

### **Extendicare REIT Announces 2009 Third Quarter Results** *Increased Profitability Through Higher Rates and Cost Controls*

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

#### **Highlights:**

- Revenue of \$532.1 million in Q3 2009, an increase of 8.5% (4.6% exclusive of the impact of foreign exchange) compared to \$490.2 million in Q3 2008, due largely to achieving higher per diem rates in Medicare and Managed Care.
- EBITDA of \$71.1 million in Q3 2009, an increase of 39.2% (33.7% exclusive of the impact of foreign exchange) compared to \$51.1 million in Q3 2008, mainly due to cost controls.
- EBITDA margins improved to 13.4% in Q3 2009 from 10.4% in Q3 2008 and 13.1% during Q2 2009.
- AFFO from continuing operations improved 57.3% to \$30.2 million (\$0.414 per basic unit) in Q3 2009 from \$19.2 million (\$0.260 per basic unit) in Q3 2008.
- Declared cash distribution of \$0.07 per unit for the month of November. Distributions declared for the first nine months of 2009 of \$45.9 million, represented 55.8% of AFFO from continuing operations of \$82.2 million for the same period.
- Cash on hand of \$130.9 million with no significant debt maturities until 2011 and beyond.

“Given the current economic environment, the REIT’s solid results this quarter are particularly significant,” said Tim Lukenda, President and CEO of Extendicare REIT. “Despite the economy’s impact on our skilled mix and total occupancy, our results improved on a quarter-over-quarter basis through a combination of increased U.S. per diem rates and diligent cost controls across our business segments. Notwithstanding the success of this quarter, we are taking steps to mitigate the anticipated impact of near-term reimbursement changes that will reduce our Medicare and Medicaid funding in the fourth quarter. We are also monitoring the proposed implementation of the various health care reform proposals currently being considered by the U.S. Senate and Congress. While the ultimate impact of any such changes is currently unknown, we have a proven track record of adapting and conforming our strategy to changes in the reimbursement regime.”

Mr. Lukenda continued, “Going forward, we remain committed to providing the highest quality of services possible in spite of the changing industry dynamics. As evidence of our commitment to quality, 33 of our U.S. skilled nursing centers were awarded the 2009 Step I Quality Award, which is one of the most prestigious honours given in the long-term care profession.”

#### **2009 THIRD QUARTER FINANCIAL REVIEW**

##### **2009 Third Quarter Comparison to 2008 Third Quarter**

Revenue for the 2009 third quarter grew \$41.9 million, or 8.5%, to \$532.1 million from \$490.2 million in the 2008 third quarter. However, exclusive of the impact of the weaker Canadian dollar, revenue grew \$22.4 million, or 4.6%, of which approximately \$17.6 million was due to growth in same-facility operations of 3.6% quarter over quarter as a result of funding improvements, partially offset by lower U.S. occupancy levels.

EBITDA for the 2009 third quarter grew \$20.0 million, or 39.2%, to \$71.1 million compared to \$51.1 million for the 2008 third quarter, and as a percent of revenue improved to 13.4% from 10.4%. Exclusive of the impact of the weaker Canadian dollar, EBITDA grew \$17.2 million, or 33.7%, of which \$16.7 million was due to growth from same-facility operations in both the U.S. and Canadian operations.

<b>TABLE 1</b>	<b>Q3</b>	<b>Q3</b>	<b>Q2</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>336.5</b>	327.5	334.6
U.S. operations (C\$)	<b>369.5</b>	340.8	390.4
Canadian operations	<b>162.6</b>	149.4	160.1
<b>Total Revenue</b>	<b>532.1</b>	490.2	550.5
<b>EBITDA <sup>(1)</sup></b>			
U.S. operations (US\$)	<b>46.9</b>	34.0	48.5
U.S. operations (C\$)	<b>51.6</b>	35.4	56.9
Canadian operations	<b>19.5</b>	15.7	15.5
<b>Total EBITDA</b>	<b>71.1</b>	51.1	72.4
<b>EBITDA margin</b>	<b>13.4%</b>	10.4%	13.1%
Average US/Canadian dollar exchange rate	<b>1.0991</b>	1.0406	1.1672
<sup>(1)</sup> Refer to discussion of non-GAAP measures.			

EBITDA from U.S. operations improved US\$12.9 million, or 37.9%, to US\$46.9 million in the 2009 third quarter from US\$34.0 million in the 2008 third quarter, and as a percent of revenue grew to 13.9% from 10.4%. This improvement was due primarily to funding increases, improved collection of accounts receivable that reduced bad debt provisions, improved performance of previously challenged skilled nursing centers, and cost controls, partially offset by lower census.

