

NOTES FOR REMARKS*

BY

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The Gallery, TSX Broadcast Centre
Toronto, Ontario

Annual Meeting May 8, 2008

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Extendicare Real Estate Investment Trust

Proven Operator with Growing Portfolio of Assets

2007 Operations Review

Tim Lukenda, President and Chief Executive Officer

Good afternoon.

It is my pleasure to welcome you to the Annual General Meeting of Extendicare REIT. I am pleased to have the opportunity to talk to you about Extendicare, our year in review and our plans for the future.

Who We Are

Extendicare is one of the best owner/operators of senior care facilities in North America. Its name has been associated with quality care for 40 years, having started in 1968 with a single nursing home in Canada.

Today, Extendicare has a portfolio of 269 nursing and assisted living facilities spread across North America in strategic clusters, caring for more than 30,000 individuals every day.

We operate in the senior care sector, a sector with highly favourable demographics. According to the U.S. census bureau, the number of Americans over the age of 85 is expected to double by the year 2040.

This is our target market, and as people age they are more likely to require the types of services we provide. It is estimated that two out of every five people who live past the age of 65 will require the types of services provided by a nursing facility in their lifetime.

In addition, our market remains highly fragmented, with the top 10 providers owning less than 15% of the beds in the U.S. and about 23% in Canada. As a result, we foresee opportunities to participate in the consolidation of this market as we move into the future.

As a Real Estate Investment Trust, Extendicare has demonstrated solid, stable cash flow, with funds from continuing operations reaching \$100 million in 2007 and adjusted funds from continuing operations up just over 20%.

With a strong foundation to build on, Extendicare is poised for growth in the years to come.

Year in Review- A Year of Challenges and Uncertainty

Now let's turn to the year in review. 2007 was a year marked by uncertainty. Uncertainty firstly, caused by the tax status of Extendicare REIT. As we've reported in the past, Extendicare was literally on the eve of becoming a qualified REIT when legislation was introduced creating the new SIFT tax. As a result, Extendicare became a taxable entity and continues to be such today.

2007 was also a year marked by global credit tightening and slowing of the economy, particularly in the U.S. While these trends are expected to reduce the overall availability of debt, we remain confident that the credit markets will remain accessible for Extendicare.

Finally, 2007 was also a year of change within Extendicare, punctuated by the acquisition of Tendercare, which was completed October 31, 2007. Successfully completing this transaction consumed a lot of management time and energy in 2007. Bringing these facilities on stream and integrating them with the Extendicare systems and processes was a major focus during the latter stages of 2007 and on-going in 2008.

2007 Performance

In spite of the challenges presented by these events, Extendicare's underlying businesses performed well.

U.S. Operations

Our U.S. operations represented 68% of revenue and close to 75% of net earnings for the year. Extendicare Health Services, Inc. operates senior care facilities in 12 states with 191 facilities operating 19,200 beds.

The performance of EHSI in 2007 exemplifies Extendicare's operational strategy in action. Efforts to focus our targeted marketing program on higher acuity, more medically-complex clientele contributed to a greater mix of higher margin patients and higher average revenue rates.

Quality mix, representing the proportion of skilled nursing facility residents with payor sources other than Medicaid, was 34% in 2007, up from 33.8% in 2006.

Within this component is Medicare, which makes up 18.2% of our overall clientele and 35% of total skilled nursing facility revenue. In 2007, almost 38% of our Medicare patients were classified in the nine highest Resource Utilization Groups, which provide the greatest reimbursement levels and cover the most complex medical and rehabilitation needs. This is up from 36% the year before. Extendicare's Medicare Part A rates increased by 6.2% over 2006, of which roughly half was attributable to this increased acuity and the rest due to an inflationary increase received from the government.

Total skilled nursing facility occupancy declined slightly in 2007 to 90.2% from 91.6%, as the increase in higher acuity residents with shorter lengths of stay caused greater turnover in the number of patients treated, and put pressure on the admissions process to accelerate the pace of new admissions.

In addition to our continued focus on admitting these higher paying revenue sources, and thereby increasing quality mix, we furthered our plans in a number of locations to enhance and, where possible, expand current facilities to attract more of this higher paying Medicare and insurance clientele.

We also developed a strong pipeline of new development projects for 2008 and beyond. These include a number of renovation projects planned to add square footage or, where available, additional beds to existing facilities. In some cases this will involve creating rehabilitation suites designed with more space and amenities. In other situations, it involves enhancing our rehabilitation gyms to create an environment designed to attract residents with higher acuity levels and reimbursement rates.

Extendicare has the flexibility to physically modify its properties because it owns, rather than leases, 97% of them, unlike most of our competitors.

