

## **Extendicare REIT Announces 2009 Second Quarter Results** *Strong Revenue and EBITDA Reflect Continued Improvement*

MARKHAM, ONTARIO – Extendicare Real Estate Investment Trust (“Extendicare REIT” or the “REIT”) (TSX: EXE.UN) today reported results for the second quarter and six months ended June 30, 2009.

### **Highlights:**

- Revenue of \$563.1 million in Q2 2009, an increase of 15.2% (4.2% exclusive of the impact of foreign exchange) compared to \$488.6 million in Q2 2008, due largely to achieving higher per diem rates in Medicare and Managed Care.
- EBITDA of \$72.7 million in Q2 2009, an increase of 60.1% (42.8% exclusive of the impact of foreign exchange) compared to \$45.4 million in Q2 2008, mainly due to cost controls and the absence of a number of unusual and one-time costs incurred during the same quarter last year.
- EBITDA margins improved to 12.9% in Q2 2009 from 9.3% in Q2 2008 as a result of cost-saving initiatives and continued success from the implementation of our back-to-basics plan.
- AFFO from continuing operations improved 90.1% to \$28.9 million (\$0.396 per basic unit) in Q2 2009 from \$15.2 million (\$0.214 per basic unit) in Q2 2008. The stronger U.S. dollar contributed \$3.6 million (\$0.050 per basic unit) of the AFFO improvement.
- Cash distribution of \$0.07 per unit declared for the month of August. Distributions declared for the first half of 2009 of \$30.6 million, represented 57.6% of AFFO from continuing operations of \$53.1 million for the same period.
- Renewed and amended U.S. credit facility for a two-year term to June 2011, with an option to extend it for a third year upon satisfaction of certain conditions.
- Cash on hand of \$94.6 million with no significant debt maturities until 2011 and beyond.
- As expected, CMS announced a reduction in Medicare Part A rates of 1.1% effective October 1, 2009.

Tim Lukenda, President and CEO of Extendicare REIT, said “The continuing improvement in our operating results during the second quarter demonstrates the success of our back-to-basics operating plan. Our strong EBITDA margins were largely the result of per diem rate enhancements, focused control on operating costs and driving efficiencies in our administrative processes. As a testament to the inherent strength of our business, we successfully amended and extended our line of credit during the quarter, despite a weak economy and challenging debt markets. We are taking the appropriate steps to mitigate the impact of near term reimbursement constraints at both the state and federal level. We are disappointed that cuts of this kind would be introduced to correct a so called “forecasting error” made by the government. This reduction in funding will undoubtedly weaken the long-term care workforce in the midst of a recession and threaten the improvements of care that have been achieved by the profession. Going forward, we will continue to monitor the impact of proposed reimbursement methodology changes for October 1, 2010 and the potential longer term impact of the health care reform initiatives in the U.S. Our strong balance sheet and cash on hand should enable us to effectively manage future challenges as we pursue continued long-term growth.”

## 2009 SECOND QUARTER FINANCIAL REVIEW

<b>TABLE 1</b>	<b>Q2</b>	<b>Q2</b>	<b>Q1</b>
<i>(millions of dollars unless otherwise noted)</i>	<b>2009</b>	<b>2008</b>	<b>2009</b>
<b>Revenue</b>			
U.S. operations (US\$)	<b>345.4</b>	333.9	346.2
U.S. operations (C\$)	<b>403.0</b>	337.3	431.3
Canadian operations	<b>160.1</b>	151.3	152.9
<b>Total Revenue</b>	<b>563.1</b>	488.6	584.2
<b>EBITDA <sup>(1)</sup></b>			
U.S. operations (US\$)	<b>48.8</b>	32.4	41.9
U.S. operations (C\$)	<b>57.3</b>	32.7	52.2
Canadian operations	<b>15.4</b>	12.7	12.6
<b>Total EBITDA</b>	<b>72.7</b>	45.4	64.8
<b>EBITDA margin</b>	<b>12.9%</b>	9.3%	11.1%
Average US/Canadian dollar exchange rate	<b>1.1672</b>	1.0102	1.2456
<sup>(1)</sup> Refer to discussion of non-GAAP measures.			

### 2009 Second Quarter Comparison to 2008 Second Quarter

Revenue for the 2009 second quarter grew \$74.5 million, or 15.2%, to \$563.1 million from \$488.6 million in the 2008 second quarter. However, exclusive of the impact of the weaker Canadian dollar, revenue grew \$20.4 million, or 4.2%, of which approximately \$14.6 million was due to growth in same-facility operations of 3.0% quarter over quarter as a result of funding improvements, partially offset by lower U.S. occupancy levels.

EBITDA for the 2009 second quarter grew \$27.3 million, or 60.1%, to \$72.7 million compared to \$45.4 million for the 2008 second quarter, and as a percent of revenue improved to 12.9% from 9.3%. Exclusive of the impact of the weaker Canadian dollar, EBITDA grew \$19.4 million, or 42.8%, of which \$18.4 million was due to growth from same-facility operations in both the U.S. and Canadian operations.