EBITDA from Canadian operations improved \$3.8 million to \$19.5 million this quarter from \$15.7 million in the 2008 third quarter, of which \$0.7 million was from acquisitions. EBITDA from remaining operations increased \$3.1 million primarily due to: funding enhancements, of which \$1.5 million was retroactive to prior periods; higher home health care volumes, and lower administrative costs of \$0.6 million, primarily due to cost controls leading to favourable accrual adjustments; partially offset by increased labour costs of the home health care operations due to elect-to-work holiday pay of \$0.6 million.

### **2009 Third Quarter Comparison to 2009 Second Quarter**

In comparison to the 2009 second quarter, revenue this quarter declined \$18.4 million, or 3.3%. However, exclusive of a negative impact of a stronger Canadian dollar this quarter of \$23.0 million, revenue increased \$4.6 million from the 2009 second quarter, primarily due to the additional day this quarter and funding enhancements, partially offset by lower U.S. census mix. A significant component of Medicaid funding increases in the U.S. operations were offset by higher state provider taxes.

EBITDA for the 2009 third quarter declined \$1.3 million to \$71.1 million from \$72.4 million in the 2009 second quarter. However, excluding a negative impact of a stronger Canadian dollar, EBITDA increased \$2.1 million, or 2.9%, with an improvement in the Canadian operations, partially offset by a decline in the U.S. operations.

EBITDA from U.S. operations this quarter was lower by US\$1.6 million, or 3.3%, and as a percent of revenue was 13.9% compared to 14.5% in the 2009 second quarter. Revenue increased US\$1.9 million, despite a reduction in skilled mix census. The increase in revenue was due primarily to Medicaid rate increases contributing US\$2.7 million; however, these were partially offset by higher state provider taxes. The increase of US\$3.5 million in operating, administrative and lease costs was primarily due to: an increase in reserves for self-insured general and professional liabilities of US\$3.2 million; and an increase in state provider taxes of US\$2.0 million due to July 1, 2009 rate changes; partially offset by a reduction in bad debt provisions of US\$1.1 million, and lower workers' compensation and health benefits of US\$1.1 million. The adjustment in our reserves for self-insured general and professional liabilities follows our usual practice of completing an interim independent actuarial review during the 2009 third quarter.

EBITDA from Canadian operations increased \$4.0 million to \$19.5 million in the 2009 third quarter from \$15.5 million in the 2009 second quarter, primarily due to: funding enhancements, of which approximately \$1.5 million was retroactive to prior periods; lower administrative costs of \$0.8 million, primarily due to cost controls leading to favourable accrual adjustments this quarter; a seasonal decline in utility costs; and the additional day this quarter.

### 2009 Third Quarter Earnings from Continuing Operations

Earnings from continuing operations in the 2009 third quarter improved to \$29.0 million (\$0.36 per diluted unit) from \$3.6 million (\$0.05 per diluted unit) in the 2008 third quarter. The 2009 third quarter reflected an after-tax gain on our derivative financial instruments and foreign exchange of \$10.8 million (pre-tax \$10.4 million) compared to a loss of \$3.2 million (pre-tax \$3.0 million) in the same 2008 period.

<b>Components of Earnings from Continuing Operations <sup>(1)</sup></b>	<b>Three months ended September 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>unit</b>
<b>Continuing Operations before Undernoted <sup>(1)</sup></b>				
U.S. operations (US\$)	<b>11,450</b>		4,836	
U.S. operations (C\$)	<b>12,626</b>		5,057	
Canadian operations	<b>5,494</b>		3,265	
	<b>18,120</b>	<b>\$0.24</b>	8,322	\$0.12
Gain (loss) on derivative financial instruments and foreign exchange	<b>10,836</b>	<b>0.12</b>	(3,197)	(0.05)
Gain (loss) from asset impairment, disposals and other items	<b>8</b>	–	(1,491)	(0.02)
<b>Earnings from continuing operations</b>	<b>28,964</b>	<b>\$0.36</b>	3,634	\$0.05

<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 \$9.8 million (\$0.12 per diluted unit) to \$18.1 million (\$0.24 per diluted unit) in the 2009 third quarter from \$8.3 million (\$0.12 per diluted unit) in the 2008 third quarter. This improvement in earnings was due to the previously discussed improvement in EBITDA, partially offset by higher depreciation expense and income taxes.

## 2009 NINE MONTH FINANCIAL REVIEW

Revenue improved 15.3% to \$1,652.3 million in the first nine months of 2009 from \$1,432.5 million in the same 2008 period. However, exclusive of the positive impact of the weaker Canadian dollar, revenue grew \$67.2 million, or 4.7%, of which approximately \$50.5 million was due to growth in same-facility operations of 3.5%. This increase was primarily due to funding improvements, partially offset by lower U.S. occupancy levels.

