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**EXTENDICARE**  
REAL ESTATE INVESTMENT TRUST

Third Quarter 2009  
CONFERENCE CALL AND WEBCAST

### Forward-looking Statements and Non-GAAP Measures

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This presentation contains forward-looking statements, based on our best judgements, which reflect risks and uncertainties.

Actual results could vary from expectations.

“EBITDA”, “net operating income” (NOI), “distributable income” (DI), “funds from operations” (FFO), and “adjusted funds from operations” (AFFO) are non-GAAP measures and do not have standardized meanings prescribed by GAAP.

Further information can be found in the disclosure documents filed by Extendicare REIT.


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## Strong Q3 2009 Results

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- Increased profitability through higher per diem rates and cost controls
- Strong results are especially significant given current economic environment and typical seasonal trends
- Improved revenue from U.S. and Canadian operations from both Q3 2008 and Q2 2009



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## Highlights – Q3/09

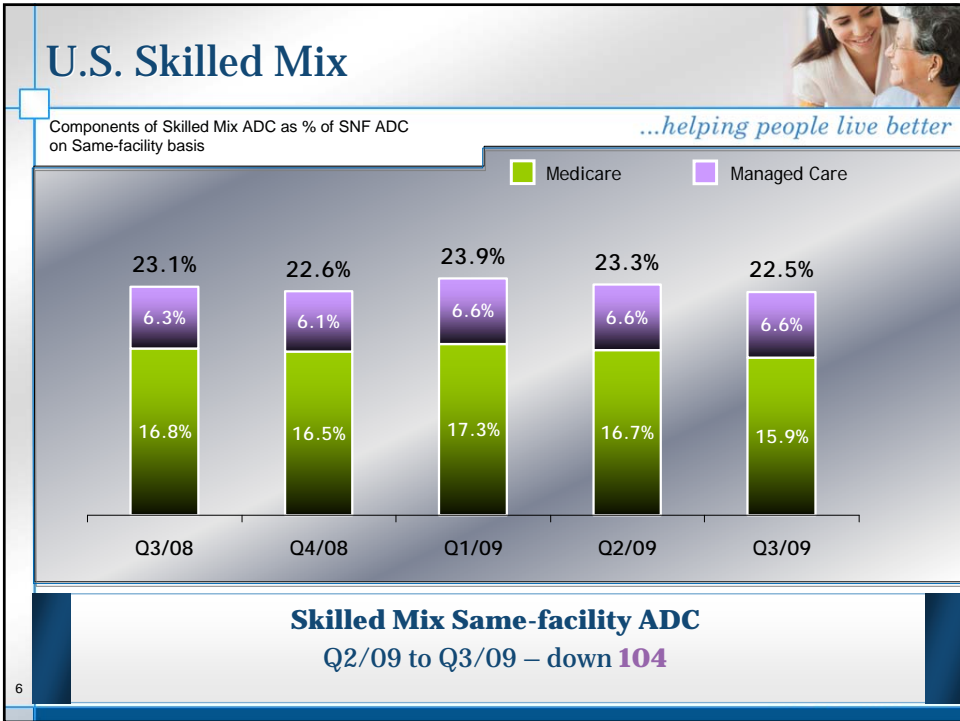
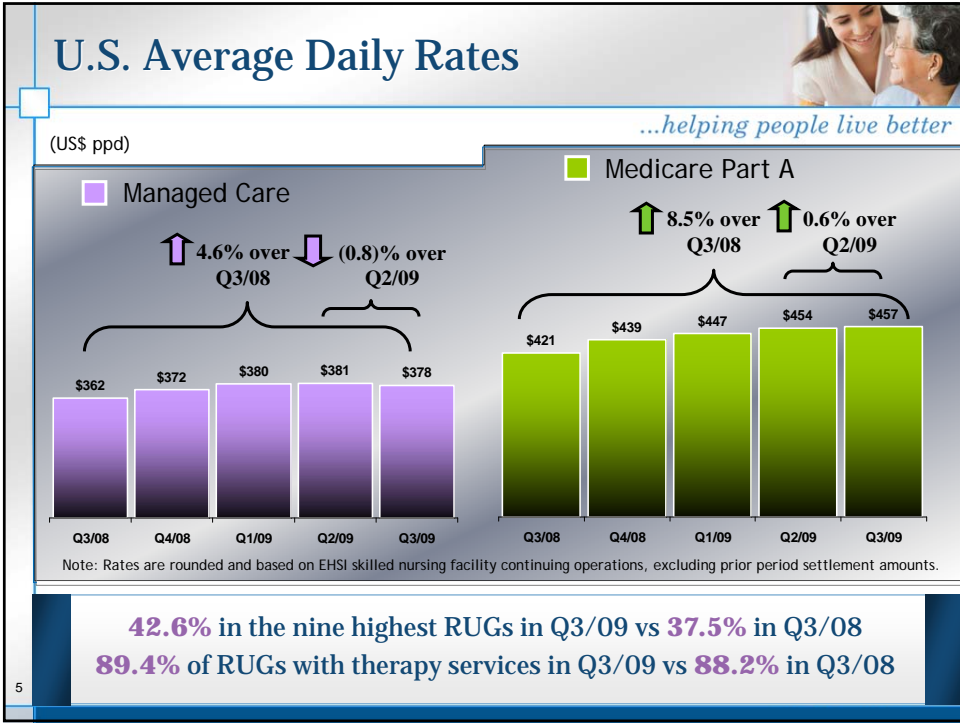
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	Q3/09	change vs Q3/08 *	change vs Q2/09 *
Revenue	\$532.1M	↑ 4.6%	↑ 0.8%
EBITDA	\$71.1M	↑ 33.7%	↑ 2.9%
EBITDA Margin	13.4%	↑ 300bp	↑ 30bp
AFFO from continuing operations	\$30.2M	↑ 50.5%	↑ 10.5%

