



ANNUAL MEETING MAY 9, 2007

NOTES FOR REMARKS*

BY

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* check against delivery

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Introduction

2006 was a year of remarkable change at Extendicare as we completed a major restructuring that saw Extendicare separate its US assisted living business from the nursing home business and be re-created as a Canadian real estate investment trust (REIT).

The new Extendicare is now well positioned to capitalize upon its new REIT structure, enabling us to become a more active player in the ongoing consolidation of North America's senior care industry.

I'd like to begin by first reviewing some of last year's highlights, followed by a brief discussion of the first quarter results, which were released a few minutes ago, and address the issue of Extendicare's REIT status. Next I'll touch on some highlights of our United States and Canadian operations, after which I'll conclude with our growth strategy.

In addition to the 2006 restructuring, we also reached a number of operational milestones.

- First, was the successful integration of the nine new high intensity Resource Utilization Group, or RUGs categories, for Medicare patients into our US business, which pay a higher per diem rate;
- Second, was achieving full occupancy funding in all of Extendicare's Ontario nursing homes;
- Third, was refinancing our US public debt at a more favourable interest rate; and
- Most importantly, continuing to provide quality clinical care in all of our facilities to our residents.

Q1 Results

Extendicare Real Estate Investment Trust ("Extendicare REIT" or "Extendicare") released its 2007 first quarter results a few minutes ago and we are very pleased with our first full quarter under the new REIT structure. For the first quarter, Extendicare delivered EBITDA of \$52.6 million, funds from continuing operations of \$27.4 million, or 39 cents per unit, and adjusted funds from operations of \$26.2 million, or 37 cents per unit.

This represents a strong start to 2007. The strong performance was driven by growth in Medicare average daily census which represented 19.2% of our U.S. nursing home census this quarter, compared to 18.7% in the first quarter of 2006. While we have been successful in driving Medicare census, it has come at the expense of a decline in U.S. nursing home occupancy, which slipped to 90.6% compared to 92.5% in the first quarter last year. If we examine the revenue breakdown at Extendicare Health Services, Inc. (EHSI), we achieved a quality mix of 53% in the first quarter of combined Medicare and private pay patients, versus 52% a year ago.

One factor that is driving this trend is we have strengthened our admitting procedures to avoid taking exceptionally challenging patients that we have admitted in the past. That being said, we are comfortable with what we have achieved and are confident we can continue making further improvements in Medicare census and overall occupancy.

As well, we continue to demonstrate good success at capturing a disproportionately higher share of Medicare patients in the nine highest intensity RUGs categories. For the first quarter of 2007, 38% of EHSI's Medicare residents were classified within the nine upper categories, compared to 35% in the same period last year. These Medicare patients averaged a per diem rate of US\$449 in the 2007 first quarter compared to the average Medicare Part A rate of US\$388.

REIT Tax Status

With respect to Extendicare REIT's Canadian tax status, based on the latest information from the government, we do not qualify as a Canadian REIT for tax purposes as result of two issues:

- The first is related to the size of our US portfolio, which represents too great a percentage of our total assets ; and,
- The second is due to the fact that we operate an active business to generate revenue.

Given that we were ready to make the conversion to a REIT on October 31, 2006, the day the government introduced the proposed tax legislation, Extendicare REIT has applied to the Canada Revenue Agency for an advance income tax ruling to determine if we qualify as an exempt income trust. If successful, then Extendicare REIT would qualify for the four year grace period and would not be subject to the new tax until 2011 ...however, given our growth ambitions it is possible we could cease to qualify for the grand-fathering under the growth limitations outlined during the transitional period.

In the meantime, we have set aside funds, and therefore do not foresee a reduction in our current annual distributions of \$1.11 should we become subject to the tax proposals in their current form. As more information comes available we will keep you posted.

EHSI

A key driver of the positive results Extendicare has achieved over the past several years has been our focus on growing Medicare census, which continue to be the highest margin nursing home patients in the United States. Typically, these are patients who come to our facility after a minimum three-day hospital stay to recover from a surgical procedure. They require intense clinical intervention over the duration of their stay and are then discharged home or to another care setting.

Given that the Medicare patient is a high acuity patient, Extendicare has made a significant investment over the past few years...and is continuing to re-invest in our facilities to make sure we are better positioned to attract them.

Like most nursing homes in the United States, our facilities average age is 25 to 30 years old. We strongly believe investing in our facilities will improve our ability to attract a higher Medicare patient mix.

Investors should understand that Medicare patients are typically younger than long-term care residents, as such they have different needs. Their length of stay is short-term in nature averaging about 30 days and they have intense rehabilitation needs. These patients have greater expectations regarding room amenities and the comforts of home. As a result, we have made a commitment to our patients and ourselves to significantly modernize and upgrade our facilities to match their demands.

We have instituted a disciplined program of upgrading our facilities by brightening the décor, adding new furniture and constructing rehab suites, which are larger, and come with television and internet access. In addition, we make every effort to provide our residents with the highest quality care.

To enable the patients to complete their rehabilitation, we have constructed and expanded the rehab gyms in many of our facilities. Making these kinds of facilities available in our markets helps differentiate Extendicare from our competition and makes us a desired destination for patients, families and doctors in the markets we serve.

