

Extendicare REIT Announces 2011 Third Quarter Results

MARKHAM, ONTARIO – Extendicare Real Estate Investment Trust (“Extendicare REIT” or “Extendicare”) (TSX: EXE.UN) today reported results for the three and nine months ended September 30, 2011. Results are presented in Canadian dollars unless otherwise noted.

HIGHLIGHTS

U.S. HUD Refinancing Proceeding According to Plan

- US\$360 million, over 60%, closed and/or committed at weighted average rate of 4.51% and term of 33 years.
- Balance of loan commitments anticipated by end of January 2012.

November Distributions Maintained at \$0.07 per Unit

- Distributions in the first nine months of 2011 totalled \$52.5 million, or \$0.63 per unit, representing approximately 91% of AFFO for the same period.
- Cash distribution of \$0.07 per unit declared for the month of November 2011.

Corporate Conversion Proposed

- The board of trustees of Extendicare REIT (the “Board”) has recommended conversion to a corporate structure, subject to approval by unitholders at May 2012 special meeting.

Financial and Operational Improvements in Q3 Exclusive of Adjustments

- Revenue was \$531.7 million in Q3 2011, a 5.5% increase over Q3 2010, excluding the adverse effect of foreign exchange.
- EBITDA was \$40.8 million in Q3 2011, a \$9.1 million decline over Q3 2010, excluding the adverse effect of foreign exchange. Excluding an increase in prior years’ reserves for self-insured liabilities, EBITDA improved by \$10.1 million.
- EBITDA margin was 7.7% in Q3 2011 compared to 9.8% in Q3 2010, and excluding the reserve adjustment the margin was 13.6% this quarter compared to 12.4% in Q3 2010.
- AFFO was \$4.5 million (\$0.054 per basic unit) in Q3 2011, and \$57.4 million (\$0.690 per basic unit) for the first nine months of 2011. Excluding the adjustment to prior years’ reserves, AFFO was \$35.9 million (\$0.431 per basic unit) this quarter, and \$88.8 million (\$1.067 per basic unit) for the first nine months of 2011.

Quarterly Results Include Provision for Additional Liability Reserves and Impairment Adjustment

- Completion of independent actuarial review for the third quarter necessitated strengthening of reserves for prior years’ liabilities by \$31.4 million (US\$32.1 million), or \$0.38 per basic unit.
- Recorded a non-cash asset impairment charge of pre-tax \$54.0 million this quarter as a result of the Medicare funding changes established by the Centers for Medicare & Medicaid Services (CMS), effective October 1, 2011 (the “CMS Final Rule”).

“In the third quarter, Extendicare achieved strong financial and operational results with improved margin performance despite a challenging environment,” said Tim Lukenda, President and CEO of Extendicare REIT. “Our employees have done a great job of staying focused on our priorities and working together to implement significant cost cutting measures to mitigate as much of the impact of the Medicare funding reductions as possible. As a result of their efforts, our residents continue to receive the quality care and services that they deserve.”

“At the same time, however, the deficit-reduction mandate of the bi-partisan “Super Committee” may put us at risk for additional Medicare cuts over the coming months. In recognition of the fact that our industry is still absorbing Medicare cutbacks well in excess of 11% as a result of the CMS Final Rule, we are hopeful that the outcome of the current political negotiations will limit any further reductions to no more than 2%,” he added.

“In spite of the foregoing, the Board has made a determination to maintain distributions at the current level of \$0.07 per month. The Board will continue to review the distribution policy on a regular basis, taking into consideration factors as they arise,” concluded Lukenda.

PROVISION FOR SELF-INSURED LIABILITIES

We completed our third quarter independent actuarial review, which necessitated the strengthening of our prior years’ reserves this quarter by \$31.4 million (US\$32.1 million), or \$0.38 per basic unit. The provision was incurred by our non-taxable captive insurance company and therefore, equally impacted our EBITDA, net earnings and AFFO. The reserve for self-insured liabilities at the end of September is considered appropriate and adequate based on the interim actuarial review. We completed interim independent actuarial reviews in each of the second and third quarters, and as is the case each year, an update of the independent actuarial review will be performed at year end.

This additional reserve was deemed necessary as a result of higher than anticipated paid settlement amounts, predominantly relating to claims for the years prior to 2009, increases for settlements on known and unknown claims, and adverse claim developments in recent months. An increase in the volume of claims received and accelerated settlements on prior claims, where appropriate, through bulk settlements and other more aggressive claims management practices, were the primary contributors to the determination by the actuary of a need to strengthen the reserves.

The increase in claims received has generally resulted from aggressive advertising by a certain law firm in Kentucky well known for soliciting liability claims against long-term care providers. We continue to pursue mitigation strategies with a view to reducing our future exposure to liability claims. These efforts include dedicating additional resources to the prevention and management of risks, as well as improving our best practices for the management, analysis and defense of pre-existing claims and new claims as they arise. In some instances, this process may result in a decision to divest of selected properties with a view to limiting future claims.

Provisions for loss for our general and professional liability risks are based on the best information available to management, including independent actuarially determined estimates. The accrual for self-insured liabilities includes estimates of costs for both reported claims and for claims incurred but not reported. The increase in costs of defending and insuring against general and professional liability claims could have a material adverse effect on our business, operating results and financial condition.

IMPAIRMENT OF PROPERTY AND GOODWILL

In accordance with the recently adopted International Financial Reporting Standards (IFRS), we are required to conduct an impairment test upon the occurrence of a triggering event and, at a minimum, annually for indefinite life intangible assets. The CMS Final Rule announced in July, which included an

11.1% reduction in Medicare funding, the elimination of group therapy and changes in assessment practices effective October 1, 2011, necessitated an impairment review of our U.S. property and goodwill as at September 30, 2011. As a result, we have recorded a non-cash impairment charge this quarter in connection with the revaluation of our U.S. properties and goodwill in the amount of pre-tax \$54.0 million (after-tax \$41.5 million), of which \$22.3 million relates to goodwill and is non taxable. This impairment charge is a non-cash item and is excluded from our determination of EBITDA and AFFO. The determination of the impairment is based on the estimated impact to our Medicare funding and therapy operations, along with other factors, and will be subject to ongoing evaluation after a reasonable period of time following the implementation of the changes on October 1, 2011. As previously reported, at the time of adoption of IFRS, we elected to revalue selected nursing centers at fair value, which resulted in a net increase in property and goodwill of \$304.6 million effective January 1, 2010.