\* Excluding foreign exchange impact.

### Payout Ratio YTD September a Conservative **56%**

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## Canadian Operations

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	Q3/09	vs Q3/08
Average Daily Revenue Rate	\$173 *	5.1%
Average Occupancy	98%	Unchanged

\* Average daily rate rounded and excluding prior period adjustments

- Ontario Accommodation Funding Increases Reflected in Q3/09
  - + **1.8%** – annual revenue of **\$1.5M** (effective July 1)
  - + **3.3%** one-time increase – annual revenue of **\$2.8M** (retroactive to April 1)
- Alberta Funding Increase April 1; Pending Cut in Q4/09
  - + **6.4%** - annual revenue of **\$3.5M** (effective April 1)
  - - **3.0%** - annual revenue reduction of **\$1.6M** (effective Dec. 1)
- Home Health Care volumes improved; RFPs to resume in 2010

### ❖ Solid and Predictable Results

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## Investing in Future Growth

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**Alberta**

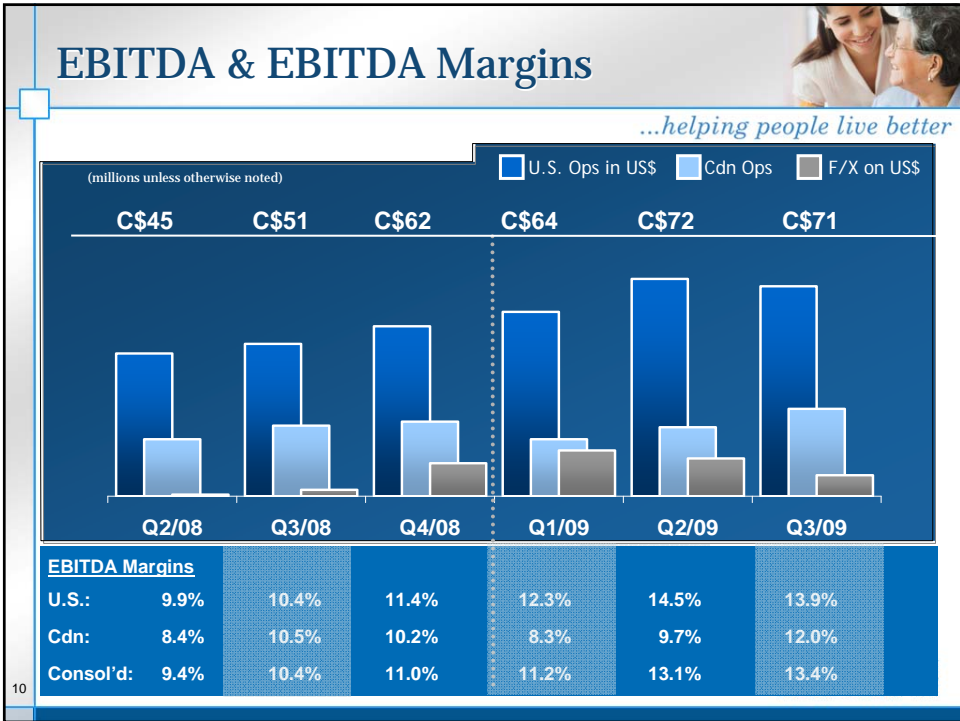
**Wisconsin Michigan**

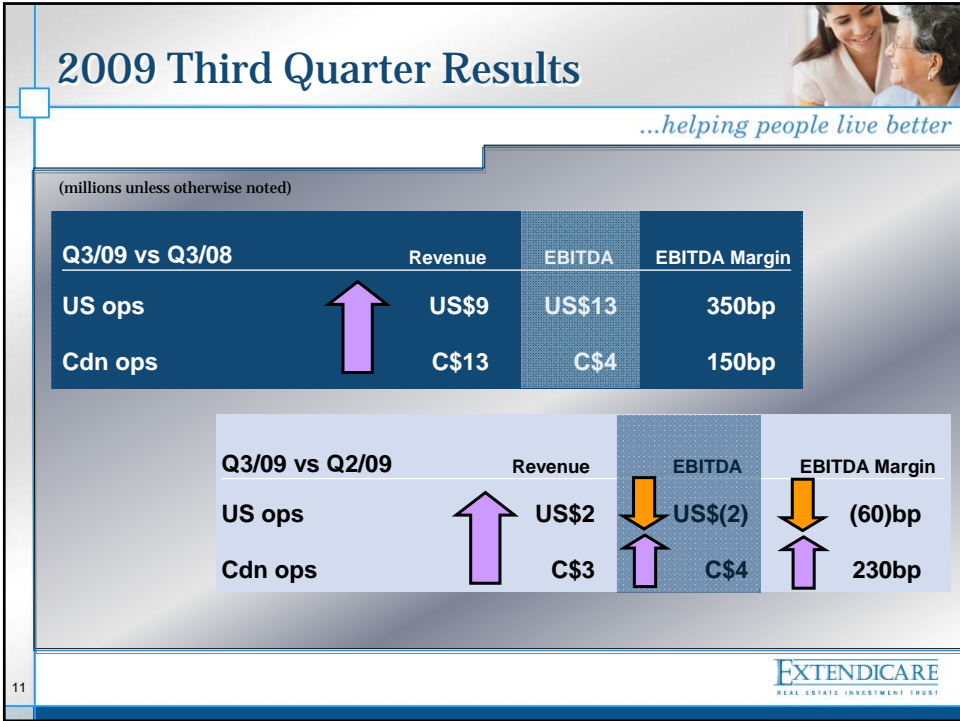
- Canada – 3 projects (600 beds/units)
- Cost **\$77M**
- Leveraged net investment **\$9M**