EBITDA for the first nine months of 2009 grew \$66.5 million, or 47.2%, to \$207.4 million from \$140.9 million in the same 2008 period, and as a percent of revenue improved to 12.6% from 9.8%. Exclusive of the positive impact of the weaker Canadian dollar of \$20.7 million, EBITDA improved \$45.8 million, or 32.5%, of which \$43.3 million was due to growth from same-facility operations in both the U.S. and Canadian operations.

	<b>Nine months ended</b>	
	<b>September 30</b>	
	<b>2009</b>	<b>2008</b>
<b>Revenue</b>		
U.S. operations (US\$)	<b>1,005.7</b>	971.4
U.S. operations (C\$)	<b>1,176.7</b>	989.3
Canadian operations	<b>475.6</b>	443.2
<b>Total Revenue</b>	<b>1,652.3</b>	1,432.5
<b>EBITDA</b> <sup>(1)</sup>		
U.S. operations (US\$)	<b>136.6</b>	101.3
U.S. operations (C\$)	<b>159.8</b>	103.1
Canadian operations	<b>47.6</b>	37.8
<b>Total EBITDA</b>	<b>207.4</b>	140.9
<b>EBITDA margin</b>	<b>12.6%</b>	9.8%
Average US/Canadian dollar exchange rate	<b>1.1701</b>	1.0184
<sup>(1)</sup> Refer to discussion of non-GAAP measures.		

EBITDA from U.S. operations improved US\$35.3 million, or 34.8%, in the first nine months of 2009, of which US\$34.6 million, or 34.0%, was derived from same-facility operations due primarily to funding increases, improved performance of previously challenged skilled nursing centers, reduced bad debt provisions and workers' compensation costs, and other cost controls, partially offset by lower census.

EBITDA from Canadian operations improved \$9.8 million to \$47.6 million from \$37.8 million in the first nine months of 2008, of which \$2.4 million related to an executive compensation charge recorded in 2008, \$1.7 million was from acquisitions, and the remaining \$5.7 million improvement was primarily due to funding enhancements and lower utility costs.

We reported improved earnings from continuing operations in the first nine months of 2009 of \$62.7 million (\$0.82 per diluted unit) compared to \$15.9 million (\$0.22 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 \$17.3 million (pre-tax \$17.8 million) due to a stronger Canadian dollar at the end of September 2009 from the end of 2008. The 2008 results reflected an after-tax loss of \$4.8 million (pre-tax \$5.2 million) due to a weaker Canadian dollar at the end of September 2008 from the beginning of that year.

Earnings from continuing operations prior to separately reported items, as outlined in Table 4, improved by \$23.4 million (\$0.31 per diluted unit) to \$45.6 million (\$0.62 per diluted unit) in the first nine months of 2009 from \$22.2 million (\$0.31 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</b> <sup>(1)</sup>	<b>Nine months ended September 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</b> <sup>(1)</sup>				
U.S. operations (US\$)	<b>32,871</b>		16,270	
U.S. operations (C\$)	<b>38,463</b>		16,575	
Canadian operations	<b>7,177</b>		5,596	
	<b>45,640</b>	<b>\$0.62</b>	22,171	\$0.31
Gain (loss) on derivative financial instruments and foreign exchange	<b>17,279</b>	<b>0.20</b>	(4,799)	(0.07)
Loss from asset impairment, disposals and other items	<b>(201)</b>	–	(1,491)	(0.02)
<b>Earnings from continuing operations</b>	<b>62,718</b>	<b>\$0.82</b>	15,881	\$0.22

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

#### **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 \$11.0 million, or 57.3%, to \$30.2 million (\$0.414 per basic unit) in the 2009 third quarter from \$19.2 million (\$0.260 per basic unit) in the 2008 third quarter.

In comparison to the 2009 second quarter, AFFO from continuing operations improved \$1.7 million this quarter from \$28.5 million (\$0.391 per basic unit), and exclusive of the impact of the stronger Canadian dollar, it increased by \$3.0 million, or 10.5%.

AFFO from continuing operations improved \$30.7 million to \$82.2 million (\$1.127 per basic unit) in the first nine months of 2009 from \$51.5 million (\$0.716 per basic unit) in the same 2008 period, and exclusive of the favourable impact of the weaker Canadian dollar, it improved by \$21.9 million, or 42.5%.

Facility maintenance capital expenditures of \$8.4 million in the 2009 third quarter were 1.6% of revenue, compared to \$6.6 million, or 1.3% of revenue, in the 2008 third quarter. For the first nine months of 2009, facility maintenance capital expenditures were \$23.7 million, or 1.4% of revenue, compared to \$18.8 million, or 1.3% of revenue, in the same period last year. These 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 \$37.0 million in facility maintenance capital expenditures and approximately \$50.0 million in growth capital expenditures in 2009.

