EXTENDICARE
REAL ESTATE INVESTMENT TRUST
3000 Steeles Avenue East, Markham, Ontario L3R 9W2
Tel: (905) 470-4000 Fax: (905) 470-5588

NEWS RELEASE

FOR IMMEDIATE RELEASE
May 8, 2012

Extendicare REIT Announces 2012 First Quarter Results

Declares May Distribution of $0.07 per unit

MARKHAM, ONTARIO – Extendicare Real Estate Investment Trust (“Extendicare REIT” or “Extendicare”) (TSX: EXE.UN) today reported results for the first quarter ended March 31, 2012. Results are presented in Canadian dollars unless otherwise noted.

HIGHLIGHTS

U.S. Debt Refinancing

- U.S. debt refinancing substantially completed with US$503.4 million closed at weighted average all-in rate of 4.34% and term of 33 years. Balance of US$8.9 million in loans anticipated to close by end of July 2012. Estimated annual interest savings of US$20 million.

Q1 Financial Results (variances exclude effect of foreign exchange)

- Revenue was $517.2 million, a $4.7 million decline over Q1 2011.
- Average daily revenue rates for Medicare Part A and Managed Care declined by 12.5% and 6.9%, respectively, this quarter from the Q3 2011 levels. In comparison to Q4 2011, average Medicare Part A rates declined by 1.6% and Managed Care rates increased by 0.1%.
- EBITDA was $49.4 million, a $9.1 million decline over Q1 2011, and a $1.0 million decline over Q4 2011 (adjusted for the $11.4 million increase in prior years’ reserves in Q4 2011).
- EBITDA margin of 9.5% compared to 11.2% in Q1 2011 and 9.7% (adjusted for reserves) in Q4 2011.
- AFFO from continuing operations was $27.1 million ($0.322 per basic unit) in Q1 2012 compared to $24.4 million ($0.294 per basic unit) in Q1 2011.
- Distributions in Q1 2012 totalled $17.7 million, or $0.21 per unit, representing 65% of AFFO for the same period.

“In spite of persisting weakness in the economy and a challenging U.S. regulatory and funding environment, Extendicare achieved operating and financial results in the first quarter of 2012 that were in line with our expectations. Following the impact of the 2011 CMS Final Rule, which resulted in an 11.1% reduction in Medicare funding to skilled nursing centers, the elimination of group therapy and changes in the assessment process, we successfully implemented a wide range of operational and organizational changes to improve efficiencies and lower our overhead costs. As a result, the annualized adverse impact to EBITDA has been held to approximately US$40 million,” said Tim Lukenda, President and CEO of Extendicare REIT.

“At the same time, we also reached a major milestone in the quarter with the substantial completion of the refinancing of approximately US$636 million of our U.S. debt with about US$512 in HUD-insured mortgages and US$124 million of cash on hand. This key undertaking is a critical part of our strategy to create greater financial flexibility and strengthen the balance sheet with low-cost, long-term financing. The estimated annualized interest savings resulting from the financing is US$20 million.”

“With the steps we have taken, I believe Extendicare is in good position to capitalize on its strengths and build for the future. During this period, we remain focused on our core business with an emphasis on the delivery of quality care and providing service to our customers in our centers located in communities across North America,” Lukenda concluded.

U.S. REFINANCING UPDATE

We have substantially completed our refinancing of approximately US$636 million of debt with approximately US$512 million in mortgages insured with the U.S. Department of Housing and Urban Development (HUD) and US$124 million of cash on hand. As at March 31, 2012, Extendicare Health Services, Inc. (EHSI) had closed on 66 HUD loans with a principal balance of US$497.7 million in connection with this refinancing. In addition, we received a commitment for and closed on one additional HUD loan totalling US$5.7 million in the first week of May 2012, at a rate of 4.15% (including mortgage insurance premiums). We anticipate obtaining and closing on the remaining three HUD commitments with total principal balances of US$8.9 million by the end of July 2012. Collectively, the weighted average all-in interest rate of the closed and committed loans is 4.34%, with an average term to maturity of about 33 years. The estimated annualized interest savings from the refinancing is US$20 million. As at March 31, 2012, EHSI had US$67.1 million of cash on hand and upon completion of the refinancing anticipates having US$20 million of cash, and approximately 50 unencumbered centers valued at an estimated US$250 million.

