an offsetting decrease in Managed Care census mix.

In addition, we have reclassified the non-reimbursable Medicare Part B bad debt expense from operating expense to net with revenue on our statement of earnings. This has the result of reducing our reported weighted average combined Medicare Parts A and B rates. For further information please see the discussion under the heading "Revised Basis of Presentation".

Skilled Nursing Facility Revenue Rates

The average daily Medicare Part A rate for our wholly owned U.S. subsidiary, Extencare Health Services, Inc. (EHSI), grew by 2.1% to US\$457.05 in the 2010 first quarter from US\$447.79 in the 2009 first quarter, despite a 1.1% reduction in rates effective October 1, 2009. As well, EHSI's average Medicare Part A grew this quarter by 0.5% from US\$454.76 in the 2009 fourth quarter, due to our continued improvement in the mix of Medicare patients served.

Our percentage of Medicare patients in the nine highest RUGs classifications increased to 43.6% this quarter from 41.0% in the 2009 first quarter, as well as increasing from 41.5% in the 2009 fourth quarter. In addition, we experienced an increase in the percentage of Medicare patients receiving therapy services to 91.3% this quarter from 89.4% in the 2009 first quarter, and from 90.6% in the 2009 fourth quarter.

EHSI's average daily Managed Care rate, excluding prior period settlement adjustments, declined by 0.6% to US\$409.89 this quarter from US\$412.52 in the 2009 first quarter, as well as decreasing by 2.1% from US\$418.56 in the 2009 fourth quarter. The decrease in the 2010 first quarter was due to the termination by managed care organizations of a number of private fee-for-service Medicare Advantage plans that paid above-average rates to EHSI. These plans were terminated as of January 1, 2010, due to the expectation that they would become less profitable in the future due to health care reform. Residents

in those plans transferred either to other Medicare Advantage plans with lower rates or to Medicare Part A.

Our average daily Medicaid rate, excluding prior period settlement adjustments, increased by 3.1% in the 2010 first quarter to US\$178.25 from US\$172.88 in the 2009 first quarter, as well as increasing by 0.2% from US\$177.81 in the 2009 fourth quarter.

Total and Skilled Census

Our same-facility ADC of 14,127 for the 2010 first quarter was 228 below the 2009 first quarter level of 14,355, with a decline of 173 and 83 in Medicare and private ADC, respectively, partially offset by increases in Managed Care and Medicaid ADC. We are continuing to be adversely impacted by the global economic downturn that has reduced disposable income of individuals and resulted in a general restraint by the public on health care spending. As we previously noted, we have implemented a number of short and longer term tactics to reverse this decline in 2010. Our plan involves taking a more strategic approach to identifying and meeting the program and service needs of each community in which we are located. In comparison to the 2009 fourth quarter ADC of 14,121, our same-facility ADC this quarter improved by six, and more notably our mix of residents improved with Skilled Mix increasing to 22.3% this quarter from 21.4% in the 2009 fourth quarter.

U.S. HEALTH CARE REFORM

On March 23, 2010, U.S. President Obama signed into law the Patient Protection and Affordable Care Act (the "Act"), which contained several sweeping changes to America's health insurance system. Among other reforms contained in the Act, many Medicare providers received reductions in their market basket updates. However, unlike for some other Medicare providers, the Act makes no reduction to the market basket update for skilled nursing facilities in fiscal years 2010 or 2011. The skilled nursing facility market basket update will be subject, however, to a full productivity adjustment beginning in October 2011 over 10 years, which is estimated to be an annual reduction in EHSI's Medicare per diem rates of approximately 1% or US\$5.0 million, prior to any market basket increase. In addition, there are adjustments to Medicare reimbursement methodologies inherent in the adoption of MDS 3.0 and RUGs IV that are purported by the Centers for Medicare & Medicaid Services to be budget neutral in their entirety. Based on our mix of patients, we anticipate that there could be an adverse impact on our average Medicare per diem rates of approximately 1% to 2%. However, we believe we will be able to adopt strategies in the way we deliver our services that will mitigate the majority of this impact.

The Act also imposes new employee health insurance requirements on all employers in the U.S. While the more significant aspects of this mandate are not effective until 2014, several provisions will impact EHSI beginning in January 2011. While it is difficult to quantify the financial impact of the new requirements, we believe the cost in providing employee health care coverage could increase by as much as US\$7.0 million beginning in 2011, prior to implementing modifications to our plans that may reduce this amount by 50% or more.