## **LIQUIDITY AND CAPITAL RESOURCES**

At September 30, 2009, we had cash and cash equivalents of \$130.9 million compared with \$123.1 million at December 31, 2008, representing an increase of \$7.8 million. A cash pledge of \$29.5 million in the 2009 second quarter as collateral against a letter of credit is excluded from our available cash balance as at September 30, 2009. Cash provided by operating activities grew to \$133.3 million in the first nine months of 2009 compared to \$58.8 million in the same 2008 period. This increase reflected the improvement in earnings and a favourable change of \$31.0 million in operating assets and liabilities between periods, primarily due to a reduction in accounts receivable of \$18.3 million in the first nine months of 2009 compared to an increase of \$9.1 million in the same 2008 period. This reduction in accounts receivable was primarily due to improved collections and the receipt in January 2009 of the \$8.7 million (US\$7.0 million) return premium, which was associated with the 2008 exercising of our option to commute our reinsurance coverage for the three-year period covering 2005 to 2007.

Long-term debt, including current portion, was \$1,240.3 million at September 30, 2009, with no significant debt maturities until 2011, compared to \$1,332.8 million at December 31, 2008. The \$92.5 million decrease in long-term debt was mainly due to the impact of the stronger Canadian dollar of \$102.5 million. At September 30, 2009, long-term debt (at face value and including current portion) represented 44.8% of adjusted gross book value (37.5% excluding the convertible debentures). Our consolidated leverage ratio, or debt to trailing twelve months EBITDA, has improved to 4.7 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, Extencicare Health Services, Inc. (EHSI), grew 8.5% to US\$456.70 in the 2009 third quarter from US\$420.78 in the 2008 third quarter, over half of which was due primarily to higher average acuity levels among Medicare patients served.

Our percentage of Medicare residents in the nine highest Resource Utilization Groupings (RUGs) classifications increased to 42.6% this quarter from 37.5% in the 2008 third quarter, as well as increasing from 41.5% in the 2009 second quarter. In addition, we experienced an increase in the percentage of Medicare residents receiving therapy services to 89.4% this quarter from 88.2% in the 2008 third quarter, and from 89.1% in the 2009 second quarter.

The average revenue rate for Managed Care clients increased 4.6% to US\$378.22 this quarter from US\$361.65 in the 2008 third quarter, and decreased 0.8% from the 2009 second quarter. While these rates will vary depending on the type of resident admitted and their diagnosis, we believe we will continue to see improvements in this average rate over time, reflecting improved negotiation of contracts and tracking of services provided.

Our average daily Medicaid rate, excluding prior period settlement adjustments, increased 3.4% in the 2009 third quarter to US\$175.12 compared to US\$169.30 in the 2008 third quarter. In comparison to the 2009 second quarter Medicaid rate of US\$172.23, we experienced a 1.7% increase due primarily to July 1, 2009, rate increases, which were partially offset by increased state provider taxes.

### **Total and Skilled Census**

Our 2009 same-facility ADC of 14,285 for the first nine months of 2009 was 191 below the 2008 comparable level of 14,476, with a decline of 229 in Medicare ADC, partially offset by increases in Managed Care and Medicaid ADC. In comparison to the 2009 second quarter ADC of 14,214, our same-facility ADC improved by 44 to 14,258 in the 2009 third quarter as a result of improvements in Medicaid and private ADC of 88 and 60, respectively, partially offset by a decline in Medicare ADC.

### **2009 STEP I QUALITY AWARD**

Thirty-three of Extencare REIT's U.S. skilled nursing centers were awarded the 2009 Step I Quality Award by the American Health Care Association and the National Center for Assisted Living. The Step I Quality Award is the first stage of a three-step quality award progression. This Step I Quality Award recognizes each facility's dedicated frontline caregivers, administrators, nurses and physicians, who demonstrate their commitment to quality care. As a Step I recipient, each center has demonstrated its organization-wide commitment to a customer-focused facility mission, defined its principal customers and their expectations, and indicated ways that it is striving to meet their needs. This quality award program is an independently judged, criteria-based award program, and this year only 435 long-term care facilities nationwide have received this noteworthy award.

### **U.S. HEALTH CARE SECTOR DEVELOPMENTS**

Extencare is closely monitoring developments in the health care sector that may have near and long-term effects on the REIT:

#### **Medicare and Medicaid Funding Discussion – Timing: Q4 2009**

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. CMS has implemented a forecasting error adjustment that reduces rates by 3.3%, which is partially offset by a market basket increase of 2.2%. Our preliminary estimates indicate that this net rate reduction of 1.1% will reduce our Medicare revenue by approximately US\$1.1 million in the 2009 fourth quarter and US\$4.5 million per annum.