MEDICARE UPDATES

According to the American Health Care Association (the “AHCA”), the Centers for Medicare & Medicaid Services (CMS) does not plan on proposing policy changes affecting the skilled nursing center prospective payment system for the 2012-2013 year as it typically would at the end of April. Instead, CMS will be issuing a formal update notice on or before July 31, 2012, announcing the market basket update, along with the productivity adjustment. However, according to the AHCA, preliminary indications are for a 2.6% market basket increase that will be offset by a 0.8% productivity adjustment, resulting in a net 1.8% Medicare increase on October 1, 2012.

The 2011 CMS Final Rule that was effective October 1, 2011, included an 11.1% reduction in Medicare funding to skilled nursing centers along with the elimination of group therapy and changes in the assessment process. The impact of the 2011 CMS Final Rule was not fully realized in our 2011 fourth quarter results due to the transitional rules in place. Therefore, we experienced a further 1.6% decline in our average Medicare Part A rate this quarter from the 2011 fourth quarter levels. Our average daily revenue rates for Medicare Part A and Managed Care declined by 12.5% and 6.9%, respectively, this quarter from the 2011 third quarter levels. We estimate that the impact of these changes, prior to implementing cost saving measures, is a reduction of our revenue and EBITDA by approximately US$64 million on an annualized basis.

As of January 1, 2012, we had fully implemented measures to reduce our general, administrative and non-wage operating costs by an estimated US$24 million on an annualized basis, two-thirds of which had been in effect as of October 1, 2011. None of these cost saving measures involved a reduction of direct care staffing at our centers. Therefore, we estimate that the net negative effect of the 2011 CMS Final Rule on our EBITDA, partially offset by our cost saving initiatives, is approximately US$40 million on an annualized basis.

2012 FIRST QUARTER FINANCIAL REVIEW

TABLE 1	Q1	Q1	Q4
(millions of dollars unless otherwise noted)	**2012**	**2011**	**2011**
Revenue			
U.S. operations (US$)	**339.7**	354.6	342.2
U.S. operations (C$)	**340.0**	349.5	350.3
Canadian operations	**177.2**	167.1	181.5
Total Revenue	**517.2**	516.6	531.8
EBITDA [1]			
U.S. operations (US$)	**33.7**	44.4	24.1
U.S. operations (C$)	**33.8**	43.8	25.1
Canadian operations	**15.6**	14.2	15.0
Total EBITDA	**49.4**	58.0	40.1
EBITDA margin	**9.5%**	11.2%	7.5%
Average U.S./Canadian dollar exchange rate	**1.0011**	0.9856	1.0217

(1) Refer to discussion of non-GAAP measures.

2012 First Quarter Comparison to 2011 First Quarter

Consolidated revenue from continuing operations declined by $4.7 million, excluding a $5.3 million positive effect of a weaker Canadian dollar. New centers net of disposals (collectively “non same-facility operations”), resulted in higher revenue of $1.8 million between periods. Revenue from same-facility operations declined by $6.5 million, with improvements in Canadian operations of $6.2 million offset by the impact of the 2011 CMS Final Rule and lower census levels on the U.S. operations.

Revenue from U.S. operations declined by US$14.9 million to US$339.7 million in the 2012 first quarter compared to US$354.6 million in the 2011 first quarter. Non same-facility revenue was lower by US$2.2 million due to the disposal of a nursing center in the 2011 second quarter. Revenue from same-facility operations declined by US$12.7 million between periods primarily due to lower average Medicare and Managed Care rates and lower census levels, partially offset by higher average Medicaid and private/other rates and the extra day in 2012. Lower average Medicare Part A and Managed Care rates reduced our same-facility revenue by approximately US$14.5 million and was partially offset by higher average Medicaid and private/other rates of US$5.4 million, while lower census levels contributed US$8.7 million to the decline. Other revenue increases of US$5.1 million related primarily to the extra day in the quarter (US$3.5 million) and improvements in nursing ancillary revenue. Our same-facility average daily census (ADC) was lower by 104 this quarter, with a decline in Skilled Mix ADC of 230 and private/other ADC of 26, partially offset by an increase in Medicaid ADC of 152. Our same-facility Skilled Mix ADC represented 22.3% of residents this quarter compared to 23.8% in the 2011 first quarter.