CMS FINAL RULE

As previously announced, we estimated that the impact of the CMS Final Rule would reduce our EBITDA, prior to implementing cost cutting measures, in the range of US\$70 million to US\$80 million. We have completed a thorough review of our operations and have implemented a number of changes within our organization and secured vendor pricing changes, none of which involve a reduction of direct care staffing at our centers. These savings are anticipated to reduce our general, administrative and non-wage operating costs by an estimated US\$20 million to US\$24 million on an annualized basis, approximately two-thirds of which are in effect as of October 1, 2011. Consequently, we anticipate a net reduction in our EBITDA to be in the range of US\$50 million to US\$56 million.

The U.S. skilled nursing industry could face further Medicare rate cuts as the Joint Select Committee on Deficit Reduction, referred to as the “Super Committee”, is to propose legislation which must be enacted no later than January 15, 2012, to reduce spending by an additional US\$1.2 trillion. If the Super Committee is unable to make a recommendation and U.S. Congress fails to pass legislation, or the President vetoes the legislation, a process of sequestration will be put into place on January 2, 2013. Sequestration would be applied proportionally to non-exempt programs and result in a 2% reduction in Medicare rates as of October 1, 2012. In addition, a number of recommendations also impacting the industry are being considered including a reduction in the recovery currently received for reimbursable bad debts and a phased-in claw-back of Medicare funds that CMS believes to have overpaid to the long-term care sector as a result of the October 1, 2010, implementation of MDS 3.0 and RUG-IV. In addition, the state governments continue to experience budgetary issues, causing pressure on the funding of State Medicaid programs.

U.S. REFINANCING UPDATE

As of October 31, 2011, we have closed on 39 loans insured with the U.S. Department of Housing and Urban Development (HUD) totalling US\$308.6 million and have commitments for a further nine HUD loans totalling US\$51.7 million that are anticipated to close in November 2011. Collectively, the weighted average interest rate of the closed and committed loans is 4.51%, with an average term to maturity of about 33 years. In addition, as of November 8, 2011, the May 2012 CMBS debt has been prepaid to a current balance of US\$119.0 million and we anticipate that the March 2012 CMBS debt will be defeased in full by the end of November. We anticipate obtaining the majority of the remaining 31 HUD commitments before the end of 2011 to enable the final pay-down of the May 2012 CMBS debt in the first quarter of 2012. The projected annualized interest savings from the refinancing is estimated at US\$18 million, based upon securing an average interest rate of 4.5% inclusive of the mortgage insurance premium for all remaining loan commitments.

2011 THIRD QUARTER FINANCIAL REVIEW

| TABLE 1 | Q3 | Q3 | Q2 |
|--|---------------|-------------|-------------|
| <i>(millions of dollars unless otherwise noted)</i> | 2011 | 2010 | 2011 |
| Revenue | | | |
| U.S. operations (US\$) | 362.5 | 346.0 | 358.0 |
| U.S. operations (C\$) | 355.4 | 359.6 | 346.6 |
| Canadian operations | 176.3 | 164.3 | 173.4 |
| Total Revenue | 531.7 | 523.9 | 520.0 |
| EBITDA ⁽¹⁾ | | | |
| U.S. operations (US\$) | 22.3 | 32.1 | 49.0 |
| U.S. operations (C\$) | 21.9 | 33.4 | 47.5 |
| Canadian operations | 18.9 | 17.8 | 17.6 |
| Total EBITDA | 40.8 | 51.2 | 65.1 |
| EBITDA margin | 7.7% | 9.8% | 12.5% |
| Average US/Canadian dollar exchange rate | 0.9807 | 1.0391 | 0.9681 |
| ⁽¹⁾ Refer to discussion of non-GAAP measures. | | | |

2011 Third Quarter Comparison to 2010 Third Quarter

Consolidated revenue increased by \$29.0 million, or 5.5%, excluding the negative effect of the stronger Canadian dollar. New centers net of disposals (collectively “non same-facility operations”), resulted in higher revenue of \$4.9 million between periods. Growth from same-facility operations of \$24.1 million, or 4.7%, benefited from funding improvements, partially offset by lower U.S. census levels. However, the stronger Canadian dollar partially offset the underlying improvement, resulting in an increase of only \$7.8 million in revenue to \$531.7 million in the 2011 third quarter from \$523.9 million in the 2010 third quarter.

Consolidated EBITDA declined by \$9.1 million, excluding the negative effect of the stronger Canadian dollar, and was 7.7% of revenue this period compared to 9.8% in the 2010 third quarter. Excluding a \$19.2 million (US\$32.1 million this period compared to US\$13.5 million in the 2010 third quarter) increase between periods in prior years’ reserves for self-insured liabilities, EBITDA improved by \$10.1 million and represented 13.6% and 12.4% of revenue, respectively, and included \$1.2 million from non same-facility operations. A discussion of the segmented U.S. and Canadian operations follows.

EBITDA from U.S. operations declined by US\$9.8 million to US\$22.3 million in the 2011 third quarter from US\$32.1 million in the 2010 third quarter, and represented 6.1% and 9.3% of revenue, respectively. Non same-facility operations contributed US\$0.5 million to EBITDA this quarter compared to a loss of US\$0.3 million in the 2010 third quarter, for a net increase of US\$0.8 million between periods. Excluding the increase between quarters in prior years’ reserves of US\$18.6 million, same-facility operations improved by US\$8.0 million, resulting from revenue improvements of US\$16.4 million partially offset by higher costs of US\$8.4 million. Revenue improvements included a contribution from higher average rates of US\$19.0 million, partially offset by US\$4.7 million due to lower census levels. Our same-facility average daily census (ADC) declined by 183 over the 2010 third quarter, with a decline of 92 in private/other, 60 in Medicaid and a decline of 31 in our Skilled Mix. Our Skilled Mix of residents represented 21.8% of same-facility census this quarter compared to 21.7% in the 2010 third quarter. Our average Medicare Part A rate improved by 13.2% over the 2010 third quarter, increasing revenue by US\$12.1 million due to a combination of changes in funding and in the mix of patients served. Higher operating and administrative costs of US\$8.4 million were affected primarily by higher labour-related costs of US\$6.6 million, increased state provider taxes of US\$2.1 million, and other cost increases of US\$3.3 million, partially offset by a refund of prior years’ charges of US\$3.6 million. Labour costs included severance charges of approximately US\$1.2 million and a lower provision of US\$1.0 million for

unit appreciation rights, or UARs, (a credit of US\$0.8 million this quarter versus a charge of \$0.2 million in the 2010 third quarter).

