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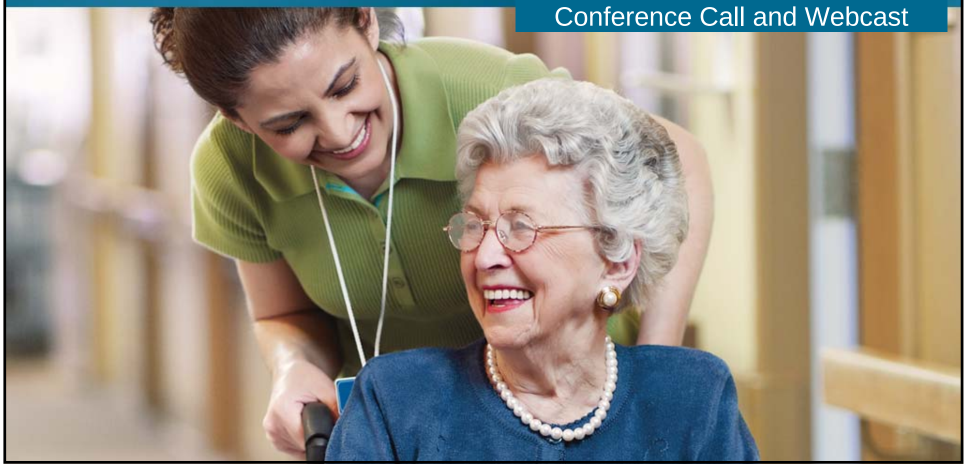
Quality is Our Business

Third Quarter 2011
Conference Call and Webcast



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Forward-Looking Statements

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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2011 Third Quarter Results

- Strong financial and operational results
- Strengthened prior years reserves for self-insured liabilities by **$31.4M (US$32.1M)**
- Excluding reserves adjustment, solid growth in consolidated revenues, EBITDA, EBITDA Margin and AFFO
- Significant progress in cost cutting measures to mitigate CMS Final Rule funding reductions

Q3-11 Reserve Adjustment

- Q3 interim actuarial review
  - **US$32.1M** provision for additional prior years' reserves
- Underlying causes relate to:
  - accelerated settlement of claims
  - increase for claims not yet settled
- Initiatives undertaken during past several years to expected to reduce future exposure

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Q3 2011 Highlights

		Variance excluding f/x impact	
	Q3/11	over Q3/10	over Q2/11
Revenue	**$531.7M**	5.5%	1.4%
EBITDA	**$ 40.8M**	(17.8)%	(37.8)%
Adjusted for reserves	***$ 72.2M***	*15.5 %*	*10.4 %*
EBITDA Margin	**7.7%**	(210)bp	(480)bp
Adjusted for reserves	***13.6%***	*120 bp*	*110 bp*
AFFO	**$ 4.5M**	(73.2)%	(83.5)%
Adjusted for reserves	***$ 35.9M***	*25.9 %*	*31.5 %*

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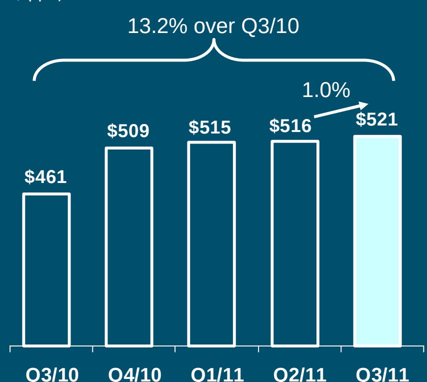
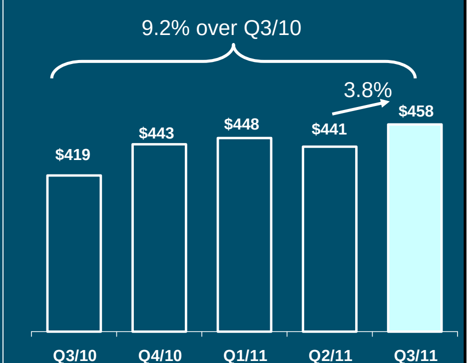
U.S. Average Daily Rates

(US$ ppd)

Medicare Part A



Managed Care



Higher Q3 Medicare and Managed Care rates with implementation of MDS 3.0 and RUG-IV

Note: Rates are rounded and based on EHSI skilled nursing facility operations, excluding prior period settlement amounts.