Consolidated EBITDA from continuing operations declined by $9.1 million, excluding a $0.5 million positive effect of a weaker Canadian dollar, and was 9.5% of revenue this period compared to 11.2% in the 2011 first quarter. The adverse impact of the 2011 CMS Final Rule was partially offset by our cost cutting measures. In addition, during the 2012 first quarter we exercised our option to commute our reinsurance coverage for the 2008-2010 policy periods that provided us with a premium refund of $3.5 million this quarter, and our provision for unit appreciation rights was lower by $1.7 million between periods (a charge of $0.1 million this quarter compared to $1.8 million in the 2011 first quarter). A discussion of the segmented U.S. and Canadian operations follows.

EBITDA from U.S. operations declined by US$10.7 million to US$33.7 million in the 2012 first quarter from US$44.4 million in the 2011 first quarter, and represented 9.9% and 12.5% of revenue, respectively.

EBITDA from non same-facility operations was lower by US$0.2 million between periods. Excluding the US$3.5 million premium refund, same-facility operations declined by US$14.0 million, resulting from the decline in revenue of US$12.7 million and higher operating, administrative and lease costs of only US$1.3 million, despite the extra day in the quarter. Operating, administrative and lease costs were affected primarily by higher state provider taxes of US$2.1 million and labour-related costs of US$1.3 million, partially offset by net reductions in other costs of US$2.1 million.

EBITDA from Canadian operations improved by $1.4 million to $15.6 million this quarter from $14.2 million in the 2011 first quarter and represented 8.8% and 8.5% of revenue, respectively. Non same-facility operations contributed EBITDA of $1.0 million this quarter compared to $0.6 million in the 2011 first quarter, for a net improvement of $0.4 million between periods. Same-facility operations improved by $1.0 million resulting from higher revenue of $6.2 million partially offset by higher costs of $5.2 million, which included increased labour-related costs of $4.9 million.

2012 First Quarter Comparison to 2011 Fourth Quarter

In comparison to the 2011 fourth quarter, consolidated revenue from continuing operations in the 2012 first quarter declined by $7.0 million, excluding a $7.6 million negative effect of a stronger Canadian dollar. Declines were realized in both our U.S. and Canadian operations primarily due to one less day this quarter, the impact of the 2011 CMS Final Rule and the timing of recognition of funding in Canada under the Ontario flow-through envelope system, partially offset by improvements in U.S. census levels. A discussion of the segmented U.S. and Canadian operations follows.

Revenue from U.S. operations declined by US$2.5 million to US$339.7 million this quarter from US$342.2 million in the 2011 fourth quarter, of which approximately US$3.0 million was attributable to same-facility operations. Census level improvements of US$1.9 million and higher average Managed Care, Medicaid and private/other rates of US$1.5 million, were offset by the impact of one less day in the quarter of US$3.4 million, lower prior period settlement adjustments of US$1.1 million, lower average Medicare Part A rates of US$1.5 million and other revenue reductions of US$0.4 million. Our same-facility ADC was higher by 26 this quarter, with an increase in Skilled Mix ADC of 80 and Medicaid ADC of 36, partially offset by a decrease in private/other ADC of 90. Our same-facility Skilled Mix represented 22.3% of our residents this quarter compared to 21.8% in the 2011 fourth quarter.

Revenue from Canadian operations was $177.2 million this quarter compared to $181.5 million in the 2011 fourth quarter, representing a decline of $4.3 million. Revenue levels for our Canadian nursing home operations are generally at their lowest in the first quarter of the year as a result of the timing of recognition of funding to match spending under the Ontario flow-through envelope system. In addition, in comparison to the 2011 fourth quarter there is one less day this quarter. Revenue from nursing and assisted living center operations declined by $2.9 million of which $0.3 million resulted from non same-facility operations and $4.6 million was from same-facility operations, partially offset by a $2.0 million reversal of prior period revenue in the 2011 fourth quarter. Home health care revenue declined by $1.7 million primarily due to a 1% decline in daily volumes, lower average rates and the one less day in the quarter. Other revenue improved by $0.3 million.