EBITDA from Canadian operations improved by \$1.1 million to \$18.9 million this quarter from \$17.8 million in the 2010 third quarter and represented 10.8% of revenue in both periods. Non same-facility operations contributed EBITDA of \$1.3 million this quarter compared to \$1.0 million in the 2010 third quarter, for a net improvement of \$0.3 million between periods. Same-facility operations improved by \$0.8 million, with improvements in nursing home and home health care operations, along with a reduction in the provision for UARs (a credit of \$0.6 million this quarter versus a charge of \$0.1 million in the 2010 third quarter), partially offset by prior period adjustments of \$1.2 million recorded in the 2010 third quarter and a lower contribution from managed operations of approximately \$0.7 million primarily due to the completion of contracts.

2011 Third Quarter Comparison to 2011 Second Quarter

In comparison to the 2011 second quarter, consolidated revenue in the third quarter improved by \$7.1 million, or 1.4%, excluding the positive effect of a weaker Canadian dollar. Growth from same-facility operations was \$6.6 million with improvements from both the U.S. and Canadian segments, as discussed below.

Revenue from U.S. operations improved by US\$4.5 million to US\$362.5 million this quarter from US\$358.0 million in the 2011 second quarter. Revenue from same-facility operations improved by US\$4.7 million, with improvements from higher average rates of US\$2.6 million, higher prior period revenue settlements of US\$1.1 million, other revenue of US\$1.5 million and one extra day in the quarter of US\$3.5 million, partially offset by lower census levels of US\$4.0 million. Our same-facility ADC was marginally lower by 15 this quarter, with a decline in Skilled Mix ADC of 194, partially offset by an increase in private/other of 112 and Medicaid of 67. Our Skilled Mix of residents declined to 21.8% of same-facility census this quarter from 23.2% in the 2011 second quarter.

Revenue from Canadian operations improved by \$2.9 million this quarter to \$176.3 million from \$173.4 million in the 2011 second quarter. Revenue from nursing home operations increased by \$2.2 million, and included a contribution of \$0.6 million from non same-facility operations. Home health care revenue improved by \$0.7 million primarily due the extra day in the quarter.

Consolidated EBITDA in the 2011 third quarter was \$40.8 million, \$24.3 million lower than the \$65.1 million in the 2011 second quarter, and 7.7% and 12.5% of revenue, respectively. Excluding the \$31.4 million (US\$32.1 million) increase in prior years' reserves for self-insured liabilities this quarter, EBITDA improved by \$7.1 million quarter over quarter, and represented 13.6% and 12.5% of revenue, respectively. Non same-facility operations improved by \$0.4 million, with growth from remaining operations of \$6.7 million that included the positive effect of a weaker Canadian dollar of \$0.7 million. A discussion of the segmented U.S. and Canadian operations follows.

EBITDA from U.S. operations declined by US\$26.7 million to US\$22.3 million this quarter from US\$49.0 million in the 2011 second quarter, and represented 6.1% and 13.7% of revenue, respectively. The contribution to EBITDA from non same-facility operations was unchanged between periods. Excluding the US\$32.1 million increase in prior years' reserves this quarter, same-facility operations improved by US\$5.4 million, resulting from higher revenue of US\$4.7 million, as discussed above, and lower costs of US\$0.7 million. Operating and administrative costs included a refund of prior years' charges of US\$3.6 million and other net reductions of US\$0.6 million, partially offset by higher labour-related costs of US\$3.5 million. Labour-related costs included US\$1.2 million of severance charges, partially offset by a US\$0.5 million decline in the provision for UARs (a credit of US\$0.8 million this quarter versus US\$0.3 million last quarter).

EBITDA from Canadian operations improved by \$1.3 million, or 7.4%, to \$18.9 million this quarter from \$17.6 million in the 2011 second quarter, and represented 10.8% and 10.1% of revenue, respectively. Non same-facility operations contributed \$0.4 million to the improvement in EBITDA. Growth from same-facility operations of \$0.9 million, or 5.4%, included a lower provision for UARs of \$0.6 million (a credit of \$0.6 million this quarter versus nil in the 2011 second quarter).

2011 NINE MONTH FINANCIAL REVIEW

Consolidated revenue increased by \$55.3 million, or 3.5%, excluding the negative effect of the stronger Canadian dollar. Revenue from non same-facility operations was lower by \$1.7 million between periods. Growth from same-facility operations of \$57.0 million, or 3.7%, benefited from funding improvements, partially offset by lower census levels and prior period revenue. However, the stronger Canadian dollar offset the underlying improvement in revenue, resulting in an overall decline of \$6.7 million to \$1,571.2 million in the first nine months of 2011 from \$1,577.9 million in the first nine months of 2010.

Consolidated EBITDA declined by \$10.1 million, excluding the negative effect of the stronger Canadian dollar, and was 10.6% of revenue this period compared to 11.6% in the first nine months of 2010. Excluding the \$19.2 million (US\$18.6 million) increase between periods in prior years' reserves for self-insured liabilities, EBITDA improved by \$9.1 million and represented 12.5% of revenue in both periods. Non same-facility operations improved by \$1.1 million, with growth from remaining same-facility operations of \$8.0 million. A discussion of the segmented U.S. and Canadian operations follows.

| TABLE 2 <i>(millions of dollars unless otherwise noted)</i> | Nine months ended September 30 | |
|---|---|-------------|
| | 2011 | 2010 |
| Revenue | | |
| U.S. operations (US\$) | 1,078.1 | 1,051.8 |
| U.S. operations (C\$) | 1,054.5 | 1,089.3 |
| Canadian operations | 516.7 | 488.6 |
| Total Revenue | 1,571.2 | 1,577.9 |
| EBITDA ⁽¹⁾ | | |
| U.S. operations (US\$) | 117.7 | 126.1 |
| U.S. operations (C\$) | 115.1 | 130.6 |
| Canadian operations | 50.7 | 52.0 |
| Total EBITDA | 165.8 | 182.6 |
| EBITDA margin | 10.6% | 11.6% |
| Average US/Canadian dollar exchange rate | 0.9781 | 1.0356 |

