

Extendicare REIT Exiting Kentucky Market

MARKHAM, ONTARIO – Extendicare Real Estate Investment Trust (“Extendicare REIT” or “Extendicare”) (TSX: EXE.UN) today announced that its wholly owned subsidiary, Extendicare Health Services, Inc. (EHSI) has entered into an agreement to lease all 21 of its skilled nursing centers in the State of Kentucky (1,762 beds) to an experienced third-party long-term care operator based in Texas that operates through its affiliates in a number of other states. The lease is for a 10-year term with two 5-year extensions at the option of the operator. In addition, the operator has the option to purchase all of the centers during the term of the initial lease term. As a result of this transaction, EHSI will no longer operate skilled nursing centers in the Kentucky marketplace. The transfer of operations is subject to third-party approvals, including State licensure and is anticipated to occur in the third quarter of 2012.

“EHSI has operated within the State of Kentucky for over 35 years and as such, we did not arrive at this decision easily,” said Tim Lukenda, President and CEO of Extendicare REIT. “However, the combination of a worsening litigation environment and the lack of any likelihood of tort reform in the State of Kentucky has made this the prudent decision for our company and unitholders.”

For the six months ended March 31, 2012, following the October 2011 Medicare funding reductions, the 21 skilled nursing centers in Kentucky generated annualized revenue of US\$135.4 million and earnings from operations before interest, income taxes, depreciation, amortization, and accretion (EBITDA) of US\$17.5 million, including an allocation of US\$12.0 million in provisions made for self-insured liabilities. The operating lease transaction is anticipated to reduce Extendicare’s EBITDA by \$2.5 million and adjusted funds from operations, or AFFO, by \$1.3 million or \$0.015 per unit, on an annualized basis. The decision to exit the State of Kentucky is consistent with Extendicare’s continuing strategy for achieving ongoing performance improvements that involves the divestiture of operations that impede growth or create undue risk exposure.

ABOUT US

Extendicare 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 37,900 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 263 senior care centers in North America have capacity to care for approximately 28,200 residents. Following completion of the Kentucky lease transaction, Extendicare REIT will operate 242 senior care centers with capacity to care for approximately 26,400 residents. Extendicare REIT is a specified investment flow-through trust (SIFT) that has been subject to the SIFT tax since January 1, 2007.

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”, “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 Extencicare 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 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’s website at www.extencicare.com.

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