Consolidated EBITDA from continuing operations in the 2012 first quarter improved by $10.4 million, excluding a $1.1 million negative effect of a stronger Canadian dollar. Excluding the $11.4 million (US$11.2 million) strengthening of prior years' reserves for self-insured liabilities in the 2011 fourth quarter, EBITDA declined by $1.0 million quarter over quarter. As a percentage of revenue, EBITDA was 9.5% this quarter compared to 7.5%, or 9.7% adjusted for reserves, in the 2011 fourth quarter. A discussion of the segmented U.S. and Canadian operations follows.

EBITDA from U.S. operations improved by US$9.6 million to US$33.7 million this quarter from US$24.1 million in the 2011 fourth quarter, and represented 9.9% and 7.0% of revenue, respectively. Excluding the increase in prior years' reserves of US$11.2 million in the 2011 fourth quarter and the US$3.5 million premium refund in the 2012 first quarter, EBITDA declined by US$5.1 million, of which US$5.6 million was from same-facility operations as a result of lower revenue of US$3.0 million and higher costs of US$2.6 million. Operating, administrative and lease costs included seasonal increases in payroll taxes of US$5.7 million and utility costs of US$0.7 million, which were partially offset by net cost reductions of US$3.8 million due in part to one less day in the quarter and our cost cutting measures.

EBITDA from Canadian operations improved by $0.6 million to $15.6 million this quarter from $15.0 million in the 2011 fourth quarter, and represented 8.8% and 8.3% of revenue, respectively. Non same-facility operations resulted in a decline in EBITDA of $0.7 million between periods. EBITDA from same-facility operations improved by $1.3 million and included a reversal of prior period revenue of $2.0 million in the 2011 fourth quarter, partially offset by a seasonal increase in utility costs of $0.8 million.

2012 EARNINGS (LOSS) FROM CONTINUING OPERATIONS

For the 2012 first quarter, Extendicare REIT reported earnings from continuing operations of $14.5 million compared to a loss of $9.6 million in the 2011 first quarter. The comparability of the earnings (loss) is impacted by fair value adjustments on convertible debentures and on the former Class B units of Extendicare Limited Partnership (the "Exchangeable LP Units"), as well as gains and losses on foreign exchange, financial instruments, asset impairment, disposal and other items. Such items are highlighted on the attached condensed consolidated earnings (loss) statement. Excluding these separately reported items the earnings from continuing operations were $9.9 million this quarter compared to $9.1 million in the 2011 first quarter. The previously discussed decline in consolidated EBITDA from continuing operations was offset by lower net interest costs and a lower provision for income taxes. Net interest costs were $5.3 million lower this quarter than in the 2011 first quarter primarily due to the refinancing of a substantial portion of our U.S. and Canadian long-term debt at lower rates, partially offset by interest costs on new long-term debt on our Alberta projects that were completed in 2011. With respect to our lower tax provision, the effective tax rate on earnings from continuing operations before separately reported items was 25.9% this quarter compared to 45.6% in the 2011 first quarter and was favourably impacted this quarter by a $1.4 million book-to-file adjustment and the recognition of the non-taxable premium refund of $3.5 million.

DISCONTINUED OPERATIONS

As previously announced, we finalized the sale of our U.S. group purchasing organization, or GPO, for cash proceeds of US$56.0 million effective January 1, 2012, which resulted in the recognition of an after-tax gain of US$34.1 million in the 2012 first quarter. The earnings of our U.S. GPO and the gain on sale have been classified as discontinued operations.

ADJUSTED FUNDS FROM OPERATIONS (AFFO)
AFFO from continuing operations was $27.1 million ($0.322 per basic unit) in the 2012 first quarter compared to $24.4 million ($0.294 per basic unit) in the 2011 first quarter, representing an improvement of $2.4 million, excluding a $0.3 million positive effect of a weaker Canadian dollar. The decline in EBITDA of $9.1 million, resulting primarily from the 2011 CMS Final Rule along with lower U.S. census, was offset by lower net interest costs and current income taxes. Excluding the impact of foreign exchange, net interest costs were lower by $4.9 million as a result of our debt refinancing. Current income taxes represented 10.6% of pre-tax funds from operations (FFO) this quarter compared to 31.2% in the 2011 first quarter, and were favourably impacted this quarter by a $1.4 million book-to-file adjustment, the recognition of the non-taxable premium refund of $3.5 million and changes in timing differences between the periods. As a result of these favourable items, we anticipate that our annual effective tax rate on FFO for the 2012 year will be in the range of 25% to 27%, down from previous expectations of 27% to 30%, with quarterly fluctuations due to estimates of timing differences and mix of earnings between jurisdictions.