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

EBITDA from U.S. operations declined by US\$8.4 million to US\$117.7 million in the first nine months of 2011 from US\$126.1 million in the first nine months of 2010, and was 10.9% and 12.0% of revenue, respectively. Non same-facility operations contributed US\$1.1 million to EBITDA this period compared to US\$0.9 million in the first nine months of 2010, for an improvement of US\$0.2 million between periods. Excluding the increase of US\$18.6 million in prior years' reserves between periods, EBITDA from same-facility operations improved by US\$10.0 million, resulting from higher revenue of US\$43.1 million, partially offset by higher costs of US\$33.1 million. Revenue improvements included a contribution from higher average rates of US\$53.6 million partially offset by lower census levels of US\$11.9 million. Our same-facility ADC declined by 200 over the first nine months of 2010, with a decline in private/other ADC of 93 and Medicaid ADC of 129, partially offset by an increase in Skilled Mix ADC of 22. Our Skilled Mix of residents improved to 22.9% of same-facility census from 22.4% in the first nine months of 2010. Our average Medicare Part A rate improved by 12.7% over the first nine months of 2010, increasing revenue by US\$38.1 million due to a combination of changes in funding and

in the mix of patients served. Operating and administrative costs were higher by US\$33.1 million primarily due to higher labour-related costs of US\$20.6 million and other cost increases of US\$12.5 million. The US\$20.6 million increase in labour costs was primarily due to higher staffing levels attributable in part to the implementation of MDS 3.0 and RUG-IV and included a 0.9% average wage increase in nursing home operations. As well, payroll taxes were higher by US\$2.3 million between periods and severance charges of US\$1.2 million were incurred during the 2011 third quarter, while the provision for UARs was lower at nil this period compared to a charge of US\$0.4 million last period. The other cost increases of US\$12.5 million included higher state provider taxes of US\$3.0 million that were implemented with increases in Medicaid revenue rates, along with increases in food, supplies, recruitment costs, professional fees, utilities and travel. In the first nine months of 2011, we experienced increases in excess of inflation due to higher cotton, food product and gas prices. The lack of Medicaid rate increases in 2010 and 2011 that would normally offset wage rate and non-wage inflationary increases has resulted in a compression of our U.S. operating margin.

EBITDA from Canadian operations was \$50.7 million in the first nine months of 2011 compared to \$52.0 million in the first nine months of 2010. Excluding \$4.3 million of prior period adjustments recorded in the first nine months of 2010, EBITDA improved by \$3.0 million, and represented 9.8% of revenue this period compared to 10.6% in the first nine months of 2010, or 9.8% adjusted for prior period settlements. Non same-facility operations contributed EBITDA of \$2.7 million this period compared to \$1.8 million in the first nine months of 2010, for a net improvement of \$0.9 million between periods. Remaining same-facility operations improved by \$2.1 million with improvements in nursing home and home health care operations partially offset by a lower contribution from managed operations of approximately \$1.5 million primarily due to the completion of contracts. The provision for UARs was \$0.1 million this period compared to \$0.3 million last period.

NET EARNINGS FOR THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011

Extencicare REIT reported a loss of \$34.4 million in the 2011 third quarter compared to \$15.6 million in the 2010 third quarter. The comparability of the net earnings (loss) is impacted by fair value adjustments on convertible debentures and on the Class B units of Extencicare Limited Partnership (the "Exchangeable LP Units"), as well as gains and losses on foreign exchange, financial instruments, asset impairment, disposal and other items. Such items are highlighted on the attached condensed consolidated earnings statement. Excluding these separately reported items the loss this quarter was \$12.7 million compared to net earnings of \$0.6 million in the 2010 third quarter. In addition to the decline in consolidated EBITDA discussed previously, results were impacted by higher net interest and depreciation costs, partially offset by the favourable effect of the stronger Canadian dollar. Net interest costs included a charge of \$2.6 million related to the amortization of deferred financing costs associated with the modification of our CMBS financing that was due in November 2011 to extend the term to May 2012.

Extencicare REIT reported a loss of \$12.5 million in the first nine months of 2011 compared to net earnings of \$13.5 million in the same 2010 period. Earnings prior to separately reported items, as outlined on the attached condensed consolidated earnings statement, were \$12.9 million in the first nine months of 2011 compared to \$31.9 million in the first nine months of 2010. In addition to the decline in consolidated EBITDA discussed previously, earnings were impacted by higher net interest and depreciation costs. Net interest costs included a charge of \$3.6 million related to the modification of our CMBS financing.

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

AFFO was \$4.5 million (\$0.054 per basic unit) in the 2011 third quarter compared to AFFO of \$15.7 million (\$0.185 per basic unit) in the 2010 third quarter, a decline of \$11.5 million after excluding the \$0.3 million effect of the stronger Canadian dollar. Excluding the \$19.2 million (US\$18.6 million) increase between periods in prior years' reserves for self-insured liabilities, AFFO improved by \$7.7

million, primarily due to the improvement in EBITDA of \$10.1 million and lower net interest costs of \$1.0 million, partially offset by increased spending of \$1.0 million in facility maintenance capital expenditures.

In comparison to the 2011 second quarter, AFFO declined by \$22.8 million this quarter from \$27.3 million (\$0.328 per basic unit). Excluding the \$31.4 million (US\$32.1 million) increase in prior years' reserves for self-insured liabilities, AFFO improved by \$8.6 million, primarily due to the improvement in EBITDA of \$7.1 million and lower net interest costs of \$1.3 million, partially offset by higher facility maintenance capital expenditures of \$2.0 million between periods.

For the first nine months of 2011, AFFO of \$57.4 million (\$0.690 per basic unit) was lower by \$16.5 million in comparison to the same 2010 period of \$76.0 million (\$0.937 per basic unit), after excluding a \$2.1 million negative effect of the stronger Canadian dollar. Excluding the \$19.2 million (US\$18.6 million) increase between periods in prior years' reserves for self-insured liabilities, AFFO improved by \$2.7 million this period, primarily due to the improvement in EBITDA of \$9.1 million, partially offset by higher net interest costs of \$1.5 million and increased spending of \$3.7 million in facility maintenance capital expenditures.