With respect to Medicaid funding, the decline in state tax revenue and increased demand for unemployment and Medicaid services as a result of the recession, has put the state Medicaid budgets under considerable strain. Many states are implementing or expanding their provider tax programs (a tax imposed on providers of long-term care) as a means to increase the levels of funding contributed by the federal government to their Medicaid programs. However, these additional funds are only partially mitigating the proposed funding cuts of some of the states. Even though the Medicaid rates in a number of states in which we operate are still under discussion or administrative review (Idaho, Indiana, Pennsylvania, Washington and Wisconsin), our 2009 third quarter results reflect the known and best estimated impact of Medicaid rate changes effective July 1, 2009. For these July 1, 2009 funding changes, we have estimated a net decrease of approximately US\$1.0 million annualized (US\$9.5 million increase in revenue, less a US\$10.5 million increase in state provider taxes). In addition, we are awaiting confirmation of funding changes effective October 1, 2009, for Michigan, Minnesota and West Virginia. We anticipate funding cuts to negatively impact our 2009 fourth quarter by approximately US\$9.0 million annualized (US\$8.0 million reduction in revenue and a US\$1.0 million increase in state provider taxes). Our respective state health care associations are lobbying vigorously for continuation of consistent funding in the sector.

### **STRIVE Initiative – Timing: Q4 2010**

CMS' final rule also introduces other modifications to our payment system that would become effective 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 information on the transition to the redesigned nursing home resident assessment instrument MDS 3.0, and a possible new rate component to account for the use of non-therapy ancillaries. CMS has stated that these initiatives are intended to be neutral to its total Medicare funding. The potential impact of these changes to us are being analyzed, and could lead to an adverse change in our Medicare 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 and elected government officials.

### **Health Care Reform – Timing: To be determined**

Various health care reform proposals are currently being considered by the U.S. Senate and Congress. While the final outcome and timing of these initiatives are uncertain at this time, we are closely monitoring any new developments and will update investors when appropriate. With over 40 years of experience as a senior-care provider, Extendicare REIT has a proven ability to adapt to different health care regimes. Our intention is to proactively respond to the changes that may occur to either capitalize on new opportunities or mitigate any risks of the potential reform proposals.

## **CANADIAN HEALTH CARE SECTOR DEVELOPMENTS**

### **Ontario and Alberta Funding**

In July 2009, the Ontario government announced an accommodation funding enhancement of \$1.55 per resident per day for the 2009/2010 fiscal year, retroactive to April 1, 2009, representing annual revenue to ECI of approximately \$2.8 million. As a result, ECI's revenue benefited by approximately \$1.4 million in the 2009 third quarter from this added funding, of which approximately \$0.7 million related to the 2009 second quarter. At this time there is no indication that this additional funding will continue to be provided in the 2010/2011 fiscal year.

In August 2009, the Alberta government announced its fiscal 2009/2010 annual inflationary funding increase, retroactive to April 1, 2009, representing an average 6.4% rate increase to ECI, or annual revenue of approximately \$3.5 million. However, at the same time, the government announced plans to implement a 3% cutback in their funding effective December 1, 2009, as part of a deficit elimination plan. As a result of the above announcements, the net impact to ECI represents additional annual revenue of approximately \$1.9 million. We had already accrued for the majority of the anticipated April 1<sup>st</sup> increase in our 2009 second quarter results, therefore only approximately \$0.3 million of the funding recognized in the 2009 third quarter related to the previous second quarter.

## **DEVELOPMENT PROJECTS**

In July 2009, we completed our state of the art 100-bed skilled nursing center in Okemos, Michigan and in October 2009, we completed our 100-bed skilled nursing center and 60-unit assisted living center in Summit, Wisconsin. Our pipeline includes a further three construction projects underway (completion dates as indicated in parentheses):

- 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 November 2009, which is payable to unitholders of record at the close of business on November 30, 2009, and will be paid on December 15, 2009.

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 November 2009, which is payable to unitholders of record at the close of business on November 30, 2009, and will be paid on December 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 that the remaining 30% of distributions of the REIT and Extencicare 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.

As previously announced, a portion of the November 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 November 2009 distribution is estimated to be \$0.01828 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 37,900 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 258 senior care centers in North America have capacity for approximately 28,700 residents.

## **CONFERENCE CALL AND WEBCAST**

On November 5, 2009, at 10:00 a.m. (ET), we will hold a conference call to discuss our results for the 2009 third quarter. The call will be webcast live and archived in the investors/presentations & webcasts section of our website at [www.extencicare.com](http://www.extencicare.com). Alternatively, the call-in number is 1-888-789-9572 or 416-695-7806, conference ID number 7104812#. A replay of the call will be available until midnight on November 20, 2009. To access the rebroadcast, dial 1-800-408-3053 or 416-695-5800, followed by the passcode 2855813#. 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 figures have been revised to conform to the presentation in 2009, mainly for discontinued operations.