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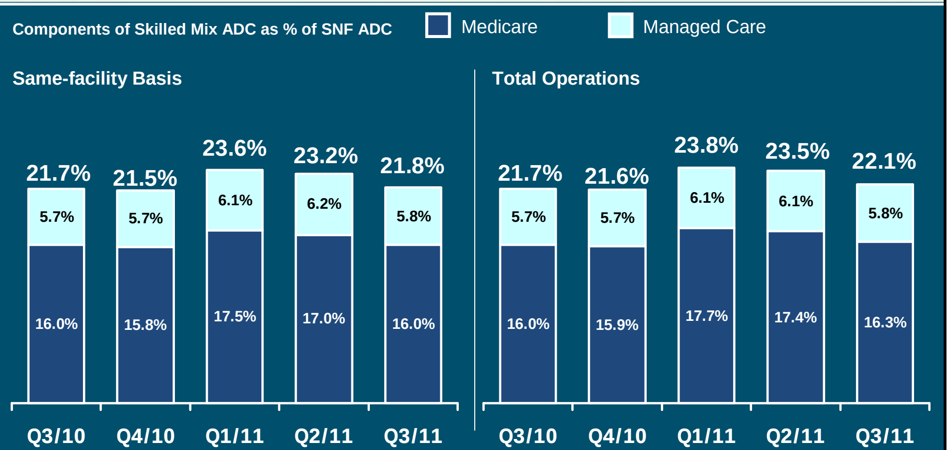
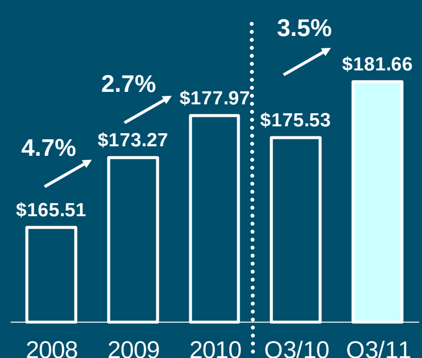
U.S. SNF Skilled Mix Census



Sustained Skilled Mix levels over 2010 reflect the success of our new centers and renovation projects

CDN Nursing Center & Home Health Care

LTC average daily revenue rate



Average occupancy unchanged at 98%
Ontario wait list over 24,000

- **Ontario Nursing Home Funding**
  - Apr/11 – ↑ **4.5%** flow-through funding; ↑ **1%** accommodation; net of CMI adjustments = **$4.7M**
  - Jul/11 – ↑ **1.4%** accommodation = **$1.5M**
- **Alberta Nursing Home Funding**
  - Feb/11 – ↑ **3%** resident fee = **$0.7M**
  - Apr/11 – ↑ **3.7%** government funding = **$2.7M**
- **Home Health Care**
  - Volumes ↑ **7.0%** from Q3/10; ↑ **0.3%** from Q2/11

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Alberta Expansion

Edmonton: 180-bed nursing center opened in Nov. 2011

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Ontario Development

- **Two projects under Phase 1**
  - Timmins & Sault Ste. Marie
  - Completion slated for Q1/13
  - Adding 149 beds

Sault Ste. Marie (256 Beds)

Timmins (180 beds)

Q3-11 Impairment

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- CMS Final Rule was triggering event for impairment test
- U.S. PP&E and goodwill impaired on small group of centers
  - **$54M** pre-tax charge of which **$22M** goodwill
  - **$42M** after tax
- Reverses a portion of **$305M** write up taken on revaluation of centers at Jan. 1, 2010, upon adoption of IFRS
- No impact on our EBITDA or AFFO

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Q3 Reserve Adjustments

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EBITDA and AFFO Impact *(millions unless otherwise noted)*	**Q3/11**	**Q3/10**	**Variance** (excluding FX)
Prior years' reserve adjustment			
US$	**US$32.1**	**US$13.5**	**US$18.6**
C$	**C$31.4**	**C$14.0**	**C$19.2***
AFFO per basic unit	**$0.38**	**$0.17**	

* C$19.2M variance excludes impact of change in F/X rates, thus based on US$18.6 translated at the 2010 f/x rate of 1.0356.

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Q3-11 Results and Variance from Q3-10

	Q3/11	Variance from Q3/10 (excluding f/x impact) ($)	(%)
Revenue	**$531.7M**	$ 29.0 M	5.5 %
EBITDA	**$ 40.8M**	$ (9.1) M	(17.8)%
Adjusted for reserves	***$ 72.2M***	*$ 10.1 M*	*15.5 %*
EBITDA margin	**7.7%**		(210)bp
Adjusted for reserves	***13.6%***		*120 bp*
AFFO	**$ 4.5M**	$(11.5)M	(73.2)%
Adjusted for reserves	***$ 35.9M***	*$ 7.7 M*	*25.9 %*

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Q3-11 Results and Variance from Q2-11

	Q3/11	Variance from Q2/11 (excluding f/x impact) ($)	(%)
Revenue	**$531.7M**	$ 7.1M	1.4 %
EBITDA	**$ 40.8M**	$ (24.6)M	(37.8)%
Adjusted for reserves	***$ 72.2M***	*$ 6.8 M*	*10.4 %*
EBITDA margin	**7.7%**		(480)bp
Adjusted for reserves	***13.6%***		*110 bp*
AFFO	**$ 4.5M**	$ (22.8)M	(83.5)%
Adjusted for reserves	***$ 35.9M***	*$ 8.6 M*	*31.5 %*