EBITDA from U.S. operations improved US\$16.4 million, or 50.6%, this quarter. Same-facility EBITDA grew US\$16.2 million, or 49.8%, due primarily to funding increases, improved performance of previously challenged skilled nursing centers, and cost controls, partially offset by lower census. In the 2008 second quarter, the impact of start-up and clinically challenged facilities, and prior period workers' compensation charges impacted our earnings by approximately US\$4.0 million.

EBITDA from Canadian operations improved \$2.7 million to \$15.4 million this quarter from \$12.7 million in the 2008 second quarter, of which \$2.4 million related to an executive compensation charge recorded in 2008 and \$0.7 million was from acquisitions. EBITDA from remaining operations declined \$0.4 million primarily due to timing of spending under the Ontario nursing home envelope system, increased labour costs of the home health care operations and lower investment income, partially offset by funding enhancements.

### 2009 Second Quarter Comparison to 2009 First Quarter

In comparison to the 2009 first quarter, revenue this quarter declined \$21.1 million, or 3.6%. However, exclusive of a negative impact of a stronger Canadian dollar this quarter of \$27.3 million, revenue increased \$6.2 million from the 2009 first quarter. An improvement in revenue from the Canadian operations was partially offset by a decline in revenue from the U.S. operations due to lower census levels.

EBITDA for the 2009 second quarter improved \$7.9 million to \$72.7 million compared to \$64.8 million in the 2009 first quarter, and excluding a negative impact of a stronger Canadian dollar, EBITDA increased \$11.5 million, or 17.8%, with improvements from both the U.S. and Canadian operations.

EBITDA from U.S. operations this quarter was higher by US\$6.9 million, or 16.4%, and as a percent of revenue was 14.1% compared to 12.1%. This improvement, despite lower revenue this quarter, was primarily due to: lower seasonal utility costs of US\$2.2 million, a reduction in bad debt provisions of US\$1.9 million, a reduction in workers' compensation costs of US\$1.1 million, lower health benefits of US\$1.5 million, and other cost controls.

EBITDA from Canadian operations increased \$2.8 million to \$15.4 million in the 2009 second quarter from \$12.6 million in the 2009 first quarter, primarily due to a seasonal decline in utility costs, timing of spending under the Ontario nursing home envelope system, improved margins in the home health care operations and the additional day this quarter.

### 2009 Second Quarter Earnings from Continuing Operations

Earnings from continuing operations in the 2009 second quarter improved to \$29.7 million (\$0.41 per diluted unit) from \$9.5 million (\$0.14 per diluted unit) in the 2008 second quarter. Each quarter reflected an after-tax gain on our derivative financial instruments and foreign exchange of \$11.7 million (pre-tax \$12.4 million) and \$1.9 million (pre-tax \$2.0 million), respectively, due to a stronger Canadian dollar at the end of the respective quarters.

<b>Components of Earnings from Continuing Operations <sup>(1)</sup></b>	<b>Three months ended June 30</b>			
	<b>2009</b>		<b>2008</b>	
	<b>After</b>	<b>Per</b>	<b>After</b>	<b>Per</b>
	<b>-tax</b>	<b>diluted</b>	<b>-tax</b>	<b>diluted</b>
		<b>unit</b>		<b>unit</b>
<i>(thousands of dollars except per unit amounts)</i>				
<b>Continuing Operations before Undernoted <sup>(1)</sup></b>				
U.S. operations (US\$)	<b>13,950</b>		5,120	
U.S. operations (C\$)	<b>16,511</b>		5,182	
Canadian operations	<b>1,891</b>		2,400	
	<b>18,402</b>	<b>\$0.25</b>	7,582	\$0.11
Gain on derivative financial instruments and foreign exchange	<b>11,688</b>	<b>0.16</b>	1,927	0.03
Loss from asset impairment, disposals and other items	<b>(380)</b>	—	—	—
<b>Earnings from continuing operations</b>	<b>29,710</b>	<b>\$0.41</b>	9,509	\$0.14

<sup>(1)</sup> Refer to discussion of non-GAAP measures.

Earnings from continuing operations prior to separately reported items, as outlined in Table 2 above, improved by \$10.8 million (\$0.14 per diluted unit) to \$18.4 million (\$0.25 per diluted unit) in the 2009 second quarter from \$7.6 million (\$0.11 per diluted unit) in the 2008 second quarter. This improvement in earnings was due to the previously discussed improvement in EBITDA, partially offset by higher financing costs and depreciation expense due primarily to the June 2008 convertible debt offering, acquisitions and capital expenditures, and higher income taxes.

### 2009 SIX MONTH FINANCIAL REVIEW

Revenue improved 18.8% to \$1,147.4 million in the first half of 2009 from \$966.1 million in the same 2008 period. However, exclusive of the impact of the weaker Canadian dollar, revenue grew \$43.7 million, or 4.5%, of which approximately \$31.8 million was due to growth in same-facility operations of 3.3%, due to funding improvements, partially offset by lower U.S. occupancy levels.

EBITDA for the first half of 2009 grew \$45.9 million, or 50.1%, to \$137.5 million from \$91.6 million in the same 2008 period, and as a percent of revenue improved to 12.0% from 9.5%. Exclusive of the impact of the weaker Canadian dollar of \$18.1 million, EBITDA improved \$27.8 million, or 30.3%, of which \$25.9 million was due to growth from same-facility operations in both the U.S. and Canadian operations.