Development activities continued into the first quarter of 2008 with the completion of a 100 bed nursing facility in Washington to replace an older facility.

And in Michigan, we completed construction of a 77 bed facility this past January. This prototype design for future facilities is a blend of non-institutional look and feel, with state-of-the-art rehabilitation facilities. I believe it represents the next generation of long-term care design and will appeal to the more demanding baby boomer generation

Looking ahead, we have an attractive project pipeline in the U.S. There are currently five projects in various stages of development to add about 480 beds over the next several years at a cost of about US\$63 million.

In general, our U.S. projects have CAP rates averaging 12 to 20%.

So far I've talked about what we've done to increase revenue from higher payor sources and about construction projects to increase capacity. Now I'd like to review our acquisition activity.

In 2007, through 5 separate transactions, we increased capacity by close to 15%, adding 36 senior care facilities and 3,880 beds.

The largest transaction, accounting for 85% of the additional beds was the acquisition of Tendercare, a private nursing home operator, and the largest in Michigan. This acquisition was a great strategic fit providing access to a new geographic market along with excellent upside potential.

The Tendercare facilities have, on average, a lower occupancy rate than Extendicare's other U.S. facilities, averaging 85% compared to Extendicare's 90%. And it had a lower number of Medicare residents served as a percentage of total residents, at 13.8% compared to 18.2% for Extendicare's other U.S. facilities. By applying the Extendicare sales model and other processes to Tendercare, we are confident that we can improve census and quality mix of residents.

Finally, we grew our ancillary businesses by expanding the number of clients serviced by Virtual Care Provider, or VCPI, our information technology company focused on the senior care sector. VCPI's revenue from external clients grew by 18% in 2007, and during the year they opened a new state of the art technology centre. ProStep Rehabilitation, our provider of inpatient and outpatient therapy to Extendicare's residents as well as to external nursing home clients saw

revenue grow 4.5% in 2007. Our industry presence, in addition to expertise we have developed in both of these areas, provides opportunities for additional revenues as well as lowering the costs of providing these services to our own network of facilities.

Canadian Operations

Turning to our Canadian operations, Extendicare is the largest publicly traded operator of nursing homes and a major provider of home health care in the country. We have a presence in Ontario, Manitoba, Saskatchewan, and Alberta.

The nursing home market in Canada has certain characteristics that are different from those of the U.S.

Canadian occupancy levels generally average close to full capacity because of the government's restrictions on the supply of long-term care beds. For 2007, Extendicare Canada Inc.'s average occupancy was 98%.

Also, the types of services provided in our Canadian nursing homes are not generally as medically complex as those we provide in the United States. The services provided in Canadian nursing homes are similar to the Medicaid services provided in the U.S., rather than the more complex rehabilitation services that we provide in our U.S. skilled nursing facilities to short-term patients.

Reimbursement for long-term health care in Canada is, for the most part, provincially funded, and funding levels are based on maintaining occupancy levels and basic inflationary increases.

To maximize revenue in this environment, we focus on increasing preferred accommodation in existing homes, taking on new management and consulting contracts and increasing capacity through new developments.

During 2007, revenue from preferred accommodation in Ontario grew by 4.5%. Total average daily revenue rates grew by 5%. And revenue from management and consulting services grew by 19%.

There is a growing shortage of long-term care beds in Canada as the demographics of an aging population begin to over-whelm our health care system. Currently, there is a waiting list of 22,000 people for nursing homes and it continues to grow.

Ontario, Extendicare's largest market, accounted for 66% of our nursing home revenue in Canada. The Ministry of Health, as part of its strategy to reduce hospital waiting times, is allowing limited expansion in capacity of long-term care beds.

In late 2006, the government requested bids for the construction of 1,750 new, and 662 replacement, long-term care beds in selected Ontario markets.

Extendicare was awarded the mandate to build three facilities for a total of 480 residents in Kingston, Windsor and Guelph.

Construction will begin this spring. The Kingston facility will be completed in 2009 and the other two the year after.

We're also planning a 100-unit assisted living center in Kingston, on the same property as the nursing home.

We estimate these construction projects will cost \$96 million in total.

The Ontario government has announced plans to redevelop 35,000 long-term care beds in older nursing homes over the next 10 years. Beginning in 2008, 3,500 beds will be redeveloped annually. We intend to participate actively in this process, since Extendicare currently owns and operates close to 3,600 long-term care beds in 23 "C" rated homes that would benefit from this redevelopment project. While, details of the redevelopment project have not yet been provided, Extendicare and others continue to advocate appropriate changes to ensure adequate government funding of such projects and will work to provide input to the drafting of the regulations.