Facility maintenance capital expenditures were \$9.1 million in the 2011 third quarter, compared to \$8.5 million in the 2010 third quarter and \$7.1 million in the 2011 second quarter, representing 1.7%, 1.6% and 1.4% of revenue, respectively. For the first nine months of 2011, facility maintenance capital expenditures were \$20.9 million compared to \$18.3 million in the same 2010 period, representing 1.3% and 1.2% of revenue, respectively. These costs fluctuate on a quarterly basis with the timing of projects and seasonality. It is our intention to spend between 1.5% and 2.0% of revenue annually, which is consistent with our objective to maintain and upgrade our centers.

Distributions declared in the first nine months of 2011 totalled \$52.5 million, or \$0.63 per unit, representing approximately 91% of AFFO of \$57.4 million compared to approximately 68% in the same 2010 period.

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), excluding prior period settlement adjustments, increased by 13.2% this quarter to US\$521.24 from US\$460.61 in the 2010 third quarter and increased by 1.0% from the 2011 second quarter rate of US\$515.90. The improvement over the comparable 2010 period resulted from changes to the Medicare reimbursement system that took effect October 1, 2010.

Our percentage of Medicare patients in the "high" to "ultra high" RUGs classifications was 79.8% in the 2011 third quarter compared to 80.0% in the 2010 third quarter and increased from 79.2% in the 2011 second quarter. The percentage of Medicare residents receiving therapy services declined to 85.9% this quarter as compared to 92.8% in the 2010 third quarter and increased from 85.6% in the 2011 second quarter. We believe the declines in therapy services experienced over 2010 were primarily due to the implementation of MDS 3.0 and RUG-IV. Under the changes implemented on October 1, 2010, residents are assessed on a more frequent and in-depth basis with limitations on the look-back period and they are now classified into 66 RUGs categories (previously 53). In addition, the changes involved the elimination of billing for concurrent therapy services and for services provided by technicians.

EHSI's average daily Managed Care rate, excluding prior period settlement adjustments, improved by 9.2% to US\$457.71 this quarter from US\$419.31 in the 2010 third quarter and increased by 3.8% over the 2011 second quarter rate of US\$441.06. While changes in our average Managed Care rates are reflective of the type of clients served in any particular quarter, the increases we have experienced over 2010 were

largely due to the changes in the implementation of MDS 3.0 and RUG-IV that favourably impacted RUGs-based Managed Care contract rates.

Our average daily Medicaid rate, excluding prior period settlement adjustments, increased by 1.7% in the 2011 third quarter to US\$183.42 from US\$180.39 in the 2010 third quarter and by 1.3% over the 2011 second quarter rate of US\$180.99. However, revenue from the Medicaid rate increases was partially offset by higher state provider taxes, resulting in net increases of less than 1% this quarter, over the 2010 third and 2011 second quarters.

Total and Skilled Census

For the first nine months of 2011, our same-facility Skilled Mix ADC was marginally ahead of the same 2010 period, at 3,207 compared to 3,185. The improvement over 2010 that we experienced in the 2011 first quarter tapered off during the 2011 second and third quarters. As a result, our Skilled Mix ADC for the 2011 third quarter declined by 31 over the 2010 third quarter, and by 194 over the 2011 second quarter. Our private/other and Medicaid ADC in the third quarter and first nine months of 2011 remained below the comparable 2010 levels, for a total decline in same-facility ADC of 183 over the 2010 third quarter and 200 over the first nine months of 2010. Our Skilled Mix of residents represented 21.8% of same-facility census in the 2011 third quarter compared to 21.7% in the 2010 third quarter and 23.2% in the 2011 second quarter. We continue to experience reduced admissions due to the slow pace of the economic recovery. We maintain a focus on aligning our clinical programs and services to meet the needs of every community in which we are located and upgrading our centers through capital expenditures to attract prospective customers.

In terms of our total operations performance, which includes both newly built centers and recently disposed ones, our Skilled Mix of residents represented 22.1% of total census this quarter, up from 21.7% in the 2010 third quarter and down from 23.5% in the 2011 second quarter.

NOVEMBER 2011 DISTRIBUTION DECLARED

The Board today declared a cash distribution of \$0.07 per unit for the month of November 2011, which is payable to unitholders of record at the close of business on November 30, 2011, and will be paid on December 15, 2011.

PROPOSED CORPORATE CONVERSION

At its meeting today, the Board unanimously approved the conversion of the REIT (the “Conversion”) from an income trust structure to a corporate structure under a new corporation (New Extencicare). The Conversion will be implemented by way of a plan of arrangement. The Board believes that the Reorganization is in the best interests of the unitholders of the REIT (the “Unitholders”) and recommends that the Unitholders approve the Conversion.

The Board took into account various considerations, including the following in its determination to recommend for approval the Conversion to the Unitholders:

- the Conversion provides Extencicare REIT with an effective and efficient method of converting from an income trust structure to a corporate structure consistent with amendments to the Income Tax Act (Canada) (the “Conversion Rules”) that were designed to facilitate tax-efficient conversions of income trusts to corporations if completed on or before December 31, 2012;
- the Conversion will be completed in accordance with the “exchange method” provided by the Conversion Rules and it is expected that Unitholders will be able to exchange their units of the REIT (the “REIT Units”) for common shares of New Extencicare on a tax-deferred basis for Canadian federal income tax purposes;

- the reorganized structure of the REIT as a corporation with share capital removes the restriction on non-Canadian ownership imposed on income trusts which may attract new investors, including U.S. and other non-resident investors, and provides a more liquid and attractive market for the common shares of New Extencicare than currently exists for the REIT Units;
- a corporate structure will potentially enhance New Extencicare's access to larger pools of capital;
- New Extencicare will be able to utilize certain provisions of the Income Tax Act (Canada) which provide for flexibility in structuring acquisitions on a tax deferred basis and which will allow New Extencicare to use its shares as currency on acquisitions; and
- the Conversion will eliminate the administrative costs associated with the REIT's income trust structure.

Under the Conversion, which is anticipated to be completed by June 30, 2012, Unitholders will exchange their REIT Units on the basis of one common share of New Extencicare for each REIT Unit. In addition, New Extencicare will assume all of the obligations of Extencicare REIT with respect to the REIT's outstanding 5.70% convertible unsecured subordinated debentures due June 30, 2014 and 7.25% convertible unsecured convertible debentures due June 30, 2013 (collectively, the "Convertible Debentures"). As a result, following the completion of the Conversion, holders of the Convertible Debentures will be entitled to receive common shares of New Extencicare on the same basis as REIT Units were previously issuable on the conversion thereof.