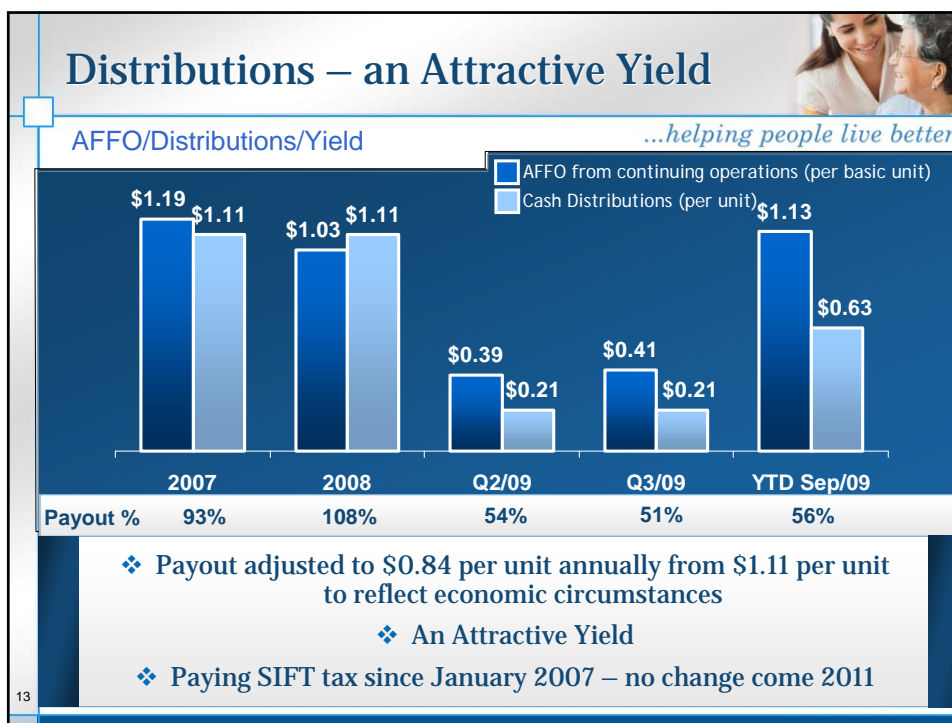
- U.S. – 3 projects (260 beds/units)
- Cost and net investment **US\$35M**

### ❖ Financing in Place

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## Cash and Long-term Debt

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	Year of Maturity		Sep 30/09
<i>(millions, unless otherwise noted)</i>			
<b>Cash and cash equivalents</b>			<b>C\$ 131</b>
<b>Restricted cash <sup>(1)</sup></b>			<b>C\$ 30</b>
<b>Long-term debt</b>			
US\$70M line of credit	2011	US\$ 17	
CMBS	2011/2012	589	
Sovereign term debt	2011	50	
Other U.S.	2015 +	50	
<b>Total U.S. Debt (WAR – 6.4%; WAM – 2.5 yrs)</b>		<b>US\$706</b>	<b>C\$ 756</b>
<b>CMHC &amp; other Cdn (WAR – 7.3%; WAM – 10.3 yrs)</b>	<b>2013 +</b>		<b>307</b>
<b>Conv't debt (face value, WAR – 6.4%; WAM – 4.3 yrs)</b>	<b>2013/2014</b>		<b>198</b>
<b>Total Long-term Debt <sup>(2)</sup> (WAR – 6.7%; WAM – 4.7 yrs)</b>			<b>C\$ 1,261</b>

(1) Restricted cash of \$30M pledged as collateral against a letter of credit.  
(2) Long-term debt includes current portion and excludes financing costs.