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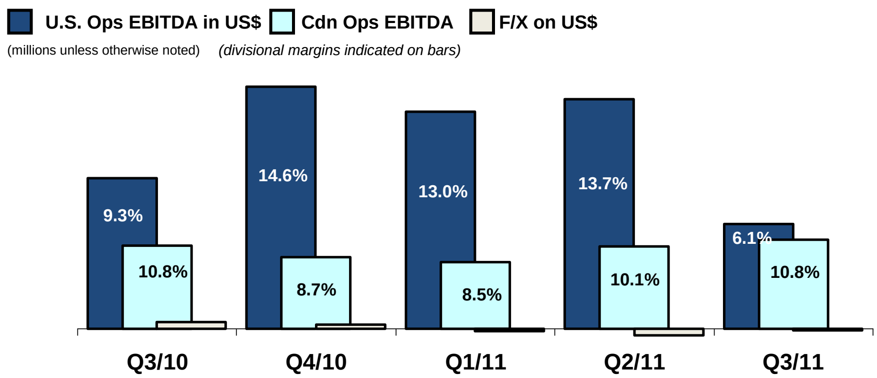
Q3-11 EBITDA and EBITDA Margins



Consolidated					
EBITDA:	$51.2M	$67.6M	$59.9M	$65.1M	$40.8M
Margins:	9.8%	12.7%	11.5%	12.5%	7.7%

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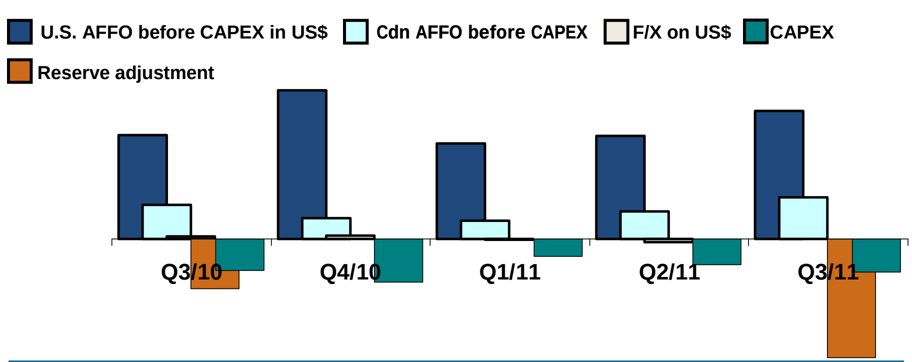
Q3-11 AFFO



Consolidated – C$					
AFFO (before reserve)	$29.7M	$34.7M	$25.6M	$27.3M	$35.9M
SIL reserve	(14.0)				(31.4)
AFFO	$15.7M	$34.7M	$25.6M	$27.3M	$ 4.5M
CAPEX	8.5M	11.7M	4.7M	7.1M	9.1M

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YTD Sept-11 AFFO

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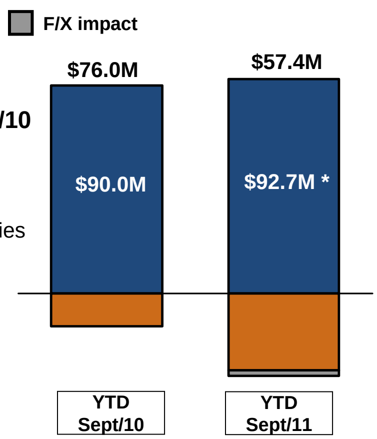

YTD Sept/11 AFFO was $18.6M below YTD Sept/10

- **$2.7M** improvement
- Adversely impacted by:
  - **$19.2M** – reserve adjustment for self-insured liabilities
  - **$2.1M** – foreign exchange impact

Facility Maintenance CAPEX:	$18.3M	$20.9M

* YTD Sept/11 results presented at YTD Sept/10 f/x rate of 1.0356, with f/x impact of $2.1M as the balancing component to YTD Sept/11 rate of 0.9781.