<b>TABLE 3</b> <i>(millions of dollars unless otherwise noted)</i>	<b>Six months ended</b>	
	<b>June 30</b>	
	<b>2009</b>	<b>2008</b>
<b>Revenue</b>		
U.S. operations (US\$)	<b>691.7</b>	667.5
U.S. operations (C\$)	<b>834.3</b>	672.3
Canadian operations	<b>313.1</b>	293.8
<b>Total Revenue</b>	<b>1,147.4</b>	966.1
<b>EBITDA</b> <sup>(1)</sup>		
U.S. operations (US\$)	<b>90.7</b>	69.0
U.S. operations (C\$)	<b>109.4</b>	69.5
Canadian operations	<b>28.1</b>	22.1
<b>Total EBITDA</b>	<b>137.5</b>	91.6
<b>EBITDA margin</b>	<b>12.0%</b>	9.5%
Average US/Canadian dollar exchange rate	<b>1.2062</b>	1.0072
<sup>(1)</sup> Refer to discussion of non-GAAP measures.		

EBITDA from U.S. operations improved US\$21.7 million, or 31.4%, in the first half of 2009, of which US\$20.8 million, or 29.9%, was derived from same-facility operations due primarily to funding increases, improved performance of previously challenged skilled nursing centers, and cost controls, partially offset by lower census. In the first half of 2008, the impact of start-up and clinically challenged facilities, unique bad debt charges for certain facilities in Pennsylvania, and prior period workers' compensation and property tax charges impacted our earnings by approximately US\$8.7 million.

EBITDA from Canadian operations improved \$6.0 million to \$28.1 million from \$22.1 million in the first half of 2008, of which \$2.4 million related to an executive compensation charge recorded in 2008, \$1.0 million was from acquisitions, and the remaining \$2.6 million improvement was primarily due to funding enhancements, lower utility costs and timing of spending under the Ontario nursing home envelope system.

We reported improved earnings from continuing operations in the first half of 2009 of \$34.2 million (\$0.47 per diluted unit) compared to \$13.1 million (\$0.19 per diluted unit) in the same 2008 period. The 2009 results reflected an after-tax gain on our derivative financial instruments and foreign exchange of \$6.4 million (pre-tax \$7.4 million) due to the strengthening of the Canadian dollar at the end of June 2009 from the end of 2008. The 2008 results reflected an after-tax loss of \$1.6 million (pre-tax \$2.1 million) due to the weakening of the Canadian dollar at the end of June 2008 from the beginning of that year.

Earnings from continuing operations prior to separately reported items, as outlined in Table 4, improved by \$13.2 million (\$0.17 per diluted unit) to \$27.9 million (\$0.38 per diluted unit) in the first half of 2009 from \$14.7 million (\$0.21 per diluted unit) in the same 2008 period. This improvement in earnings was due to the previously discussed improvement in EBITDA, partially offset by higher financing costs and depreciation expense due primarily to the June 2008 convertible debt offering, acquisitions and capital expenditures, and higher income taxes.

<b>Components of Earnings from Continuing Operations <sup>(1)</sup></b>	<b>Six months ended June 30</b>			
	<b>2009</b>		<b>2008</b>	
	<b>After</b>	<b>Per</b>	<b>After</b>	<b>Per</b>
<i>(thousands of dollars except per unit amounts)</i>	<b>-tax</b>	<b>diluted</b>	<b>-tax</b>	<b>diluted</b>
		<b>unit</b>		<b>unit</b>
<b>Continuing Operations before Undernoted <sup>(1)</sup></b>				
U.S. operations (US\$)	<b>21,758</b>		12,280	
U.S. operations (C\$)	<b>26,243</b>		12,371	
Canadian operations	<b>1,683</b>		2,331	
	<b>27,926</b>	<b>\$0.38</b>	14,702	\$0.21
Gain (loss) on derivative financial instruments and foreign exchange	<b>6,443</b>	<b>0.09</b>	(1,602)	(0.02)
Loss from asset impairment, disposals and other items	<b>(209)</b>	—	—	—
<b>Earnings from continuing operations</b>	<b>34,160</b>	<b>\$0.47</b>	13,100	\$0.19

<sup>(1)</sup> Refer to discussion of non-GAAP measures.

Earnings from continuing operations prior to separately reported items, as outlined in Table 4, improved by \$13.2 million (\$0.17 per diluted unit) to \$27.9 million (\$0.38 per diluted unit) in the first half of 2009 from \$14.7 million (\$0.21 per diluted unit) in the same 2008 period. This improvement in earnings was due to the previously discussed improvement in EBITDA, partially offset by higher financing costs and depreciation expense due primarily to the June 2008 convertible debt offering, acquisitions and capital expenditures, and higher income taxes.

#### **ADJUSTED FUNDS FROM OPERATIONS (AFFO)**

Improvements in EBITDA in 2009 contributed to the improvements in AFFO from continuing operations, partially offset by higher income taxes and financing costs, and fluctuations in facility maintenance capital expenditures between periods.

AFFO from continuing operations improved \$13.7 million to \$28.9 million (\$0.396 per basic unit) in the 2009 second quarter from \$15.2 million (\$0.214 per basic unit) in the 2008 second quarter, and exclusive of the impact of the weaker Canadian dollar, AFFO from continuing operations increased by \$10.1 million, or 66.4%.