In the 2011 fourth quarter, AFFO from continuing operations was $11.0 million ($0.131 per basic unit), or $22.4 million (0.268 per basic unit), excluding the strengthening of prior years' reserves for self-insured liabilities. In comparison, AFFO from continuing operations of $27.1 million this quarter improved by $5.1 million, excluding a $0.4 million negative effect of the stronger Canadian dollar. The decline in EBITDA of $1.0 million (after adjusting for the 2011 fourth quarter reserve) was offset by lower facility maintenance capital expenditures of $5.2 million, which are typically at their lowest in the first quarter and ramp up during the year, and by reduced interest costs of $2.4 million due to our debt refinancings.

Facility maintenance capital expenditures were $4.8 million in the 2012 first quarter, compared to $4.7 million in the 2011 first quarter and $10.1 million in the 2011 fourth quarter, representing 0.9%, 0.9% and 1.9% of revenue, respectively. These costs fluctuate on a quarterly basis with the timing of projects and seasonality. It is our intention to spend between 1.5% and 2.0% of revenue annually, which is consistent with our objective to maintain and upgrade our centers. We are expecting to spend up to approximately $38 million in facility maintenance capital expenditures and approximately $70 million in growth capital expenditures in 2012.

Distributions declared in the 2012 first quarter totalled $17.7 million, or $0.21 per unit, representing approximately 65% of total AFFO of $27.1 million compared to approximately 68% in the same 2011 period.

U.S. OPERATIONS KEY METRICS

Skilled Nursing Facility Revenue Rates
Our average daily Medicare Part A and Managed Care rates this quarter, excluding prior period settlement adjustments, were US$456.29 and US$426.07, respectively, and represented a decrease over the 2011 third quarter levels of 12.5% and 6.9%, respectively. In comparison to the 2011 first quarter levels, our average daily Medicare Part A and Managed Care rates decreased by 11.5% and 4.8%, respectively. In comparison to the 2011 fourth quarter levels, our average Medicare Part A rate declined by 1.6%, while our average Managed Care rate increased by 0.1%.

We had previously indicated that the impact of the 2011 CMS Final Rule was not fully reflected in the 2011 fourth quarter due to the transitional rules provided for in the changeover to the new assessment process, which led to the further 1.6% decline in our average Medicare Part A rates from the 2011 fourth quarter. The full impact is now reflected in our 2012 first quarter rates.

Our average daily Medicaid rate, excluding prior period settlement adjustments, increased this quarter by 2.7% to US$185.00 over US$180.20 in the 2011 first quarter, and by 0.1% from US$184.83 in the 2011 fourth quarter. However, revenue from Medicaid rate increases was partially offset by higher state provider taxes, resulting in a net increase of 1.9% this quarter in comparison to the 2011 first quarter.

Total and Skilled Census

We continue to be adversely affected by the U.S. economic recession that has reduced disposable income of individuals and resulted in a general restraint by the public on health care spending. Lower hospital census has resulted in fewer admissions and the implementation of MDS 3.0 and RUG-IV as of October 2010 also resulted in a small reduction in our average length of stay for short-term admissions. In addition, certain state Medicaid programs are attempting to divert potential admissions to assisted living centers and home care programs to reduce the strain on the state Medicaid budgets.

Our same-facility ADC of 14,077 in the 2012 first quarter was 104 below the 2011 first quarter level of 14,181 due to lower Skilled Mix ADC of 230 and lower private/other ADC of 26, partially offset by an increase in Medicaid ADC of 152. Our average same-facility occupancy was 85.9% this year compared to 86.3% in the 2011 first quarter.

Our Skilled Mix ADC represented 22.3% of our residents in the 2012 first quarter compared to 23.8% in the 2011 first quarter. In comparison to the 2011 fourth quarter, our Skilled Mix ADC improved by 50 basis points over 21.8%.

MAY 2012 DISTRIBUTION DECLARED

The Board today declared a cash distribution of $0.07 per unit for the month of May 2012, which is payable to unitholders of record at the close of business on May 31, 2012, and will be paid on June 15, 2012.