The Conversion does not affect the ability of the Board to continue its current policy of declaring distributions, or dividends following the Conversion, on a similar basis as its current approach to distributions. The declaration and payment of dividends by New Extencicare will be subject to the discretion of the board of directors and will be dependent upon a number of factors, including results of operations, requirements for capital expenditures and working capital, future financial prospects, and other factors deemed relevant by the board.

Following the completion of the Conversion, the board of directors of New Extencicare will be comprised of the current members of the Board of Trustees of the REIT and senior management of New Extencicare will be comprised of the current senior management of the REIT.

The Conversion will require two-thirds approval of the Unitholders voting in person or by proxy at a special meeting of Unitholders (the "Special Meeting") to be held in conjunction with the annual meeting on May 8, 2012, approval of the Ontario Superior Court of Justice and various regulatory approvals (including the approval of the Toronto Stock Exchange). Further details relating to Conversion will be contained in a management information and proxy circular to be prepared and distributed in connection with the Special Meeting.

ABOUT US

Extencicare REIT is a leading North American provider of post-acute and long-term senior care services. Through our network of owned and operated health care centers, our qualified and experienced workforce of 38,100 individuals is dedicated to helping people live better through a commitment to quality service that includes skilled nursing care, rehabilitative therapies and home health care services. Our 262 senior care centers in North America have capacity to care for approximately 28,200 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 November 9, 2011, at 10:00 a.m. (ET), we will hold a conference call to discuss our results for the 2011 third quarter. The call will be webcast live and archived in the investors/presentations & webcasts section of our website at www.extendicare.com. Alternatively, the call-in number is 1-866-696-5910 or 416-340-2217, conference ID number 5201633#. A replay of the call will be available until midnight on November 25, 2011. To access the rebroadcast, dial 1-800-408-3053 or 905-694-9451, followed by the passcode 4341341#. 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

The financial information presented herein has been prepared on the basis of IFRS for interim financial statements and is expressed in Canadian dollars unless otherwise stated. Our unaudited interim financial statements for the three and nine months ended September 30, 2010 have been restated to reflect our adoption of IFRS, with effect from January 1, 2010. Details of the impact of the transition to IFRS were provided in Extendicare REIT's unaudited interim report for the three months ended March 31, 2011.

Non-GAAP Measures

Extendicare REIT assesses and measures operating results and financial position based on performance measures referred to as "EBITDA", "earnings before separately reported gains/losses and distributions on Exchangeable LP Units", "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 Extendicare REIT to make cash distributions; or (ii) certain ongoing rights and obligations of Extendicare 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 and on Extendicare's website at 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 Extendicare 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 Extendicare 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 Extendicare 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 Extendicare 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 and on Extendicare's website at www.extendicare.com.

For further information, contact:

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Visit Extendicare's Website @ www.extendicare.com

Extendicare REIT

Condensed Consolidated Earnings

| <i>(in thousands of Canadian dollars)</i> | Three months ended September 30 | | Nine months ended September 30 | |
|---|------------------------------------|-----------------|-----------------------------------|------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Revenue | | | | |
| Nursing and assisted living centers | | | | |
| United States | 342,401 | 347,774 | 1,016,470 | 1,052,308 |
| Canada | 132,634 | 123,046 | 389,055 | 364,589 |
| Home health – Canada | 41,723 | 38,594 | 121,823 | 116,485 |
| Health technology services – United States | 4,945 | 4,365 | 14,154 | 12,650 |
| Outpatient therapy – United States | 3,471 | 2,610 | 10,253 | 9,304 |
| Management, consulting and other services | 6,490 | 7,493 | 19,468 | 22,565 |
| Total revenue | 531,664 | 523,882 | 1,571,223 | 1,577,901 |
| Operating expenses | 472,632 | 451,191 | 1,345,373 | 1,333,348 |
| Administrative costs | 15,449 | 18,648 | 51,891 | 53,140 |
| Lease costs | 2,711 | 2,830 | 8,128 | 8,829 |
| Total expenses | 490,792 | 472,669 | 1,405,392 | 1,395,317 |
| EBITDA ⁽¹⁾ | 40,872 | 51,213 | 165,831 | 182,584 |
| Depreciation and amortization | 19,117 | 18,711 | 57,054 | 55,079 |
| Loss from asset impairment, disposals and other items | 54,202 | 319 | 53,829 | 4,350 |
| Results from operating activities | (32,447) | 32,183 | 54,948 | 123,155 |
| Finance costs | | | | |
| Interest expense | 23,848 | 22,133 | 69,217 | 66,559 |
| Interest income | (1,836) | (550) | (3,666) | (3,561) |
| Accretion costs | 503 | 529 | 1,509 | 1,612 |
| Distributions on Exchangeable LP Units | 649 | 673 | 1,963 | 2,033 |
| Fair value adjustments | (21,092) | 19,622 | (17,385) | 16,869 |
| Loss (gain) on foreign exchange and financial instruments | 337 | (3,168) | (668) | (1,883) |
| Net finance costs | 2,409 | 39,239 | 50,970 | 81,629 |
| Earnings (loss) before income taxes | (34,856) | (7,056) | 3,978 | 41,526 |
| Income tax expense (recovery) | | | | |
| Current | 8,704 | 11,703 | 31,000 | 35,560 |
| Deferred | (9,177) | (3,139) | (14,523) | (7,527) |
| | (473) | 8,564 | 16,477 | 28,033 |
| Net earnings (loss) | (34,383) | (15,620) | (12,499) | 13,493 |
| Add (deduct): | | | | |
| Fair value adjustment on convertible debentures, net of tax | (9,566) | 14,005 | (9,109) | 14,218 |
| Fair value adjustment on Exchangeable LP Units | (10,468) | 5,247 | (7,218) | 1,858 |
| Loss (gain) on foreign exchange and financial instruments, net of tax | 308 | (3,921) | (770) | (2,454) |
| Loss from asset impairment, disposals and other items, net of tax | 40,779 | 171 | 40,524 | 2,754 |
| Distributions on Exchangeable LP Units | 649 | 673 | 1,963 | 2,033 |
| Earnings (loss) before separately reported gains/losses and distributions on Exchangeable LP Units | (12,681) | 555 | 12,891 | 31,902 |