Q3-11 AFFO and Payout Ratio

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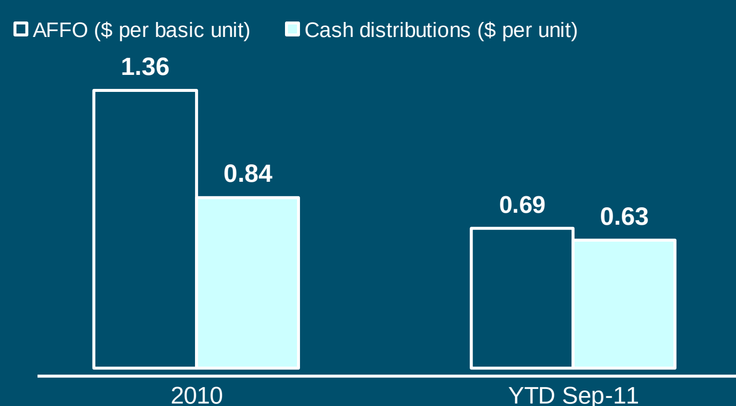

Payout ratio:	62%	91%

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Cash and Long-term Debt

(millions, unless otherwise noted)	Year of Maturity	Balance Sep 30/11	
Cash and cash equivalents *(EHSI - US$164M)*			**C$266**
Restricted cash [1]			**C$11**
Long-term debt			
CMBS *(6.79%)*	**Mar/2012**	21	
CMBS *(6.65%)*	**May/2012**	290	
Line of credit *(US$70M) (6.25%)*	**Jun/2012**	30	
PrivateBank *(6%)*	**2013**	35	
HUD mortgages *(WAR – 4.65%; WAM – 31 yrs)*	**2018-2045**	306	
Other U.S.	**2012 +**	28	
Total U.S. Debt *(WAR – 5.8%; WAM – 14 yrs)*		**US$710**	C$744
CMHC & other Cdn *(WAR – 6.9%; WAM – 9 yrs)*	**2011 +**		320
Conv't debt *(face value, WAR – 6.4%; WAM – 2 yrs)*	**2013/2014**		206
Total long-term debt [2] *(WAR – 6.1%; WAM – 11 yrs)*			**C$ 1,270**

(1) Restricted cash of $10M pledged as collateral against a letter of credit.

(2) LTD includes current portion, excludes financing costs, and convertible debentures are shown at face value.

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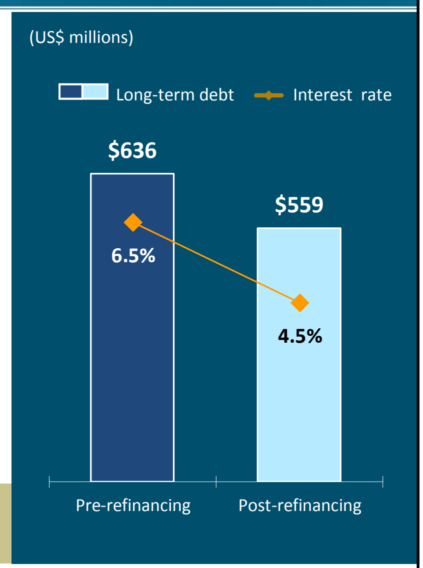
U.S. Debt Refinancing Plan

- Refinancing **US$636M** of debt with
  - **US$559M** in HUD-insured mortgages
  - **US$77M** cash on hand
- **64%** closed/committed at "locked-in" rate; **US$360M** at **4.51%** - **33 yrs**
- Completing in stages – anticipate finalizing majority by December 2011
- Loan modification of 2011 CMBS to avoid yield maintenance prepayment penalty
- **45** unencumbered centres – **US$250M**

Annual interest savings
of approximately **US$18M**



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U.S. Medicare – CMS Final Rule

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- CMS Final Rule – October 1, 2011
  - **11.1%** net rate reduction
  - Other detrimental changes to assessment and group therapy
- Impact to Extendicare:
  - Reduce EBITDA, prior to implementing cost cutting measures: **US$70M-US$80M**

Extendicare Mitigation Strategies

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- Mitigating cost savings to EBITDA: **US$20M-US$24M**
  - Reductions in area operations
  - Corporate office staff
  - Savings in supplies, drugs, etc
- Will not compromise care to residents
- Net reduction in EBITDA: **US$50M-US$56M**

U.S. Medicaid & Further Medicare Challenges

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2011 and Beyond

- "Super Committee" is to propose legislation, which must be enacted before January 15, 2012, to reduce spending by additional US1.2 trillion
- Other recommendations impacting industry are being considered
- States continue to experience budgetary issues, putting pressure on state Medicaid programs

Corporate Conversion Proposed

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- Seeking unitholder approval at May 2012 annual meeting for conversion to corporate structure by June 30, 2012
  - Tax-efficient conversion before 2013
  - "Exchange method" on a Canadian tax-deferred basis for unitholders
- Board to continue dividend policy on similar basis as its current approach to distributions

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Extendicare Strengths

Proven Track Record of **Success**

Robust & Well-established **Business Model**

Strong **Balance Sheet**

Experienced **Management Team**

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Q3-11 Results

Quality Service | Quality Experience | Quality People | Quality Properties | Quality Business

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Glossary of terms

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), but does not include HMOs serving Medicaid residents, which are included in the Medicaid category

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.

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