Looking at internal growth in the United States, we have been active in constructing new beds over the past few years. As well, we still strongly believe in the merits of combining assisted living facilities with nursing homes on the same properties, in order to provide a continuum of care. We will continue to assess our markets to see where this model can be applied.

EHSI currently has two construction projects in progress, which are expected to add 110 nursing home beds in Washington and Ohio by the end of 2007. We will continue to assess our portfolio on an ongoing basis to see where we can add additional value.

Canada

Extendicare's Canadian operations continue to be a steady performer for Extendicare REIT. Key to our success is our ability to maintain high occupancy in our Ontario operations which averaged 98.3% in 2006 and 97.7% in the first quarter of 2007. With over 19,000 individuals now on waiting lists for nursing home beds in the province its clear that the 20,000 new beds that entered the system since 2000 have been absorbed.

In fact, the Ontario government has recently announced a number of additional bed requirements in specific communities within the province. We are aggressively pursuing these opportunities and have to date submitted bids on a number of the requests for proposal the province has made available. We expect to receive the results of the bid process by the end of June.

In Alberta we expect to break ground on a new 220 bed nursing and 60 bed assisted living facility in Red Deer this summer which we anticipate will open by the end of 2008.

With respect to ParaMed, we are confident our Canadian home health care business will begin to assume a larger role within Extendicare. For the past two years the request for proposal system in Ontario has been frozen pending a review of the home care contract tendering process by the government. The review is now complete and we expect bidding to reopen later this year under a new template...and ParaMed will be ready to compete. In the meantime we are working towards growing the private care side of the business and have a number of new initiatives underway.

Acquisition of Tendercare

As many of you are aware, last November we announced we were looking at acquiring a regional nursing provider in the United States. Accordingly, I'm pleased to announce that Extendicare has reached an agreement to acquire Tendercare (Michigan) Inc. and affiliated entities (collectively "Tendercare"), a skilled nursing provider in the state of Michigan for US\$202.5 million including assumed debt of US\$80 million. This represents an acquisition price of approximately US\$59,000 per bed and a cap rate of approximately 10%.

The Tendercare portfolio is comprised of 31 owned facilities with approximately 3,413 operational beds located in the state of Michigan. It is composed of 29 skilled nursing homes, one assisted living facility and one rehab hospital. In addition, there are three skilled nursing homes currently being developed that Extendicare will acquire at cost upon completion.

Michigan is not a state where we currently operate, but fits very well within our upper Midwestern portfolio and enables us to enter the state in a meaningful way with a broad footprint. We're very excited about acquiring this portfolio and would like to welcome their employees to Extendicare REIT.

EHSI also acquired a single facility with 191 licensed beds in Milwaukee, Wisconsin earlier this month.

On the subject of acquisitions, I'd like to point out to investors that Extendicare has a strong operating platform in North America. Given our size and scale, we do not feel the need to make acquisitions, simply for the sake of growth. Rather, when we make an acquisition, we fully expect it to contribute positively to unitholder distributions.

As a result, we are very diligent when it comes to examining facilities and will not overpay for assets. We feel strongly that this is a prudent strategy and over time, will enable the REIT to deliver strong returns to its unitholders.

The North American senior care industry remains highly fragmented with the ten largest players in both countries owning less than 15% of the beds in the United States and 23% of the beds in Canada. We are seeing numerous opportunities to grow the business in both the United States and Canada and we are working hard to make that happen.

People

I'd like to take a moment to acknowledge the hard work of Extendicare's employees who represent a vital link between Extendicare, our residents and their families. Our top priority is to always provide our residents with quality care and service. Our on-site management and staff are easily our most valuable assets. Through their interaction with residents, families and local communities they are the most effective marketers of the REIT.

But even more importantly, they perform a difficult job with dedication and enthusiasm, and play a major role in the success of Extendicare...and I thank them for their ongoing support.

To our residents and families, Extendicare has a 39 year history of providing quality care to those we are entrusted with, and we fully expect to maintain that trust under the REIT structure.

Closing

As we enter 2007 we see a lot of opportunities for Extendicare to grow and increase unitholder distributions.

- Extendicare is an established company with a strong portfolio of assets that generates stable cash flows well suited to the REIT model;
- We operate a geographically diverse platform with assets in two countries spread across multiple markets;
- We operate a medically necessary business which is only going to grow in importance as North America's population ages;
- We have a prudent growth strategy combining both internal and external growth;
- Extendicare has a strong balance sheet with a low debt to gross book value, just 41%; giving us significant financial flexibility to fund our growth; and finally,
- We have a solid, core group of experienced and proven management in both the United States and Canada.

Be assured the management team and Board of Trustees of Extendicare REIT are committed to creating long-term unitholder value. We are confident the strategies we have implemented will build a stronger and more successful REIT; and I look forward to sharing our continued progress with investors in 2007.

That concludes our formal presentation, we would now be pleased to answer any questions from the audience.



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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", "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 Extencicare REIT to make cash distributions; or (ii) certain ongoing rights and obligations of Extencicare 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 and on the REIT's website at 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 Extencicare 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", "plan" or "objective" or other similar expressions. Forward-looking statements reflect management's beliefs and assumptions and are based on information currently available, and Extencicare REIT assumes no obligation to update any forward-looking statement. 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 Extencicare 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 Extencicare 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 and on Extencicare REIT's website at www.extencicare.com.