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

Extencicare REIT

Condensed Consolidated Statements of Financial Position

| | September 30 | December 31 |
|--|------------------|------------------|
| <i>(in thousands of Canadian dollars, unless otherwise noted)</i> | 2011 | 2010 |
| Assets | | |
| Current assets | | |
| Cash and short-term investments | 265,593 | 267,759 |
| Restricted cash | 10,639 | 10,095 |
| Accounts receivable, less allowance | 215,385 | 212,610 |
| Income taxes recoverable | 3,252 | 3,182 |
| Other current assets | 27,275 | 23,670 |
| Total current assets | 522,144 | 517,316 |
| Non-current assets | | |
| Property and equipment, <i>including construction-in-progress of \$34,281 and 17,470, respectively</i> | 1,217,779 | 1,206,656 |
| Goodwill and other intangible assets | 90,986 | 110,272 |
| Other assets | 115,044 | 126,200 |
| Deferred tax assets | 19,554 | 19,190 |
| Total non-current assets | 1,443,363 | 1,462,318 |
| Total Assets | 1,965,507 | 1,979,634 |
| Liabilities and Equity | | |
| Current liabilities | | |
| Accounts payable | 35,689 | 36,167 |
| Accrued liabilities | 230,470 | 230,113 |
| Accrual for self-insured liabilities | 25,157 | 16,013 |
| Current portion of long-term debt | 378,862 | 571,168 |
| Income taxes payable | 13,101 | - |
| Exchangeable LP units | 21,757 | 29,264 |
| Total current liabilities | 705,036 | 882,725 |
| Non-current liabilities | | |
| Provisions | 26,264 | 29,848 |
| Accrual for self-insured liabilities | 49,456 | 30,535 |
| Long-term debt | 867,069 | 670,028 |
| Other long-term liabilities | 49,195 | 44,155 |
| Deferred tax liabilities | 203,514 | 209,349 |
| Total non-current liabilities | 1,195,498 | 983,915 |
| Total liabilities | 1,900,534 | 1,866,640 |
| Unitholders' equity | 64,973 | 112,994 |
| Total Liabilities and Equity | 1,965,507 | 1,979,634 |
| <i>Closing US/Cdn. dollar exchange rate</i> | <i>1.0482</i> | <i>0.9946</i> |

Extencicare REIT

Condensed Consolidated Cash Flows

| <i>(in thousands of Canadian dollars)</i> | Three months ended September 30 | | Nine months ended September 30 | |
|--|------------------------------------|-----------------|-----------------------------------|-----------------|
| | 2011 | 2010 | 2011 | 2010 |
| Operating Activities | | | | |
| Net earnings (loss) | (34,383) | (15,620) | (12,499) | 13,493 |
| Adjustments for: | | | | |
| Depreciation and amortization | 19,117 | 18,711 | 57,054 | 55,079 |
| Provision for self-insured liabilities | 36,364 | 17,495 | 49,161 | 26,928 |
| Payments for self-insured liabilities | (14,289) | (6,367) | (25,993) | (18,026) |
| Deferred taxes | (9,177) | (3,139) | (14,523) | (7,527) |
| Current taxes | 8,704 | 11,703 | 31,000 | 35,560 |
| Loss from asset impairment, disposals and other items | 54,202 | 319 | 53,829 | 4,350 |
| Net finance costs | 2,409 | 39,239 | 50,970 | 81,629 |
| Interest capitalized | (379) | (220) | (613) | (726) |
| Other | 61 | 106 | 300 | 158 |
| | 62,629 | 62,227 | 188,686 | 190,918 |
| Net change in operating assets and liabilities | | | | |
| Accounts receivable | (501) | (217) | 8,144 | 1,941 |
| Other current assets | (699) | 626 | (6,319) | (2,024) |
| Accounts payable and accrued liabilities | 138 | (38) | (15,785) | (17,181) |
| | 61,567 | 62,598 | 174,726 | 173,654 |
| Interest paid | (17,956) | (18,135) | (61,063) | (61,021) |
| Interest received | 1,824 | 573 | 3,651 | 3,574 |
| Income taxes paid | (3,734) | (332) | (18,727) | (4,450) |
| | 41,701 | 44,704 | 98,587 | 111,757 |
| Investing Activities | | | | |
| Purchase of property, equipment and software | (17,956) | (22,376) | (43,231) | (50,146) |
| Acquisition of nursing centre, net of cash acquired | - | - | (7,299) | - |
| Net proceeds from dispositions | - | 15,506 | 4,805 | 20,988 |
| Other assets | (564) | 1,348 | (1,319) | 163 |
| | (18,520) | (5,522) | (47,044) | (28,995) |
| Financing Activities | | | | |
| Issue of long-term debt, excluding line of credit | 171,410 | 5,541 | 294,790 | 35,679 |
| Repayment of long-term debt, excluding line of credit | (262,166) | (14,192) | (323,251) | (34,557) |
| Issue on line of credit | 30,042 | - | 40,386 | - |
| Repayment on line of credit | (13,615) | - | (27,666) | - |
| Decrease (increase) in restricted cash | (849) | 646 | (544) | 3,685 |
| Decrease in investments held for self-insured liabilities | 7,442 | 5,821 | 14,104 | 14,099 |
| Distributions paid on REIT Units | (14,313) | (15,207) | (44,597) | (44,933) |
| Issue of units | - | - | - | 82,212 |
| Financing costs | (4,300) | (2,667) | (16,423) | (3,407) |
| Other | 31 | 50 | 628 | (45) |
| | (86,318) | (20,008) | (62,573) | 52,733 |
| Foreign exchange gain (loss) on cash held in foreign currency | 14,418 | (3,963) | 8,864 | (1,754) |
| Increase (decrease) in cash and cash equivalents | (48,719) | 15,211 | (2,166) | 133,741 |
| Cash and cash equivalents at beginning of period | 314,312 | 252,542 | 267,759 | 134,012 |
| Cash and cash equivalents at end of period | 265,593 | 267,753 | 265,593 | 267,753 |