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

## **Forward-looking Statements**

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

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

(thousands of Canadian dollars except per unit amounts)	Three months ended		Nine months ended	
	September 30		September 30	
	2009	2008	2009	2008
<b>Revenue</b>		(revised)		(revised)
Nursing and assisted living centers				
United States	357,093	328,640	1,134,188	953,960
Canada	121,440	110,488	354,684	324,825
Home health – Canada	39,729	36,382	114,552	110,196
Outpatient therapy – United States	3,312	3,286	10,548	9,412
Other	10,558	11,379	38,396	34,113
	<b>532,132</b>	490,175	<b>1,652,368</b>	1,432,506
<b>Operating expenses</b>	<b>440,998</b>	420,194	<b>1,379,877</b>	1,231,354
<b>Administrative costs</b>	<b>17,040</b>	16,146	<b>55,876</b>	52,109
<b>Lease costs</b>	<b>2,997</b>	2,773	<b>9,189</b>	8,121
<b>EBITDA <sup>(1)</sup></b>	<b>71,097</b>	51,062	<b>207,426</b>	140,922
Depreciation and amortization	16,227	14,412	50,045	41,581
Accretion expense	333	364	1,191	1,074
Interest expense	23,525	23,552	73,841	66,128
Interest income	(1,279)	(1,878)	(3,130)	(4,752)
Loss (gain) on derivative financial instruments and foreign exchange	(10,373)	3,046	(17,847)	5,213
Loss (gain) from asset impairment, disposals and other items	(8)	2,315	329	2,315
<b>Earnings from continuing operations before income taxes</b>	<b>42,672</b>	9,251	<b>102,997</b>	29,363
<b>Income tax expense (recovery)</b>				
Current	13,023	6,452	39,197	17,313
Future	685	(835)	1,082	(3,831)
	<b>13,708</b>	5,617	<b>40,279</b>	13,482
<b>Earnings from continuing operations</b>	<b>28,964</b>	3,634	<b>62,718</b>	15,881
Discontinued operations	(885)	(31)	(738)	1,977
<b>Net earnings</b>	<b>28,079</b>	3,603	<b>61,980</b>	17,858
<b>Basic Earnings per Unit (\$)</b>				
Earnings from continuing operations	0.40	0.05	0.86	0.22
Net earnings	0.39	0.05	0.85	0.25
<b>Diluted Earnings per Unit (\$)</b>				
Earnings from continuing operations	0.36	0.05	0.82	0.22
Net earnings	0.35	0.05	0.81	0.25

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

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

(thousands of Canadian dollars)	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
<b>Operating Activities</b>				
Net earnings	28,079	3,603	61,980	17,858
Adjustments for:				
Depreciation and amortization	16,581	15,078	51,246	43,734
Provision for self-insured liabilities	8,438	9,067	18,751	16,181
Payments for self-insured liabilities	(5,071)	(6,945)	(12,634)	(21,267)
Future income taxes	(92)	(853)	299	(2,014)
Loss (gain) on derivative financial instruments and foreign exchange	(10,373)	3,046	(17,847)	5,213
Loss (gain) from asset impairment, disposals and other items	(8)	2,315	329	2,315
Loss (gain) from asset disposals, impairment and other items from discontinued operations	1,770	-	344	(474)
Other	2,739	2,626	8,944	6,346
	<b>42,063</b>	<b>27,937</b>	<b>111,412</b>	<b>67,892</b>
Net change in operating assets and liabilities				
Accounts receivable	(6,616)	1,117	18,287	(9,107)
Other current assets	3,528	3,221	(2,474)	(4,264)
Accounts payable and accrued liabilities	19,273	2,177	7,209	7,784
Income taxes	3,694	5,684	(1,149)	(3,502)
	<b>19,879</b>	<b>12,199</b>	<b>21,873</b>	<b>(9,089)</b>
	<b>61,942</b>	<b>40,136</b>	<b>133,285</b>	<b>58,803</b>
<b>Investing Activities</b>				
Growth capital expenditures	(12,488)	(14,637)	(38,277)	(32,836)
Maintenance capital expenditures	(8,409)	(6,602)	(23,650)	(18,745)
Net proceeds from dispositions	-	-	9,995	2,569
Other assets	(25)	3,104	(1,735)	4,883
	<b>(20,922)</b>	<b>(18,135)</b>	<b>(53,667)</b>	<b>(44,129)</b>
<b>Financing Activities</b>				
Issue of long-term debt	5,234	10,378	17,283	154,707
Issue on line of credit	6,611	1,018	6,611	1,018
Repayment of long-term debt	(3,706)	(5,418)	(17,841)	(67,796)
Increase in restricted cash	-	-	(29,482)	-
Decrease in investments held for self-insured liabilities	6,018	782	13,109	8,631
Purchase of securities for cancellation	-	-	(6,189)	(117)
Distributions paid	(14,650)	(19,982)	(45,516)	(57,828)
Issue of units	-	-	-	32,875
Financing costs	-	(1,075)	(2,832)	(8,780)
Other	412	1,973	(1,448)	4,011
	<b>(81)</b>	<b>(12,324)</b>	<b>(66,305)</b>	<b>66,721</b>
<b>Foreign exchange gain (loss) on cash held in foreign currency</b>	<b>(4,683)</b>	<b>219</b>	<b>(5,534)</b>	<b>558</b>
<b>Increase in cash and cash equivalents</b>	<b>36,256</b>	<b>9,896</b>	<b>7,779</b>	<b>81,953</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>94,607</b>	<b>116,291</b>	<b>123,084</b>	<b>44,234</b>
<b>Cash and cash equivalents at end of period</b>	<b>130,863</b>	<b>126,187</b>	<b>130,863</b>	<b>126,187</b>