CONFERENCE CALL AND WEBCAST

On May 9, 2012, at 10:00 a.m. (ET), we will hold a conference call to discuss our 2012 first quarter results. The call will be webcast live and archived in the investors/presentations & webcasts section of our website at www.extendicare.com. Alternatively, the call-in number is 1-866-696-5910 or 416-340-2217, conference ID number 5201633#. A replay of the call will be available until midnight on May 25, 2012. To access the rebroadcast, dial 1-800-408-3053 or 905-694-9451, followed by the passcode 4341341#. Slides accompanying remarks during the call will be posted to our website as part of the live webcast. Also, a supplemental information package containing historical quarterly financial results and operating statistics can be found on the website under the investors/financial reports section.

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. Extendicare

REIT is a specified investment flow-through trust (SIFT) that has been subject to the SIFT tax since January 1, 2007.

Non-GAAP Measures

Extendicare REIT assesses and measures operating results and financial position based on performance measures referred to as "EBITDA", "earnings before separately reported gains/losses and distributions on Exchangeable LP Units", "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 Extendicare REIT to make cash distributions; or (ii) certain ongoing rights and obligations of Extendicare 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 Extendicare'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 Extendicare 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 Extendicare 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 Extendicare 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 Extendicare 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 Extendicare's website at www.extendicare.com.

For further information, contact:
Douglas J. Harris
Senior Vice President and Chief Financial Officer
Phone: (414) 908-8855; Fax: (905) 470-4003
Email: djharris@extendicare.com
Visit Extendicare's Website at www.extendicare.com

Extendicare REIT

Consolidated Statements of Earnings (Loss)

(in thousands of Canadian dollars)	**Three months ended March 31**	
	2012	**2011**
Revenue		
Nursing and assisted living centers		
United States	**330,105**	340,309
Canada	**133,920**	125,941
Home health − Canada	**41,484**	39,079
Health technology services − United States	**5,562**	4,382
Outpatient therapy − United States	**3,656**	3,337
Management, consulting and other services	**2,461**	3,505
Total revenue	**517,188**	516,553
Operating expenses	**448,790**	436,573
Administrative costs	**16,212**	19,274
Lease costs	**2,813**	2,742
Total expenses	**467,815**	458,589
EBITDA (1)	**49,373**	57,964
Depreciation and amortization	**19,355**	19,200
Loss from asset impairment, disposals and other items	**640**	569
Results from operating activities	**29,378**	38,195
Finance costs		
Interest expense	**16,839**	22,299
Interest income	**(722)**	(789)
Accretion costs	**531**	507
Distributions on Exchangeable LP Units	**-**	662
Fair value adjustments	**(4,987)**	18,588
Gain on foreign exchange and financial instruments	**-**	(1,036)
Net finance costs	**11,661**	40,231
Earnings (loss) before income taxes	**17,717**	(2,036)
Income tax expense (recovery)		
Current	**2,853**	9,385
Deferred	**388**	(1,860)
	3,241	7,525
Earnings (loss) from continuing operations	**14,476**	(9,561)
Discontinued operations	**34,530**	1,167
Net earnings (loss)	**49,006**	(8,394)
Earnings (loss) from continuing operations	**14,476**	(9,561)
Add (deduct):		
Fair value adjustment on convertible debentures, net of tax	**(4,987)**	8,033
Fair value adjustment on Exchangeable LP Units	**-**	10,555
Gain on foreign exchange and financial instruments, net of tax	**-**	(988)
Loss from asset impairment, disposals and other items, net of tax	**423**	417
Distributions on Exchangeable LP Units	**-**	662
Earnings from continuing operations before separately reported gains/losses and distributions on Exchangeable LP Units	**9,912**	9,118

(1) Refer to discussion of non-GAAP measures.