EXTENDICARE REIT
Financial and Operating Statistics

| <i>(amounts in Canadian dollars, unless otherwise noted)</i> | Three months ended | | Nine months ended | |
|--|--------------------|-----------------|-------------------|-----------------|
| | September 30 | | September 30 | |
| | 2011 | 2010 | 2011 | 2010 |
| 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) | 34.3 % | 32.6 % | 35.5 % | 33.3 % |
| Managed Care | 10.0 | 9.5 | 10.1 | 9.5 |
| Skilled mix | 44.3 | 42.1 | 45.6 | 42.8 |
| Private/other | 8.7 | 9.3 | 8.3 | 9.1 |
| Quality mix | 53.0 | 51.4 | 53.9 | 51.9 |
| Medicaid | 47.0 | 48.6 | 46.1 | 48.1 |
| | 100.0 | 100.0 | 100.0 | 100.0 |
| Average Daily Census by Payor Source (same-facility basis) | | | | |
| Medicare | 2,237 | 2,272 | 2,364 | 2,369 |
| Managed Care | 808 | 804 | 843 | 816 |
| Skilled mix | 3,045 | 3,076 | 3,207 | 3,185 |
| Private/other | 1,415 | 1,507 | 1,368 | 1,461 |
| Quality mix | 4,460 | 4,583 | 4,575 | 4,646 |
| Medicaid | 9,498 | 9,558 | 9,446 | 9,575 |
| | 13,958 | 14,141 | 14,021 | 14,221 |
| Average Revenue per Resident Day by Payor Source (excluding prior period settlement adjustments) (US\$) | | | | |
| Medicare Part A only | \$ 521.24 | \$ 460.61 | \$ 516.23 | \$ 458.01 |
| Medicare (Parts A and B) | 569.12 | 509.19 | 557.45 | 502.51 |
| Managed Care | 457.71 | 419.31 | 448.30 | 414.02 |
| Private/other | 226.49 | 218.81 | 225.18 | 221.96 |
| Medicaid | 183.42 | 180.39 | 181.69 | 179.84 |
| Weighted average | 266.56 | 250.75 | 266.26 | 250.99 |
| Average Occupancy (excluding managed centers) (same-facility basis) | | | | |
| U.S. skilled nursing centers | 86.0 % | 86.0 % | 86.2 % | 86.5 % |
| U.S. assisted living centers | 67.0 | 64.9 | 67.8 | 64.9 |
| Canadian centers | 98.1 | 98.5 | 97.9 | 98.3 |
| Purchase of Property, Equipment and Software (thousands) | | | | |
| Growth expenditures | \$9,263 | \$14,057 | \$22,962 | \$32,574 |
| Facility maintenance | 9,072 | 8,539 | 20,882 | 18,298 |
| Deduct: capitalized interest | (379) | (220) | (613) | (726) |
| | \$17,956 | \$22,376 | \$43,231 | \$50,146 |
| Average US/Cdn. dollar exchange rate | 0.9807 | 1.0391 | 0.9781 | 1.0356 |

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, 2011 and 2010. ⁽¹⁾

| <i>(in thousands of Canadian dollars unless otherwise noted)</i> | Three months ended | | Nine months ended | |
|--|--------------------|----------|-------------------|----------|
| | September 30 | | September 30 | |
| | 2011 | 2010 | 2011 | 2010 |
| EBITDA | 40,872 | 51,213 | 165,831 | 182,584 |
| Depreciation for furniture, fixtures, equipment and computers | (5,784) | (5,706) | (17,272) | (16,739) |
| Accretion costs | (503) | (529) | (1,509) | (1,612) |
| Interest expense, net | (22,012) | (21,583) | (65,551) | (62,998) |
| | 12,573 | 23,395 | 81,499 | 101,235 |
| Current income tax expense ⁽²⁾ | (9,520) | (7,493) | (31,319) | (31,362) |
| FFO | 3,053 | 15,902 | 50,180 | 69,873 |
| Amortization of financing costs | 4,108 | 1,974 | 8,910 | 5,842 |
| Principal portion of government capital funding payments | 650 | 611 | 1,949 | 1,837 |
| DI | 7,811 | 18,487 | 61,039 | 77,552 |
| Additional maintenance capital expenditures ⁽³⁾ | (3,288) | (2,833) | (3,610) | (1,559) |
| AFFO | 4,523 | 15,654 | 57,429 | 75,993 |
| Per Basic Unit (\$) ⁽⁴⁾ | | | | |
| FFO | 0.036 | 0.189 | 0.603 | 0.862 |
| AFFO | 0.054 | 0.185 | 0.690 | 0.937 |
| Per Diluted Unit (\$) ⁽⁴⁾ | | | | |
| FFO | 0.053 | 0.184 | 0.583 | 0.800 |
| AFFO | 0.068 | 0.181 | 0.658 | 0.865 |
| Distributions declared ⁽⁴⁾ | 17,534 | 17,382 | 52,471 | 51,401 |
| Distributions declared per unit (\$) | 0.2100 | 0.2100 | 0.6300 | 0.6300 |
| Basic weighted average number of units (thousands) ⁽⁴⁾ | 83,442 | 82,742 | 83,253 | 81,070 |
| Diluted weighted average number of units (thousands) ⁽⁴⁾ | 97,255 | 96,555 | 97,045 | 94,884 |

⁽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⁾ Per unit amounts, distributions declared and the number of units are based on the total of the REIT Units and Exchangeable LP Units.

| <i>(in thousands of Canadian dollars)</i> | Three months ended | | Nine months ended | |
|--|--------------------|----------|-------------------|----------|
| | September 30 | | September 30 | |
| | 2011 | 2010 | 2011 | 2010 |
| Reconciliation of Cash Provided by Operating Activities to DI & AFFO | | | | |
| Cash provided by operating activities | 41,701 | 44,704 | 98,587 | 111,757 |
| Add (Deduct): | | | | |
| Net change in operating assets and liabilities, including interest and taxes | (6,453) | (14,771) | (401) | (16,474) |
| Current tax on fair value adjustments, gain/loss on foreign exchange, financial instruments, asset impairment, disposals and other items | (816) | 4,210 | (319) | 4,198 |
| Net provisions and payments for self-insured liabilities | (22,075) | (11,128) | (23,168) | (8,902) |
| Distributions on Exchangeable LP Units | 649 | 673 | 1,963 | 2,033 |
| Depreciation for furniture, fixtures, equipment and computers | (5,784) | (5,706) | (17,272) | (16,739) |
| Principal portion of government capital funding payments | 650 | 611 | 1,949 | 1,837 |
| Other | (61) | (106) | (300) | (158) |
| DI | 7,811 | 18,487 | 61,039 | 77,552 |
| Additional maintenance capital expenditures | (3,288) | (2,833) | (3,610) | (1,559) |
| AFFO | 4,523 | 15,654 | 57,429 | 75,993 |