In comparison to the 2009 first quarter, AFFO from continuing operations improved \$4.7 million this quarter from \$24.2 million (\$0.332 per basic unit), and exclusive of the impact of the stronger Canadian dollar, AFFO from continuing operations increased by \$6.2 million or 25.6%.

AFFO from continuing operations improved \$19.7 million to \$53.1 million (\$0.728 per basic unit) in the first six months of 2009 from \$33.4 million (\$0.472 per basic unit) in the same 2008 period, and exclusive of the impact of the weaker Canadian dollar, AFFO from continuing operations improved by \$12.1 million, or 36.2%.

Facility maintenance capital expenditures of \$7.9 million in the 2009 second quarter were 1.4% of revenue, compared to \$7.6 million, or 1.6% of revenue, in the 2008 second quarter. For the first half of 2009, facility maintenance capital expenditures were \$15.2 million, or 1.3% of revenue, compared to \$12.1 million, or 1.3% of revenue, in the same period last year. The facility maintenance costs fluctuate on a quarterly basis with the timing of projects and seasonality. Certain 2008 planned projects that commenced last year were carried over to 2009. 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 \$39.0 million in facility maintenance capital expenditures and approximately \$57.0 million in growth capital expenditures in 2009.

## **LIQUIDITY AND CAPITAL RESOURCES**

At June 30, 2009, we had cash and cash equivalents of \$94.6 million compared with \$123.1 million at December 31, 2008, representing a decline of \$28.5 million as a result of a pledge of cash of \$29.5 million as collateral against a letter of credit, resulting in its exclusion from our available cash at period end. Cash provided by operating activities grew to \$71.3 million in the first half of 2009 compared to \$18.7 million in the same 2008 period. This increase reflected the improvement in earnings and a favourable change of \$23.3 million in operating assets and liabilities between periods. Accounts receivable improved by \$24.9 million in the first half of 2009 primarily due to improved collections and the receipt in January 2009 of the \$8.7 million (US\$7.0 million) return premium associated with the exercise in 2008 of our option to commute our reinsurance coverage for the three-year period covering 2005 to 2007.

Long-term debt, including current portion, was \$1,294.4 million at June 30, 2009, with no significant debt maturities until 2011, compared to \$1,332.8 million at December 31, 2008. The \$38.4 million decrease in long-term debt was primarily due to the impact of the stronger Canadian dollar of \$38.0 million. At June 30, 2009, long-term debt (at face value and including current portion) represented 45.5% of adjusted gross book value (38.4% excluding the convertible debentures). Our consolidated leverage ratio, or debt to trailing twelve months EBITDA, has improved to 5.2 times, from 6.7 times at the end of 2008.

## **U.S. OPERATIONS KEY METRICS**

### **Skilled Nursing Facility Revenue Rates**

The average daily Medicare Part A rate for our wholly owned U.S. subsidiary, Extendicare Health Services, Inc. (EHSI), grew 8.3% to US\$452.38 in the 2009 second quarter from US\$417.80 in the 2008 second quarter. The October 1, 2008 market basket inflationary increase accounted for approximately 3.4% of the rate increase, with the remainder primarily related to higher average acuity levels among Medicare patients served. In comparison to the 2009 first quarter, our average daily Medicare Part A rate grew 1.5% due to a continued improvement in the mix of Medicare residents.

Our percentage of Medicare residents in the nine highest Resource Utilization Groupings (RUGs) classifications increased to 41.5% this quarter from 37.5% in the 2008 second quarter, as well as increasing from 41.0% in the 2009 first quarter. In addition, we experienced an increase in the percentage of Medicare residents receiving therapy services to 89.1% this quarter from 87.3% in the 2008 second quarter. However, the percentage declined this quarter from the 2009 first quarter level of 89.4%, which is a similar trend to what occurred in 2008.

The average revenue rate for Managed Care clients increased 8.0% to US\$386.22 this quarter from US\$357.74 in the 2008 second quarter, and increased 1.7% from the 2009 first quarter. This is an important revenue growth opportunity as it represents the second highest rate component of our quality mix of residents.

Our average daily Medicaid rate, excluding prior period settlement adjustments, increased 3.3% in the 2009 second quarter to US\$171.69 compared to the 2008 second quarter. In comparison to the 2009 first quarter Medicaid rate of US\$172.80, we experienced a slight decline of 0.6% this quarter as a result of: (i) a decline in Michigan's rate due to revised estimates for reimbursable costs that impacted our October 1, 2008 rates; and (ii) a unique rate recovery by the State of Washington, thereby decreasing the rates effective the three months commencing April 1, 2009.

### **Total and Skilled Census**

Our 2009 same-facility ADC of 14,884 for the first half of 2009 was 228 below the 2008 comparable level of 15,112, with a decline of 256 in Medicare ADC, partially offset by increases in Managed Care and Medicaid. Census normally declines between the first and second quarter and in 2008, we experienced a decline of 171 total ADC and 96 ADC in Medicare. In comparison to the 2009 first quarter ADC of 14,981, our same-facility ADC declined by 193, or 1.3%, to 14,788 in the 2009 second quarter as a result of a decline in Medicare ADC of 132 and Medicaid ADC of 82, partially offset by improvements in Managed Care and private ADC.