Extendicare REIT is accustomed to evolving health care funding methodologies, and believes it is well-prepared to mitigate the impact of reform-related costs while taking advantage of opportunities presented by the changes. Our constant and active review process will ensure our ability to execute the appropriate measures when required.

OTHER RECENT DEVELOPMENTS

On April 19, 2010, Extendicare REIT announced that EHSI had received subpoenas from the U.S. Department of Health and Human Services (DHHS) relating to an investigation into the possible

submission of claims that may be in violation of the U.S. Social Security Act., covering a period from January 1, 2007, to January 1, 2010.

We believe that we are in material compliance with the reimbursement and other rules of participation in the Medicare and Medicaid programs, and intend to cooperate fully with the DHHS. Appropriate actions are being taken by us to ensure that adequate internal and external resources are put into place to ensure that there is no disruption of the care and services within our nursing and assisted living centers. While the timing and outcome of the investigation are uncertain and difficult to predict at this time, we hope for an early resolution of the investigation and will update the market as and when appropriate. We believe this investigation is indicative of the current political and regulatory health care environment in the U.S.

FIRST ANNUAL QUALITY REPORT

On May 6, 2010, Extencicare REIT released its first Annual Quality and Social Responsibility Report. This report is the REIT's response to the Quality First Program adopted in 2002 by the professional health care associations to which Extencicare REIT belongs in the U.S.

The Quality First Program is a public pledge to improve quality care for residents, promote a progressive workplace for employees in the long-term care sector, support the development of measures to improve quality care in centers, and publicly disclose the results of quality performance. Extencicare REIT's adoption of the Quality First reporting standards provides further evidence of our organization-wide commitment to quality.

DEVELOPMENT PROJECTS

Extencicare REIT currently has five construction projects in various stages of development, with three under way in Alberta, and two in Ontario where we are in the process of securing land and refining the building prototypes. The five projects are as follows (completion dates as indicated in parentheses):

- 280-bed continuing care center in Red Deer, Alberta (Q3/2010);
- 140-bed designated assisted living center in Lethbridge, Alberta (Q4/2010);
- 180-bed nursing center in Edmonton, Alberta (summer 2011);
- 180-bed nursing center in Timmins, Ontario (end of 2012); and
- 256-bed nursing center in Sault Ste. Marie, Ontario (end of 2012).

MAY 2010 DISTRIBUTION DECLARED

The Board of Trustees of the REIT today declared a cash distribution of \$0.07 per unit for the month of May 2010, which is payable to unitholders of record at the close of business on May 31, 2010, and will be paid on June 15, 2010.

Extencicare Limited Partnership (the "Partnership") also announced that it has declared a cash distribution of \$0.07 per Class B limited partnership unit for the month of May 2010, which is payable to unitholders of record at the close of business on May 31, 2010, and will be paid on June 15, 2010.

Management estimates that approximately 70% of the 2010 distributions of the REIT and Partnership will be characterized as tax-deferred returns of capital for Canadian residents. To the extent that the remaining 30% of distributions of the REIT and Extencicare LP to be made in 2010 are taxed as dividends, those paid to Canadian residents are eligible dividends as per the *Income Tax Act* (Canada). The REIT is not required to, and does not, calculate its "earnings and profits" pursuant to the *United States Internal Revenue Code of 1986*, as amended (the "Code"), and therefore no portion of its distributions represent qualified dividend income for U.S. tax purposes.

As previously announced, a portion of the May distribution will be treated as U.S. source interest income in the hands of the unitholders of the REIT and Partnership. The Canadian dollar amount of the U.S. source interest income in the May 2010 distribution is estimated to be \$0.01581 per unit. This U.S. source interest income is subject to U.S. withholding tax for non-U.S. residents, and U.S. backup withholding tax for U.S. unitholders. Unitholders may be eligible for the portfolio interest exemption under Sections 871 and 881 of the Code by submitting a valid Form W-8BEN or Form W-9, as applicable to their broker or administrator.

ABOUT US

Extencicare REIT is a leading North American provider of long-term and short-term senior care services through its network of owned and operated health care centers. We employ 37,700 qualified and experienced individuals dedicated to helping people live better through a commitment to quality service that includes post-acute care, rehabilitative therapies and home health care services. Our 258 senior care centers in North America have capacity for approximately 28,900 residents.