Development is also underway in Alberta. We are investing \$56 million to develop a 280 bed continuing care facility in Red Deer for the Regional Health Authority, and a 140 unit assisted living facility in Lethbridge. Both projects will be completed by 2010.

These Canadian development projects are expected to have cap rates averaging 10-15%.

One of the major ancillary businesses we operate in Canada is our home health care operations, provided through ParaMed. Revenue from these services represents 25% of our Canadian revenue. However, growth in this sector has been impeded because of the government's freeze on the competitive bidding process.

Given the governments demonstrated commitment to home care as an effective response to system pressures, we are optimistic that it will move forward in the near future.

Wrap Up

To wrap up, 2007 was a year of many achievements.

Medicare reimbursement rates increased as we continued to focus on attracting more residents with medically complex rehabilitative needs.

We continued to operate at near full capacity in Canada, and have a number of new development projects in the pipeline on both sides of the border.

And strategic acquisitions expanded Extendicare's presence in new geographic markets.

All of this has translated into solid financial results in 2007, which Doug will now review.

2007 Financial Review

Doug Harris, Senior Vice President and Chief Financial Officer

Thank you and good afternoon.

The strategies outlined by Tim had a direct impact on improving our financial results for 2007. Adjusted Funds from Continuing Operations, or AFFO grew 21% to \$86.5 million.

And we declared distributions of \$78.1 million, resulting in a payout ratio of approximately 90.3%.

In reviewing our financial results, the strengthening of the Canadian dollar impacted the comparability of our year-over-year financial earnings. However, looking forward, our distributions are protected from currency fluctuations in the U.S. dollar due to contracts that we have in place through to June 2011.

Turning to the income statement, we reported 2007 revenue of \$1.8 billion, EBITDA of \$208 million and net earnings of \$70.4 million. However, the strengthening of the Canadian dollar reduced the comparability of year-over-year revenue by \$68 million, EBITDA by \$8.5 million and net earnings by \$2.4 million.

Exclusive of the negative foreign exchange impact, revenue increased by 8% and EBITDA increased by 15%.

Revenue growth of 8% included acquisitions, while growth from same-facility operations of 4.2% was due to improvements in funding and favourable patient acuity mix, partially offset by lower U.S. occupancy levels. As outlined by Tim our focus on short term higher acuity residents has been successful in attaining higher revenue rates.

EBITDA growth was \$19.6 million, or \$28.1 million exclusive of the foreign exchange impact. Growth in same-store facilities was \$18.6 million with the balance of \$9.5 million due to acquisitions completed during 2007 and 2006.

The Tendercare acquisition did not significantly impact our year-over-year performance as the acquisition was not completed until October 31st. During the following two-month period, revenue was US\$36 million and EBITDA US\$3 million.

Based on Tendercare's 12 month pre-and post acquisition results, revenue was US\$219 million and EBITDA US\$22 million. Based upon these financial results, the acquisition is anticipated to contribute \$0.06 of AFFO.

In June 2007, we raised \$110 million in net proceeds from the placement of Convertible Debentures with a coupon rate of 5.7% and face value of \$115 million. And in July 2007, we finalized the sale of our equity investment in Crown Life for \$86 million. Collectively these

funds were used to finance the Tendercare and several other acquisitions along with growth capital projects in the U.S.

As at December 31, 2007, our balance sheet remains strong with a Debt to Adjusted Gross Book Value of 43.8%, and less than 40% exclusive of the Convertible Debentures. The majority of our long-term debt is locked in at fixed rates to ensure predictable cash flows.

We are currently securing approximately \$90 million in CMHC insured long-term financing to fund the development of new facilities in Alberta and Ontario in 2008. And in the U.S. we are in the process of refinancing the Michigan portfolio to secure an additional US\$25 million in funds for growth capital expenditures planned in the state and general corporate purposes.

In terms of our REIT structure, the enactment of Bill C-52 in June 2007 resulted in Extendicare being classified as a SIFT. We were unsuccessful in our efforts to meet the eligibility requirements for the four-year transition period. Therefore, we became subject to the new SIFT tax retroactive to January 1, 2007. The SIFT tax rate is substantially equivalent to general corporate rates, in respect of the majority of income distributed to our unitholders. Upon our conversion to a REIT, we determined and reduced our 2006 distribution to reflect the potential for the SIFT tax in 2007, and therefore our distributions were not impacted after Bill C-52 was enacted. Subsequent announcements in December 2007 in terms of further clarification of the SIFT rules have not changed our tax status and will unlikely change, because we remain both an owner and operator of nursing facilities.