### **Medicare and Medicaid Funding Announcements**

On July 31, 2009, the Centers for Medicare & Medicaid Services (CMS) issued its final rule for payments to Medicare skilled nursing centers, resulting in a net reduction in Medicare Part A rates of 1.1% effective October 1, 2009. As previously announced, CMS plans to implement a recalibration adjustment that would reduce rates by 3.3%, to be partially offset by a market basket increase of 2.2%. Our preliminary estimates indicate that this net rate reduction of 1.1% would reduce our Medicare revenue by approximately US\$4.5 million per annum.

CMS' final rule also introduces other modifications to our payment system that would become effective on October 1, 2010, and which would impact resident assessments and, potentially, the rates paid for certain services. Specifically, the final rule establishes a revised case-mix classification methodology (RUG-IV) and implementation schedule for fiscal year 2011, reflecting updated staff time measurement data derived from the recently completed Staff Time and Resource Intensity Verification (STRIVE) project, as well as including information on the transition to the redesigned nursing home resident assessment instrument MDS 3.0, and on a possible new rate component to account for the use of non-therapy ancillaries. The potential impact of these changes are being analyzed but could lead to an adverse change in our per diem rates, which may be partially mitigated by the type of resident admitted and the care delivery protocol followed. We, along with other post-acute providers, continue to discuss the merits and potential impact of these changes with CMS.

With respect to Medicaid funding, we expect to gain certainty by the end of the third quarter on those reimbursement rates that are effective as of July 1, 2009. With the decline in federal and state tax revenue as a result of the recession, state Medicaid budgets are under considerable strain. Our respective state health care associations are lobbying vigorously for continuation of consistent funding in the sector. We anticipate that there may be reductions in three of the states in which we operate, whereas the majority of the other states will retain funding at least at the current levels. While not yet finalized, based on current information, we estimate this could result in a net reduction of US\$9.0 million per annum, or 1.4%, in our Medicaid revenue, net of provider tax changes.

## **DEVELOPMENT PROJECTS**

In July 2009 we completed our state of the art 100-bed skilled nursing center in Okemos, Michigan and will be welcoming our first residents in early August. Our pipeline includes a further five construction projects, with four underway, and the fifth, in Edmonton, scheduled to commence shortly (completion dates as indicated in parentheses):

- 100-bed skilled nursing center in Summit, Wisconsin (November 2009);
- 60-unit assisted living center in Summit, Wisconsin (November 2009);
- 280-bed continuing care center in Red Deer, Alberta (summer 2010);
- 140-bed designated assisted living center in Lethbridge, Alberta (spring 2011); and
- 180-bed nursing center in Edmonton, Alberta (fall 2011).

## **DISTRIBUTION DECLARED**

The Board of Trustees of the REIT today declared a cash distribution of \$0.07 per unit for the month of August 2009, which is payable to unitholders of record at the close of business on August 31, 2009, and will be paid on September 15, 2009.

Extendicare 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 August 2009, which is payable to unitholders of record at the close of business on August 31, 2009, and will be paid on September 15, 2009.

Management estimates that approximately 70% of the 2009 distributions of the REIT and Partnership will be characterized as tax deferred returns of capital for Canadian residents. To the extent the remaining 30% of distributions of the REIT and Extendicare LP to be made in 2009 are taxed as dividends, those paid to Canadian residents are eligible dividends as per the *Income Tax Act* (Canada) (the “Act”). 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.

## **ABOUT US**

Extendicare 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 37,900 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 264 senior care centers in North America have capacity for approximately 29,500 residents.

## **CONFERENCE CALL AND WEBCAST**

On August 6, 2009, at 10:00 a.m. (ET), we will hold a conference call to discuss our results for the 2009 second quarter. The call will be webcast live and archived in the investors/presentations & webcasts section of our website at [www.extendicare.com](http://www.extendicare.com). Alternatively, the call-in number is 1-888-789-9572 or 416-695-7806, conference ID number 8378233#. A replay of the call will be available until midnight on August 21, 2009. To access the rebroadcast, dial 1-800-408-3053 or 416-695-5800, followed by the passcode 3005383#. 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.

Certain 2008 figures have been revised to conform to the presentation in 2009, mainly for discontinued operations.

### **Non-GAAP Measures**

Extendicare 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 Extendicare REIT with the securities regulatory authorities, available at [www.sedar.com](http://www.sedar.com) and on the REIT’s website at [www.extendicare.com](http://www.extendicare.com).