Extencicare REIT is a specified investment flow-through trust (SIFT) that has been subject to the SIFT tax since January 1, 2007.

CONFERENCE CALL AND WEBCAST

On May 7, 2010, at 10:00 a.m. (ET), we will hold a conference call to discuss our results for the 2010 first quarter. The call will be webcast live and archived in the investors/presentations & webcasts section of our website at www.extencicare.com. Alternatively, the call-in number is 1-888-789-9572 or 416-695-7806, conference ID number 6776622#. A replay of the call will be available until midnight on May 21, 2010. To access the rebroadcast, dial 1-800-408-3053 or 416-695-5800, followed by the passcode 7280241#. Slides accompanying remarks during the call will be posted to our website as part of the live webcast. Also, a supplemental information package containing historical quarterly financial results and operating statistics can be found on the website under the investors/financial reports section.

REVISED BASIS OF PRESENTATION

Certain figures have been revised to conform with the presentation in 2010, mainly for the reclassification of non-reimbursable bad debts from operating expense to a contra-revenue account. Over the past several years, an increasing number of states have decided to refrain from reimbursing providers for the resident's co-payment portion of Medicare Part B therapy services provided to Medicaid residents who do not have the resources to pay for the services themselves. This was most recently the case in the State of Ohio. As a result, EHSI has reclassified its non-reimbursable Medicare Part B bad debt expense from operating expense to net with revenue, beginning in 2010. The impact of this reclassification in the first quarters of 2010 and 2009 and for the 2009 year was to reduce revenue and operating expense from continuing operations by \$1.6 million (US\$1.5 million), \$1.3 million (US\$1.0 million) and \$5.6 million (US\$4.9 million), respectively.

Non-GAAP Measures

Extencicare REIT assesses and measures operating results and financial position based on performance measures referred to as "EBITDA", "continuing health care operations before undernoted", "continuing operations before undernoted", "Distributable Income", "Funds from Operations", "Adjusted Funds from Operations" and "Adjusted Gross Book Value". 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 the REIT to make cash distributions; or (ii) certain ongoing rights and obligations of the REIT 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 operations, net earnings (loss) for the period, cash flow, or other measures of financial performance and liquidity reported in accordance with Canadian GAAP. Reconciliations of these non-GAAP measures from net earnings and/or from cash provided by operations, where applicable, are provided in this press release. Detailed descriptions of these terms can be found in the disclosure documents filed by Extencare REIT with the securities regulatory authorities, available at www.sedar.com and on the REIT's website at www.extencare.com.

Forward-looking Statements

Information provided by Extencare REIT from time to time, including this release, contains or may contain forward-looking statements concerning anticipated financial events, results, circumstances, economic performance or expectations with respect to the REIT and its subsidiaries, including its business operations, business strategy, and financial condition. Forward-looking statements can be identified because they generally contain the words "expect", "intend", "anticipate", "believe", "estimate", "project", "plan" or "objective" or other similar expressions or the negative thereof. Forward-looking statements reflect management's beliefs and assumptions and are based on information currently available, and the REIT assumes no obligation to update or revise any forward-looking statement, except as required by applicable securities laws. 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 the REIT to differ materially from those expressed or implied in the statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on the REIT's forward-looking statements. Further information can be found in the disclosure documents filed by Extencare REIT with the securities regulatory authorities, available at www.sedar.com and on the REIT's website at www.extencare.com.

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Visit Extencare's Website @ www.extencare.com

EXTENDICARE REIT
Condensed Consolidated Earnings

(thousands of Canadian dollars except per unit amounts)	Three months ended	
	March 31	
	2010	2009
Revenue		
Nursing and assisted living centers		
United States	336,123	397,109
Canada	118,584	114,384
Home health – Canada	39,529	36,004
Health technology services – United States	4,146	5,451
Outpatient therapy – United States	2,936	3,731
Other	7,516	8,962
	508,834	565,641
Operating expenses	429,296	479,070
Administrative costs	16,979	19,919
Lease costs	2,808	3,094
EBITDA ⁽¹⁾	59,751	63,558
Depreciation and amortization	15,694	17,359
Accretion of asset retirement obligations	400	437
Interest expense	23,194	25,837
Interest income	(928)	(1,142)
Loss (gain) on derivative financial instruments and foreign exchange	(3,220)	4,950
Gain from asset impairment, disposals and other items	-	(257)
Earnings from continuing operations before income taxes	24,611	16,374
Income tax expense (recovery)		
Current	11,406	10,953
Future	(1,951)	1,603
	9,455	12,556
Earnings from continuing operations	15,156	3,818
Discontinued operations	410	(161)
Net earnings	15,566	3,657
Basic and Diluted Earnings per Unit (\$)		
Earnings from continuing operations	0.19	0.05
Net earnings	0.20	0.05

⁽¹⁾ Refer to discussion of non-GAAP measures.