Extendicare REIT
Consolidated Statements of Financial Position

(in thousands of Canadian dollars, unless otherwise noted)	**March 31 2012**	**December 31 2011**
Assets		
Current assets		
Cash and short-term investments	**93,544**	80,018
Restricted cash	**23,622**	16,848
Accounts receivable, less allowance	**209,900**	222,707
Income taxes recoverable	**8,148**	8,223
Other current assets	**34,634**	32,279
Total current assets	**369,848**	360,075
Non-current assets		
Property and equipment, *including construction-in-progress of $20,768 and $18,770, respectively*	**1,167,876**	1,192,913
Goodwill and other intangible assets	**83,974**	87,269
Other assets	**170,742**	154,695
Deferred tax assets	**22,124**	35,752
Total non-current assets	**1,444,716**	1,470,629
Total Assets	**1,814,564**	1,830,704
Liabilities and Equity		
Current liabilities		
Accounts payable	**31,039**	42,241
Accrued liabilities	**217,664**	224,693
Accrual for self-insured liabilities	**25,062**	24,408
Current portion of long-term debt	**46,266**	192,698
Income taxes payable	**27,629**	10,519
Total current liabilities	**347,660**	494,559
Non-current liabilities		
Provisions	**26,169**	26,105
Accrual for self-insured liabilities	**54,048**	55,015
Long-term debt	**1,061,853**	941,742
Other long-term liabilities	**47,452**	49,638
Deferred tax liabilities	**198,973**	215,326
Total non-current liabilities	**1,388,495**	1,287,826
Total liabilities	**1,736,155**	1,782,385
Unitholders' equity	**78,409**	48,319
Total Liabilities and Equity	**1,814,564**	1,830,704
Closing US/Cdn. dollar exchange rate	***0.9975***	*1.0170*

Extendicare REIT
Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Three months ended March 31	
	2012	**2011**
Operating Activities		
Net earnings (loss)	**49,006**	(8,394)
Adjustments for:		
Depreciation and amortization	**19,355**	19,223
Provision for self-insured liabilities	**5,867**	5,815
Payments for self-insured liabilities	**(4,759)**	(9,404)
Deferred taxes	**286**	(1,860)
Current taxes	**24,183**	10,109
Loss from asset impairment, disposals and other items	**640**	569
Gain from asset impairment, disposals and other items from discontinued operations	**(55,759)**	-
Net finance costs	**11,661**	40,231
Interest capitalized	**(56)**	(36)
Other	**350**	177
	50,774	56,430
Net change in operating assets and liabilities		
Accounts receivable	**8,699**	2,487
Other current assets	**(2,782)**	(3,150)
Accounts payable and accrued liabilities	**(21,027)**	(6,171)
	35,664	49,596
Interest paid	**(12,683)**	(18,372)
Interest received	**676**	773
Income taxes paid	**(6,189)**	(3,033)
Net cash from operating activities	**17,468**	28,964
Investing Activities		
Purchase of property, equipment and software	**(9,459)**	(12,346)
Acquisition of nursing center, net of cash acquired	**-**	(7,299)
Net proceeds from dispositions	**56,323**	-
Other assets	**(3,496)**	113
Net cash from investing activities	**43,368**	(19,532)
Financing Activities		
Issue of long-term debt, excluding line of credit	**143,988**	13,301
Repayment of long-term debt, excluding line of credit	**(115,441)**	(10,105)
Issue on line of credit	**59,054**	7,382
Repayment on line of credit	**(95,094)**	(6,786)
Decrease (increase) in restricted cash	**(6,774)**	254
Decrease (increase) in investments held for self-insured liabilities	**(14,846)**	13,110
Distributions paid on REIT Units	**(14,024)**	(15,118)
Financing costs	**(3,058)**	(2,500)
Other	**(14)**	173
Net cash from financing activities	**(46,209)**	(289)
Increase in cash and cash equivalents	**14,627**	9,143
Cash and cash equivalents at beginning of period	**80,018**	267,759
Foreign exchange loss on cash held in foreign currency	**(1,101)**	(4,336)
Cash and cash equivalents at end of period	**93,544**	272,566