Q1 2008 Financial Highlights

Shortly before commencement of this meeting, we reported our first quarter results for 2008. The news release is posted on our website and we have copies available for you here. In summary, the strengthening of the Canadian dollar and a number of one-time items in both 2007 and 2008 impacted the comparability of the results between the two first quarters. For the 2008 first quarter we reported AFFO from continuing operations of \$19.0 million or \$0.27 per basic unit, which is equal to the AFFO reported in the 2007 first quarter after removal of non-recurring and one-time items. A full discussion of our results will be held in our scheduled conference call starting at 10:00 a.m. tomorrow morning.

Looking forward, our cash flows and distributions remain solid due to our well managed portfolio of assets.

Tim will now conclude with a look at our prospects for 2008 and beyond.

Positive Future Outlook

Timothy Lukenda –President and Chief Executive Officer

Thank you Doug,

As you have heard, Extendicare delivered solid results in 2007. The first quarter 2008 numbers, while not where we'd like them to be, provide opportunities to refocus our operations on our core strengths and get back-to-basics in a number of critical areas such as total census development and cost containment.

Looking ahead, demand for our services, especially those targeted at higher acuity residents in the U.S., continues to grow and is expected to accelerate in the coming years. The demographics are highly favourable.

In Canada, occupancies are high and demand for our services is also growing. In many communities, new long-term care facilities and home care services are the answer to reducing wait times and backlogs in hospitals.

With this in mind, we have four key strategies to sustain growth over the long term.

First, we will continue to focus on increasing the percentage of revenue from funding sources that pay higher reimbursement rates – specifically Medicare and managed care sources. This involves attracting more of these types of residents as well as achieving per patient day revenue rates at the higher end of the scale.

Second, we will continue to enrich Extendicare's asset portfolio through new development projects. Our current pipeline includes adding 1,500 beds in Canada and the U.S. over the next three years at a cost of \$215 million.

The third component of our strategy is to continue to look for opportunities to acquire quality properties. Through our rigorous selection process we will ensure that acquisition prices are justified by the expected return and that the acquisitions will be accretive to earnings in the near term.

Finally, we will continue to grow our ancillary businesses, which include VCPI and ProStep Rehabilitation. In addition, we are well positioned to increase our market share in the Canadian home health care segment, once the government re-opens the bidding process for new contracts.

Going forward, we've been asked what impact the global credit crisis will have on our business. Our answer is that while the volume of acquisition activity may be affected, we are confident we can secure financing for current projects, and that future credit will be available for projects with good cap rates. Having said that, we look forward to the return of normalcy to the credit markets.

In the meantime, the Board has determined that the current level of distributions is appropriate at this time. It is our belief that the growth opportunities outlined warrant a reinvestment of our cash to produce sustainable and growing returns over the long term. We do not believe that the

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*Remarks by: Tim Lukenda, President and Chief Executive Officer &
Doug Harris, Senior Vice President and Chief Financial Officer*

current unit price adequately reflects the underlying value despite above market current yields at the present distribution level. Management intends to work hard on your behalf to increase unitholder value.

In closing, the outlook is positive – demand for our services is growing, and we have proven strategies in place to grow organically and through acquisitions.

For our unitholders, that translates into a value proposition and upside growth opportunity.

I would like to acknowledge Phil Small for his contribution to Extendicare over the past seven years and for his gracious assistance during my transition into the role of CEO. I am very proud to be leading your organization into the future, and I am mindful of the many great leaders before me who have made Extendicare the leader in the senior care sector that it is today.

That concludes our formal presentation and at this time I would like to turn things back over to our Chairman.

Non-GAAP Measures

Extendicare 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 the REIT to make cash distributions; or (ii) certain ongoing rights and obligations of the REIT may be calculated using these measures. Such non-GAAP measures may differ from similar computations as reported by other issuers and, accordingly, may not be comparable to similarly titled measures as reported by such issuers. They are not intended to replace earnings (loss) from operations, net earnings (loss) for the period, cash flow, or other measures of financial performance and liquidity reported in accordance with Canadian GAAP. Reconciliations of these non-GAAP measures from net earnings and/or from cash provided by operations, where applicable, are provided in this press release. Detailed descriptions of these terms can be found in the disclosure documents filed by Extendicare REIT with the securities regulatory authorities, available at www.sedar.com and on the REIT’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 the REIT and its subsidiaries, including its business operations, business strategy, and financial condition. Forward-looking statements can be identified because they generally contain the words “expect”, “intend”, “anticipate”, “believe”, “estimate”, “plan” or “objective” or other similar expressions. Forward-looking statements reflect management’s beliefs and assumptions and are based on information currently available, and the 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 the REIT to differ materially from those expressed or implied in the statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on the REIT’s forward-looking statements. Further information can be found in the disclosure documents filed by Extendicare REIT with the securities regulatory authorities, available at www.sedar.com and on the REIT’s website at www.extendicare.com.