Certain 2009 figures have been revised for comparative purposes.

EXTENDICARE REIT
Condensed Consolidated Balance Sheets

	March 31	December 31
(thousands of Canadian dollars, unless otherwise noted)	2010	2009
Assets		
Current assets		
Cash and short-term investments	215,892	134,012
Restricted cash	22,361	22,361
Accounts receivable, less allowances	208,524	213,477
Income taxes recoverable	19,184	29,314
Future income tax assets	23,860	24,900
Other current assets	25,340	22,187
	515,161	446,251
Property and equipment, including construction-in-progress of \$48,418 and \$41,956, respectively	845,452	863,430
Goodwill and other intangible assets	184,495	191,514
Other assets	169,181	166,870
	1,714,289	1,668,065
Liabilities and Equity		
Current liabilities		
Accounts payable	32,343	38,372
Accrued liabilities	243,351	245,260
Accrual for self-insured liabilities	11,058	11,321
Current portion of long-term debt	22,279	28,538
	309,031	323,491
Accrual for self-insured liabilities	32,211	32,562
Long-term debt	1,196,118	1,205,494
Other long-term liabilities	67,382	67,555
Future income tax liabilities	74,133	79,866
	1,678,875	1,708,968
Unitholders' equity (deficiency)	35,414	(40,903)
	1,714,289	1,668,065
Closing US/Cdn. dollar exchange rate	1.0158	1.0510

EXTENDICARE REIT
Condensed Consolidated Cash Flows

(thousands of Canadian dollars)	Three months ended	
	March 31	
	2010	2009
Operating Activities		
Net earnings	15,566	3,657
Adjustments for:		
Depreciation and amortization	15,694	17,883
Provision for self-insured liabilities	5,491	5,325
Payments for self-insured liabilities	(3,123)	(3,120)
Future income taxes	(1,951)	1,595
Loss (gain) on derivative financial instruments and foreign exchange	(3,220)	4,950
Gain from asset impairment, disposals and other items	-	(257)
Gain from asset disposals, impairment and other items from discontinued operations	-	(1,426)
Other	2,633	3,339
	31,090	31,946
Net change in operating assets and liabilities		
Accounts receivable	(8,327)	15,583
Other current assets	(3,163)	(6,610)
Accounts payable and accrued liabilities	(1,536)	(7,509)
Income taxes	8,500	3,502
	(4,526)	4,966
	26,564	36,912
Investing Activities		
Growth capital expenditures	(11,616)	(13,271)
Maintenance capital expenditures	(4,586)	(7,324)
Net proceeds from dispositions	-	9,995
Other assets	(695)	(2,094)
	(16,897)	(12,694)
Financing Activities		
Issue of long-term debt	20,711	5,712
Repayment of long-term debt	(13,408)	(10,240)
Decrease in investments held for self-insured liabilities	328	555
Purchase of securities for cancellation	-	(6,189)
Distributions paid	(15,118)	(16,282)
Issue of units	82,212	-
Financing costs	(264)	(37)
Other	-	(1,530)
	74,461	(28,011)
Foreign exchange gain (loss) on cash held in foreign currency	(2,248)	853
Increase (decrease) in cash and cash equivalents	81,880	(2,940)
Cash and cash equivalents at beginning of period	134,012	123,084
Cash and cash equivalents at end of period	215,892	120,144