EXTENDICARE REIT
Financial and Operating Statistics

(amounts in Canadian dollars, unless otherwise noted)	Three months ended March 31	
	2012	**2011**
U.S. Skilled Nursing Center Statistics		
Percent of Revenue by Payor Source (same-facility basis, excluding prior period settlement adjustments)		
Medicare (Parts A and B)	**31.9 %**	36.7 %
Managed Care	**10.2**	10.3
Skilled mix	**42.1**	47.0
Private/other	**8.8**	8.1
Quality mix	**50.9**	55.1
Medicaid	**49.1**	44.9
	100.0	100.0
Average Daily Census by Payor Source (same-facility basis)		
Medicare	**2,283**	2,507
Managed Care	**861**	867
Skilled mix	**3,144**	3,374
Private/other	**1,365**	1,391
Quality mix	**4,509**	4,765
Medicaid	**9,568**	9,416
	14,077	14,181
Average Revenue per Resident Day by Payor Source (excluding prior period settlement adjustments) (US$)		
Medicare Part A only	**$ 456.29**	$ 515.49
Medicare (Parts A and B)	**504.91**	552.58
Managed Care	**426.07**	447.77
Private/other	**232.15**	221.07
Medicaid	**185.00**	180.20
Weighted average	**256.19**	266.40
Average Occupancy (excluding managed centers) (same-facility basis)		
U.S. skilled nursing centers	**85.9 %**	86.3 %
U.S. assisted living centers	**64.5**	68.2
Canadian centers	**97.5**	98.1
Purchase of Property, Equipment and Software *(thousands)*		
Growth expenditures	**$4,735**	$7,658
Facility maintenance	**4,780**	4,724
Deduct: capitalized interest	**(56)**	(36)
	$9,459	$12,346
Average US/Cdn. dollar exchange rate	***1.0011***	*0.9856*

EXTENDICARE REIT
Supplemental Information – FFO and AFFO

The following table provides a reconciliation of EBITDA to Funds from Operations (FFO), Distributable Income (DI) and Adjusted Funds from Operations (AFFO) for the periods ended March 31, 2012 and 2011. [1]

(in thousands of Canadian dollars unless otherwise noted)	**Three months ended March 31**	
	2012	**2011**
EBITDA from continuing operations	**49,373**	57,964
Depreciation for furniture, fixtures, equipment and computers	**(5,797)**	(5,877)
Accretion costs	**(531)**	(507)
Interest expense, net	**(16,117)**	(21,510)
	26,928	30,070
Current income tax expense [2]	**(2,862)**	(9,382)
FFO (continuing operations)	**24,066**	20,688
Amortization of financing costs	**1,370**	1,931
Principal portion of government capital funding payments	**690**	648
DI (continuing operations)	**26,126**	23,267
Additional maintenance capital expenditures [3]	**1,017**	1,153
AFFO (continuing operations)	**27,143**	24,420
AFFO (discontinued operations)	**-**	1,190
AFFO	**27,143**	25,610
Per Basic Unit ($) [4]		
FFO (continuing operations)	**0.285**	0.249
AFFO (continuing operations)	**0.322**	0.294
AFFO	**0.322**	0.308
Per Diluted Unit ($) [4]		
FFO (continuing operations)	**0.267**	0.236
AFFO (continuing operations)	**0.298**	0.274
AFFO	**0.298**	0.286
Distributions declared [4]	**17,729**	17,453
Distributions declared per unit ($)	**0.2100**	0.2100
Basic weighted average number of units *(thousands)* [4]	**84,347**	83,082
Diluted weighted average number of units *(thousands)* [4]	**98,358**	96,895

(1) measures under GAAP and do not have a standardized meaning prescribed by GAAP. Refer to the discussion of non-GAAP measures.

(2) Excludes current tax with respect to the loss (gain) from derivative financial instruments, foreign exchange, asset impairment, disposals and other items that are excluded from the computation of AFFO.

(3) Represents total facility maintenance capital expenditures less depreciation for furniture, fixtures, equipment and computers already deducted in determining DI.

(4) Per unit amounts, distributions declared and the number of units are based on the total of the REIT Units and Exchangeable LP Units.

Reconciliation of Cash Provided by Operating Activities to DI & AFFO	**Three months ended March 31**	
(in thousands of Canadian dollars)	**2012**	**2011**
Cash provided by operating activities	**17,468**	28,964
Add (Deduct):		
Net change in operating assets and liabilities, including interest and taxes	**(6,099)**	(3,355)
Current tax on fair value adjustments, gain/loss on foreign exchange, financial instruments, asset impairment, disposals and other items	**21,322**	3
Net provisions and payments for self-insured liabilities	**(1,108)**	3,589
Distributions on Exchangeable LP Units	**-**	662
Depreciation for furniture, fixtures, equipment and computers	**(5,797)**	(5,877)
Principal portion of government capital funding payments	**690**	648
Other	**(350)**	(177)
DI (total operations)	**26,126**	24,457
Additional maintenance capital expenditures	**1,017**	1,153
AFFO	**27,143**	25,610