### **Forward-looking Statements**

*Information provided by Extendicare 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 Extendicare REIT with the securities regulatory authorities, available at [www.sedar.com](http://www.sedar.com) and on the REIT’s website at [www.extendicare.com](http://www.extendicare.com).*

For further information, contact:

Douglas J. Harris  
Senior Vice President and Chief Financial Officer  
Phone: (414) 908-8855  
Fax: (905) 470-4003  
Email: [djharris@extendicare.com](mailto:djharris@extendicare.com)

**Visit Extendicare’s Website @ [www.extendicare.com](http://www.extendicare.com)**

**EXTENDICARE REIT**  
**Condensed Consolidated Earnings**

(thousands of Canadian dollars except per unit amounts)	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Revenue</b>		(revised)		(revised)
Nursing and assisted living centers				
United States	<b>388,537</b>	325,643	<b>804,254</b>	649,057
Canada	<b>118,860</b>	108,763	<b>233,244</b>	214,337
Home health – Canada	<b>38,819</b>	39,503	<b>74,823</b>	73,814
Outpatient therapy – United States	<b>3,505</b>	3,134	<b>7,236</b>	6,126
Other	<b>13,425</b>	11,593	<b>27,838</b>	22,734
	<b>563,146</b>	488,636	<b>1,147,395</b>	966,068
<b>Operating expenses</b>	<b>467,824</b>	420,462	<b>963,671</b>	832,171
<b>Administrative costs</b>	<b>18,924</b>	19,515	<b>38,847</b>	35,963
<b>Lease costs</b>	<b>3,658</b>	3,252	<b>7,350</b>	6,321
<b>EBITDA</b> <sup>(1)</sup>	<b>72,740</b>	45,407	<b>137,527</b>	91,613
Depreciation and amortization	<b>16,787</b>	14,058	<b>34,506</b>	27,563
Accretion expense	<b>424</b>	360	<b>868</b>	717
Interest expense	<b>24,479</b>	21,226	<b>50,316</b>	42,576
Interest income	<b>(712)</b>	(1,434)	<b>(1,840)</b>	(2,884)
Loss (gain) on derivative financial instruments and foreign exchange	<b>(12,424)</b>	(2,045)	<b>(7,474)</b>	2,167
Loss from asset impairment, disposals and other items	<b>594</b>	-	<b>337</b>	-
<b>Earnings from continuing operations before income taxes</b>	<b>43,592</b>	13,242	<b>60,814</b>	21,474
<b>Income tax expense (recovery)</b>				
Current	<b>15,086</b>	5,173	<b>26,257</b>	11,458
Future	<b>(1,204)</b>	(1,440)	<b>397</b>	(3,084)
	<b>13,882</b>	3,733	<b>26,654</b>	8,374
<b>Earnings from continuing operations</b>	<b>29,710</b>	9,509	<b>34,160</b>	13,100
Discontinued operations	<b>534</b>	1,168	<b>(259)</b>	1,155
<b>Net earnings</b>	<b>30,244</b>	10,677	<b>33,901</b>	14,255
<b>Basic and Diluted Earnings per Unit (\$)</b>				
Earnings from continuing operations	<b>0.41</b>	0.14	<b>0.47</b>	0.19
Net earnings	<b>0.41</b>	0.15	<b>0.46</b>	0.20

<sup>(1)</sup> Refer to discussion of non-GAAP measures.

**EXTENDICARE REIT**  
**Condensed Consolidated Cash Flows**

(thousands of Canadian dollars)	Three months ended		Six months ended	
	June 30		June 30	
	2009	2008	2009	2008
<b>Operating Activities</b>				
Net earnings	30,244	10,677	33,901	14,255
Adjustments for:				
Depreciation and amortization	16,782	14,593	34,665	28,656
Provision for self-insured liabilities	4,988	3,207	10,313	7,114
Payments for self-insured liabilities	(4,443)	(10,108)	(7,563)	(14,322)
Future income taxes	(1,204)	(22)	391	(1,161)
Loss on derivative financial instruments and foreign exchange	(12,424)	(2,045)	(7,474)	2,167
Loss from asset impairment, disposals and other items	594	-	337	-
Gain from asset disposals, impairment and other items from discontinued operations	-	(106)	(1,426)	(474)
Other	2,866	2,035	6,205	3,720
	<b>37,403</b>	<b>18,231</b>	<b>69,349</b>	<b>39,955</b>
Net change in operating assets and liabilities				
Accounts receivable	9,320	7,385	24,903	(10,224)
Supplies and prepaid expenses	608	598	(6,002)	(7,485)
Accounts payable and accrued liabilities	(4,555)	(6,967)	(12,064)	5,607
Income taxes	(8,345)	(12,549)	(4,843)	(9,186)
	<b>(2,972)</b>	<b>(11,533)</b>	<b>1,994</b>	<b>(21,288)</b>
	<b>34,431</b>	<b>6,698</b>	<b>71,343</b>	<b>18,667</b>
<b>Investing Activities</b>				
Capital additions	(20,435)	(16,277)	(41,030)	(30,342)
Net proceeds from dispositions	-	1,041	9,995	2,569
Other assets	384	1,057	(1,710)	1,779
	<b>(20,051)</b>	<b>(14,179)</b>	<b>(32,745)</b>	<b>(25,994)</b>
<b>Financing Activities</b>				
Issue of long-term debt	6,337	143,367	12,049	144,329
Issue on line of credit	-	(9,038)	-	-
Repayment of long-term debt	(3,895)	(53,305)	(14,135)	(62,378)
Increase in restricted cash	(29,482)	-	(29,482)	-
Decrease in investments held for self-insured liabilities	6,536	6,956	7,091	7,849
Purchase of securities for cancellation	-	-	(6,189)	(117)
Distributions paid	(14,584)	(18,929)	(30,866)	(37,846)
Issue of units	-	34,580	-	34,580
Financing costs	(2,795)	(9,100)	(2,832)	(9,410)
Other	(330)	1,002	(1,860)	2,038
	<b>(38,213)</b>	<b>95,533</b>	<b>(66,224)</b>	<b>79,045</b>
<b>Foreign exchange gain (loss) on cash held in foreign currency</b>	<b>(1,704)</b>	<b>123</b>	<b>(851)</b>	<b>339</b>
<b>Increase in cash and cash equivalents</b>	<b>(25,537)</b>	<b>88,175</b>	<b>(28,477)</b>	<b>72,057</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>120,144</b>	<b>28,116</b>	<b>123,084</b>	<b>44,234</b>
<b>Cash and cash equivalents at end of period</b>	<b>94,607</b>	<b>116,291</b>	<b>94,607</b>	<b>116,291</b>