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

(thousands of Canadian dollars, unless otherwise noted)	September 30 2009	December 31 2008 (revised)
<b>Assets</b>		
Current assets		
Cash and short-term investments	130,863	123,084
Restricted cash	29,482	-
Accounts receivable, less allowances	224,618	274,044
Future income tax assets	35,424	40,888
Other current assets	20,858	20,084
	<b>441,245</b>	458,100
Property and equipment	862,907	970,612
Goodwill and other intangible assets	199,775	225,629
Other assets	151,262	151,641
	<b>1,655,189</b>	1,805,982
<b>Liabilities and Unitholders' Deficiency</b>		
Current liabilities		
Accounts payable	33,756	51,434
Accrued liabilities	243,146	252,098
Accrual for self-insured liabilities	12,008	12,533
Current portion of long-term debt	23,176	42,217
Income taxes payable	2,895	4,594
	<b>314,981</b>	362,876
Accrual for self-insured liabilities	35,726	37,838
Long-term debt	1,217,075	1,290,596
Other long-term liabilities	69,023	79,198
Future income tax liabilities	56,178	65,006
	<b>1,692,983</b>	1,835,514
Unitholders' deficiency	(37,794)	(29,532)
	<b>1,655,189</b>	1,805,982
<b>Closing US/Cdn. dollar exchange rate</b>		
	<b>1.0707</b>	1.2180

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

	Three months ended September 30		Nine months ended September 30	
(amounts in Canadian dollars, unless otherwise noted)	2009	2008	2009	2008
<b>Earnings from Continuing Operations</b> (millions)				
United States (US\$)	\$17.3	(\$0.1)	\$43.5	\$8.0
United States	\$19.2	(\$0.2)	\$50.7	\$8.0
Canada	9.8	3.8	12.0	7.9
	<b>\$29.0</b>	<b>\$3.6</b>	<b>\$62.7</b>	<b>\$15.9</b>
<b>Net Earnings</b> (millions)				
United States (US\$)	\$16.5	(\$0.2)	\$42.8	\$9.9
United States	\$18.3	(\$0.2)	\$50.0	\$10.0
Canada	9.8	3.8	12.0	7.9
	<b>\$28.1</b>	<b>\$3.6</b>	<b>\$62.0</b>	<b>\$17.9</b>
<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)	32.8 %	33.1 %	33.9 %	34.9 %
Managed Care	10.2	9.7	10.2	9.2
Skilled mix	43.0	42.8	44.1	44.1
Private/other	9.6	10.1	9.3	9.6
Quality mix	52.6	52.9	53.4	53.7
Medicaid	47.4	47.1	46.6	46.3
<b>Average Daily Census by Payor Source</b> (same-facility basis)				
Medicare	2,267	2,433	2,376	2,605
Managed Care	946	911	944	890
Skilled mix	3,213	3,344	3,320	3,495
Private/other	1,571	1,655	1,528	1,586
Quality mix	4,784	4,999	4,848	5,081
Medicaid	9,474	9,455	9,437	9,395
	<b>14,258</b>	<b>14,454</b>	<b>14,285</b>	<b>14,476</b>
<b>Average Revenue per Resident Day by Payor Source</b> (excluding prior period settlement adjustments) (US\$)				
Medicare Part A only	\$ 456.70	\$ 420.78	\$ 452.60	\$ 417.02
Medicare (Part A and B)	506.77	462.33	499.25	454.46
Managed Care	378.22	361.65	380.01	352.09
Private/other	212.84	206.99	213.33	205.83
Medicaid	175.12	169.30	173.24	167.04
Weighted average	245.75	235.43	245.70	234.54
<b>Average Occupancy</b> (excluding managed centers) (same-facility basis)				
U.S. skilled nursing centers	88.8 %	88.5 %	88.8 %	88.6 %
U.S. assisted living centers	81.2	84.4	82.1	84.7
Canadian centers	98.2	98.2	97.9	97.9
<b>Average US/Cdn. dollar exchange rate</b>	<b>1.0991</b>	<b>1.0406</b>	<b>1.1701</b>	<b>1.0184</b>