EXTENDICARE REIT
Financial and Operating Statistics

	Three months ended March 31	
(amounts in Canadian dollars, unless otherwise noted)	2010	2009 <i>(revised)</i>
Earnings (Loss) from Continuing Operations (millions)		
United States (US\$)	\$11.1	\$5.1
United States	\$11.5	\$6.3
Canada	3.6	(2.5)
	\$15.1	\$3.8
Net Earnings (Loss) (millions)		
United States (US\$)	\$11.5	\$4.9
United States	\$11.9	\$6.2
Canada	3.6	(2.5)
	\$15.5	\$3.7
U.S. Skilled Nursing Center Statistics		
Percent of Revenue by Payor Source (same-facility basis, excluding prior period settlement adjustments)		
Medicare (Parts A and B)	33.1 %	34.6 %
Managed Care	9.5	9.4
Skilled mix	42.6	44.0
Private/other	9.1	9.1
Quality mix	51.7	53.1
Medicaid	48.3	46.9
	100.0	100.0
Average Daily Census by Payor Source (same-facility basis)		
Medicare	2,326	2,499
Managed Care	814	805
Skilled mix	3,140	3,304
Private/other	1,430	1,513
Quality mix	4,570	4,817
Medicaid	9,557	9,538
	14,127	14,355
Average Revenue per Resident Day by Payor Source (excluding prior period settlement adjustments) (US\$)		
Medicare Part A only	\$ 457.05	\$ 447.79
Medicare (Parts A and B)	499.98	487.01
Managed Care	409.89	412.52
Private/other	225.44	211.84
Medicaid	178.25	172.88
Weighted average	250.62	245.11
Average Occupancy (excluding managed centers) (same-facility basis)		
U.S. skilled nursing centers	87.6 %	89.3 %
U.S. assisted living centers	78.4	82.5
Canadian centers	98.0	97.7
Average US/Cdn. dollar exchange rate	1.0400	1.2456

EXTENDICARE REIT
Supplemental Information – FFO and AFFO

The following table provides a reconciliation of EBITDA to Funds from Operations (FFO), Distributable Income (DI) and Adjusted Funds from Operations (AFFO) for the periods ended March 31, 2010 and 2009.⁽¹⁾

	Three months ended	
	March 31	
(thousands of Canadian dollars unless otherwise noted)	2010	2009
EBITDA from continuing operations	59,751	63,558
Depreciation for furniture, fixtures, equipment and computers	(5,453)	(6,066)
Interest expense, net	(22,266)	(24,695)
	32,032	32,797
Current income tax expense ⁽²⁾	(11,406)	(11,463)
FFO (continuing operations)	20,626	21,334
Amortization of financing costs	2,169	2,524
Principal portion of government capital funding payments	611	576
DI (continuing operations)	23,406	24,434
Additional maintenance capital expenditures ⁽³⁾	867	(1,258)
AFFO (continuing operations)	24,273	23,176
AFFO (discontinued operations) ⁽⁴⁾	429	1,201
AFFO	24,702	24,377
Per Basic Unit (\$)		
FFO (continuing operations)	0.265	0.293
AFFO (continuing operations)	0.312	0.318
AFFO	0.317	0.334
Per Diluted Unit (\$)		
FFO (continuing operations)	0.255	0.278
AFFO (continuing operations)	0.286	0.290
AFFO	0.291	0.304
Distributions declared	16,673	15,285
Distributions declared per unit (\$)	0.2100	0.2100
Basic weighted average number of units (thousands)	77,839	72,911
Diluted weighted average number of units (thousands)	91,652	86,736

⁽¹⁾ “EBITDA”, “funds from operations”, “distributable income” and “adjusted funds from operations” are not recognized measures under GAAP and do not have a standardized meaning prescribed by GAAP. Refer to the discussion of non-GAAP measures.

⁽²⁾ Excludes current tax with respect to the loss (gain) from derivative financial instruments, foreign exchange, asset impairment, disposals and other items that are excluded from the computation of AFFO.

⁽³⁾ Represents total facility maintenance capital expenditures less depreciation for furniture, fixtures, equipment and computers already deducted in determining DI.

⁽⁴⁾ The impact of discontinued operations reduces FFO, DI and AFFO by the same amount.

	Three months ended	
	March 31	
(thousands of Canadian dollars)	2010	2009
Reconciliation of Cash Provided by Operating Activities to DI & AFFO		
Cash provided by operating activities	26,564	36,912
Add (Deduct):		
Net change in operating assets and liabilities	4,526	(4,966)
Current tax expense on gain or loss from derivative financial instruments, foreign exchange, asset impairment, disposals and other items	-	1,740
Net provisions and payments for self-insured liabilities	(2,368)	(2,205)
Depreciation for furniture, fixtures, equipment and computers	(5,453)	(6,066)
Principal portion of government capital funding payments	611	576
Other	(45)	(356)
DI	23,835	25,635
Additional maintenance capital expenditures	867	(1,258)
AFFO	24,702	24,377