**EXTENDICARE REIT**  
**Condensed Consolidated Balance Sheets**

(thousands of Canadian dollars, unless otherwise noted)	<b>June 30</b> <b>2009</b>	<b>December 31</b> <b>2008</b>
<b>Assets</b>		(revised)
Current assets		
Cash and short-term investments	94,607	123,084
Restricted cash	29,482	-
Invested assets	917	947
Accounts receivable, less allowances	236,168	274,044
Income taxes recoverable	386	-
Future income tax assets	38,814	40,888
Supplies and prepaid expenses	24,303	19,137
	<b>424,677</b>	<b>458,100</b>
Property and equipment	938,609	970,612
Goodwill and other intangible assets	210,448	225,629
Other assets	146,084	151,641
	<b>1,719,818</b>	<b>1,805,982</b>
<b>Liabilities and Unitholders' Deficiency</b>		
Current liabilities		
Accounts payable	37,951	51,434
Accrued liabilities	239,801	252,098
Accrual for self-insured liabilities	13,051	12,533
Current portion of long-term debt	21,998	42,217
Income taxes payable	-	4,594
	<b>312,801</b>	<b>362,876</b>
Accrual for self-insured liabilities	35,370	37,838
Long-term debt	1,272,435	1,290,596
Other long-term liabilities	74,313	79,198
Future income tax liabilities	62,919	65,006
	<b>1,757,838</b>	<b>1,835,514</b>
Unitholders' deficiency	<b>(38,020)</b>	<b>(29,532)</b>
	<b>1,719,818</b>	<b>1,805,982</b>
<b>Closing US/Cdn. dollar exchange rate</b>	<b>1.1630</b>	<b>1.2180</b>

**EXTENDICARE REIT**  
**Financial and Operating Statistics**

	Three months ended June 30		Six months ended June 30	
(amounts in Canadian dollars, unless otherwise noted)	2009	2008	2009	2008
<b>Earnings from Continuing Operations</b> (millions)				
United States (US\$)	<b>\$20.9</b>	\$5.9	<b>\$26.5</b>	\$9.0
United States	<b>\$25.0</b>	\$6.0	<b>\$32.0</b>	\$9.0
Canada	<b>4.7</b>	3.5	<b>2.2</b>	4.1
	<b>\$29.7</b>	\$9.5	<b>\$34.2</b>	\$13.1
<b>Net Earnings</b> (millions)				
United States (US\$)	<b>\$21.4</b>	\$7.1	<b>\$26.3</b>	\$10.1
United States	<b>\$25.5</b>	\$7.2	<b>\$31.7</b>	\$10.2
Canada	<b>4.7</b>	3.5	<b>2.2</b>	4.1
	<b>\$30.2</b>	\$10.7	<b>\$33.9</b>	\$14.3
<b>U.S. Skilled Nursing Center Statistics</b>				
<b>Percent of Revenue by Payor Source</b> (same-facility basis, excluding prior period settlement adjustments)				
Medicare (Part A and B)	<b>33.9 %</b>	35.1 %	<b>34.2 %</b>	35.4 %
Managed Care	<b>10.4</b>	9.7	<b>10.2</b>	9.0
Skilled mix	<b>44.3</b>	44.8	<b>44.4</b>	44.4
Private/other	<b>9.3</b>	9.2	<b>9.1</b>	9.4
Quality mix	<b>53.6</b>	54.0	<b>53.5</b>	53.8
Medicaid	<b>46.4</b>	46.0	<b>46.5</b>	46.2
<b>Average Daily Census by Payor Source</b> (same-facility basis)				
Medicare	<b>2,447</b>	2,721	<b>2,513</b>	2,769
Managed Care	<b>971</b>	955	<b>968</b>	910
Skilled mix	<b>3,418</b>	3,676	<b>3,481</b>	3,679
Private/other	<b>1,575</b>	1,616	<b>1,567</b>	1,611
Quality mix	<b>4,993</b>	5,292	<b>5,048</b>	5,290
Medicaid	<b>9,795</b>	9,735	<b>9,836</b>	9,822
	<b>14,788</b>	15,027	<b>14,884</b>	15,112
<b>Average Revenue per Resident Day by Payor Source</b> (excluding prior period settlement adjustments) (US\$)				
Medicare Part A only	<b>\$452.38</b>	\$417.80	<b>\$448.98</b>	\$414.19
Medicare (Part A and B)	<b>500.47</b>	453.55	<b>494.35</b>	450.66
Managed Care	<b>386.22</b>	357.74	<b>382.92</b>	346.89
Private/other	<b>214.05</b>	200.59	<b>212.49</b>	204.68
Medicaid	<b>171.69</b>	166.24	<b>171.89</b>	165.61
Weighted average	<b>244.97</b>	234.24	<b>244.63</b>	232.97
<b>Average Occupancy</b> (excluding managed centers) (same-facility basis)				
U.S. skilled nursing centers	<b>87.8 %</b>	88.1 %	<b>88.4 %</b>	88.6 %
U.S. assisted living centers	<b>82.6</b>	84.9	<b>82.6</b>	84.8
Canadian centers	<b>97.9</b>	97.9	<b>97.7</b>	97.8
<b>Capital Additions</b> (thousands)				
Growth expenditures	<b>12,518</b>	8,638	<b>25,789</b>	18,199
Facility maintenance	<b>7,917</b>	7,639	<b>15,241</b>	12,143
<b>Consolidated reported</b>	<b>20,435</b>	16,277	<b>41,030</b>	30,342
<b>Average US/Cdn. dollar exchange rate</b>	<b>1.1672</b>	1.0102	<b>1.2062</b>	1.0072