<sup>(1)</sup> Amounts may not add due to rounding.

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

(thousands of Canadian dollars unless otherwise noted)	Three months ended September 30		Nine months ended September 30	
	2009	2008 (revised)	2009	2008 (revised)
<b>EBITDA from continuing operations</b>	<b>71,097</b>	51,062	<b>207,426</b>	140,922
Depreciation for furniture, fixtures, equipment and computers	<b>(5,767)</b>	(4,842)	<b>(17,816)</b>	(13,575)
Interest expense, net	<b>(22,246)</b>	(21,674)	<b>(70,711)</b>	(61,376)
	<b>43,084</b>	24,546	<b>118,899</b>	65,971
Current income tax expense <sup>(2)</sup>	<b>(12,963)</b>	(6,190)	<b>(40,137)</b>	(16,192)
<b>FFO (continuing operations)</b>	<b>30,121</b>	18,356	<b>78,762</b>	49,779
Amortization of financing costs	<b>2,165</b>	2,104	<b>7,530</b>	5,288
Principal portion of government capital funding payments	<b>576</b>	539	<b>1,726</b>	1,620
<b>DI (continuing operations)</b>	<b>32,862</b>	20,999	<b>88,018</b>	56,687
Additional maintenance capital expenditures <sup>(3)</sup>	<b>(2,642)</b>	(1,760)	<b>(5,834)</b>	(5,170)
<b>AFFO (continuing operations)</b>	<b>30,220</b>	19,239	<b>82,184</b>	51,517
AFFO (discontinued operations) <sup>(4)</sup>	<b>478</b>	747	<b>2,328</b>	3,623
<b>AFFO</b>	<b>30,698</b>	19,986	<b>84,512</b>	55,140
<b>Per Basic Unit (\$)</b>				
FFO (continuing operations)	<b>0.413</b>	0.248	<b>1.080</b>	0.692
AFFO (continuing operations)	<b>0.414</b>	0.260	<b>1.127</b>	0.716
AFFO	<b>0.420</b>	0.270	<b>1.158</b>	0.767
<b>Per Diluted Unit (\$)</b>				
FFO (continuing operations)	<b>0.378</b>	0.245	<b>1.002</b>	0.689
AFFO (continuing operations)	<b>0.371</b>	0.243	<b>1.016</b>	0.690
AFFO	<b>0.377</b>	0.251	<b>1.043</b>	0.735
<b>Distributions declared</b>	<b>15,342</b>	20,582	<b>45,944</b>	60,042
<b>Distributions declared per unit (\$)</b>	<b>0.2100</b>	0.2775	<b>0.6300</b>	0.8325
<b>Basic weighted average number of units</b> (thousands)	<b>73,039</b>	74,156	<b>72,955</b>	71,920
<b>Diluted weighted average number of units</b> (thousands)	<b>86,852</b>	88,041	<b>86,772</b>	80,746

(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 September 30		Nine months ended September 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>61,942</b>	40,136	<b>133,285</b>	58,803
<b>Add (Deduct):</b>				
Net change in operating assets and liabilities	<b>(19,879)</b>	(12,199)	<b>(21,873)</b>	9,089
Current tax expense on gain or loss from derivative financial instruments, foreign exchange, asset impairment, disposals and other items	<b>60</b>	370	<b>1,310</b>	(798)
Net provisions and payments for self-insured liabilities	<b>(3,367)</b>	(2,122)	<b>(6,117)</b>	5,086
Depreciation for furniture, fixtures, equipment and computers	<b>(5,767)</b>	(4,842)	<b>(17,816)</b>	(13,575)
Principal portion of government capital funding payments	<b>576</b>	539	<b>1,726</b>	1,620
Other	<b>(225)</b>	(136)	<b>(169)</b>	85
<b>DI</b>	<b>33,340</b>	21,746	<b>90,346</b>	60,310
Additional maintenance capital expenditures	<b>(2,642)</b>	(1,760)	<b>(5,834)</b>	(5,170)
<b>AFFO</b>	<b>30,698</b>	19,986	<b>84,512</b>	55,140