- ❖ No Significant Maturities until 2011 and Beyond

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## Near and Long-Term Outlook

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- Pleased with results to date, but not resting on success
- Taking steps to mitigate impact of near and long-term health care sector developments:
  - Medicare and Medicaid Funding – Q4 2009
  - STRIVE Initiative – Q4 2010
  - Health Care Reform – To be determined

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## Medicare and Medicaid Funding

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### Medicare – US\$1.1M cut Q4 2009

- Net **1.1%** Medicare rate reduction - October 1, 2009
  - + **2.2%** market basket increase
  - - **3.3%** forecasting error adjustment
  - reduced Medicare revenue of approximately **US\$4.5M** per annum

### Medicaid – US\$2.5M cut Q4 2009

- Decline in state tax revenue, increased unemployment and Medicaid services has put the state Medicaid budgets under considerable strain
  - estimated net decrease of approximately **US\$10M** annualized

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## STRIVE Initiative

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### STRIVE – October 2010

- Proposed modifications to payment system
  - revised case-mix classification methodology (RUG-IV),
  - updated staff time measurement data,
  - transition to redesigned assessment instrument MDS 3.0,
  - possible new rate component for non-therapy ancillaries
- Initiatives intended to be neutral to CMS' total Medicare funding
- Potential impact could lead to adverse change to us, may be partially mitigated by type of residents admitted and care delivery protocol

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## Health Care Reform

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- Monitoring various health care reform proposals currently being considered by U.S. Senate and House
- Outcome and timing are uncertain at this time
- With over 40 years of experience as a senior-care provider, we have established our ability to adapt to different health care regimes
- Intention is to proactively respond to the changes that may occur to either capitalize on new opportunities or mitigate any risks

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# Strategic Agenda



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- Continued diligence in managing costs without compromising quality
- Targeting census development initiatives
  - Strategic approach to program development and enhanced service offerings
- Maintain high quality and compliance standards
  - 33 skilled nursing centers awarded 2009 Step I Quality Award by American Health Care Association
- Continue to strengthen our balance sheet
  - Position for a successful debt refinancing in 2011
- Monitor ongoing health sector developments
  - Proven track record of adapting to changes in reimbursement regime

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# EXTENDICARE



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Delivering Quality Care for  
Over **40** Years

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## Glossary of Terms

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**Acuity** – A measure of levels of care and services required. Residents with complex medical needs who require rehabilitation services and treatment of multiple illnesses have high levels of acuity.

**Average Daily Census (ADC)** – The number of residents occupying beds over a period of time, divided by the number of days in that period.

**Census** – The number of residents occupying beds (or units in the case of an assisted living facility).

**Medicare** – A U.S. federally funded health-insurance program providing coverage for persons aged 65 or over, disabled persons who have been disabled for at least two consecutive years, and persons who have end-stage renal disease.

**Medicaid** – A state-administered program financed by state funds and matching federal funds, providing health insurance for certain persons in financial need, regardless of age, and which may supplement Medicare benefits for financially needy persons aged 65 and older. In most states, Medicaid is the most unattractive payor source as rates are lower than those from Medicare or private pay sources.

**Managed Care** – Collectively health maintenance organization (HMO) and commercial insurance (CI)

**Occupancy** – The percentage of census relative to the total available resident beds.

**Private pay** – Revenue from individuals, private insurance companies, HMOs, preferred provider organizations (PPOs) other charge-based payment sources, HMO Medicare risk plans, Blue Cross and the Department of Veteran Affairs.

**Quality Mix** – The level of census from non-Medicaid sources.

**Resource Utilization Groupings (RUGs)** – Classifications implemented by the Centers for Medicare & Medicaid Services (CMS) aimed at categorizing residents based on the nature of their condition and the level of care and services required. Effective January 1, 2006, the CMS introduced nine new RUG classifications in order to reimburse operators for the care provided for medically complex residents who require rehabilitation services and the treatment of multiple illnesses. The nine new classifications are the highest RUG levels and provide the highest level of reimbursement.

**Skilled Mix** – The level of census from Medicare and Managed Care payor sources.

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