**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 June 30, 2009 and 2008. (1)

(thousands of Canadian dollars unless otherwise noted)	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
		(revised)		(revised)
<b>EBITDA from continuing operations</b>	<b>72,740</b>	45,407	<b>137,527</b>	91,613
Depreciation for furniture, fixtures, equipment and computers	<b>(5,983)</b>	(4,567)	<b>(12,049)</b>	(8,733)
Interest expense, net	<b>(23,767)</b>	(19,792)	<b>(48,476)</b>	(39,692)
	<b>42,990</b>	21,048	<b>77,002</b>	43,188
Current income tax expense <sup>(2)</sup>	<b>(15,576)</b>	(4,894)	<b>(27,257)</b>	(10,599)
<b>FFO (continuing operations)</b>	<b>27,414</b>	16,154	<b>49,745</b>	32,589
Amortization of financing costs	<b>2,841</b>	1,622	<b>5,365</b>	3,184
Principal portion of government capital funding payments	<b>574</b>	540	<b>1,150</b>	1,081
<b>DI (continuing operations)</b>	<b>30,829</b>	18,316	<b>56,260</b>	36,854
Additional maintenance capital expenditures <sup>(3)</sup>	<b>(1,934)</b>	(3,072)	<b>(3,192)</b>	(3,410)
<b>AFFO (continuing operations)</b>	<b>28,895</b>	15,244	<b>53,068</b>	33,444
AFFO (discontinued operations) <sup>(4)</sup>	<b>542</b>	1,481	<b>746</b>	1,710
<b>AFFO</b>	<b>29,437</b>	16,725	<b>53,814</b>	35,154
<b>Per Basic Unit (\$)</b>				
FFO (continuing operations)	<b>0.376</b>	0.227	<b>0.682</b>	0.460
AFFO (continuing operations)	<b>0.396</b>	0.214	<b>0.728</b>	0.472
AFFO	<b>0.404</b>	0.235	<b>0.738</b>	0.497
<b>Per Diluted Unit (\$)</b>				
FFO (continuing operations)	<b>0.348</b>	0.227	<b>0.637</b>	0.460
AFFO (continuing operations)	<b>0.356</b>	0.210	<b>0.658</b>	0.462
AFFO	<b>0.362</b>	0.229	<b>0.666</b>	0.484
<b>Distributions declared</b>	<b>15,317</b>	19,902	<b>30,602</b>	39,460
<b>Distributions declared per unit (\$)</b>	<b>0.2100</b>	0.2775	<b>0.4200</b>	0.5550
<b>Basic weighted average number of units (thousands)</b>	<b>72,914</b>	71,109	<b>72,913</b>	70,790
<b>Diluted weighted average number of units (thousands)</b>	<b>86,727</b>	77,869	<b>86,733</b>	77,058

(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.

(thousands of Canadian dollars)	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
<b>Reconciliation of Cash Provided by Operating Activities to DI &amp; AFFO</b>				
<b>Cash provided by operating activities</b>	<b>34,431</b>	6,698	<b>71,343</b>	18,667
<b>Add (Deduct):</b>				
Net change in operating assets and liabilities	<b>2,972</b>	11,533	<b>(1,994)</b>	21,288
Current tax expense on gain or loss from derivative financial instruments, foreign exchange, asset impairment, disposals and other items	<b>(490)</b>	(1,272)	<b>1,250</b>	(1,168)
Net provisions and payments for self-insured liabilities	<b>(545)</b>	6,901	<b>(2,750)</b>	7,208
Depreciation for furniture, fixtures, equipment and computers	<b>(5,983)</b>	(4,567)	<b>(12,049)</b>	(8,733)
Other	<b>412</b>	(36)	<b>56</b>	221
Principal portion of government capital funding payments	<b>574</b>	540	<b>1,150</b>	1,081
<b>DI</b>	<b>31,371</b>	19,797	<b>57,006</b>	38,564
Additional maintenance capital expenditures	<b>(1,934)</b>	(3,072)	<b>(3,192)</b>	(3,410)
<b>AFFO</b>	<b>29,437</b>	16,725	<b>53,814</b>	35,154