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
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Extendicare REIT Announces 2011 Fourth Quarter and Year-end Results

MARKHAM, ONTARIO – Extendicare Real Estate Investment Trust ("Extendicare REIT" or "Extendicare") (TSX: EXE.UN) today reported results for the fourth quarter and year ended December 31, 2011. Results are presented in Canadian dollars unless otherwise noted.

HIGHLIGHTS

U.S. and Canadian Debt Refinancing

- Over 95% of U.S. debt refinancing, or US$497 million, closed and/or committed at weighted average all-in rate of 4.35% and term of 33 years. Balance of loans anticipated to close by end of June 2012. Estimated annual interest savings of US$20 million.
- Refinanced $72 million of 9.81% mortgages at weighted average rate of 2.8%, estimated interest annual savings of $5 million.

CMS Final Rule

- Revised annualized estimate of adverse impact to EBITDA of the 2011 CMS Final Rule, net of cost saving measures, to between US$40 million and US$50 million (down from US$50 million to US$56 million).
- Average daily revenue rates for Medicare Part A and Managed Care declined by 11.0% and 7.0%, respectively, in Q4 2011 from Q3 2011, resulting in Q4 reduced revenue of approximately US$15 million. In comparison to Q4 2010, average Medicare and Managed Care rates declined by 8.9% and 3.9%, respectively.

Q4 Financial Results

- Revenue was $531.8 million, a $1.2 million decline over Q4 2010, excluding the positive effect of foreign exchange.
- Results include adverse effect of strengthening of prior years' reserves for self-insured liabilities of an additional $11.4 million (US$11.2 million) in Q4 2011.
- EBITDA was $40.1 million, a $26.5 million decline over Q4 2010, excluding the positive effect of foreign exchange. EBITDA margin was 7.5% (or 9.7% excluding the reserve adjustment) in Q4 2011, compared to 12.4% in Q4 2010.
- AFFO was $12.4 million ($0.147 per basic unit) in Q4 2011 compared to $34.7 million ($0.421 per basic unit) in Q4 2010. Excluding the adjustment to prior years' reserves, AFFO was $23.8 million ($0.284 per basic unit) in Q4 2011.

2011 Financial Results

- Revenue was $2,094.1 million in 2011, a 2.6% increase over 2010, excluding the adverse effect of foreign exchange.
- EBITDA was $200.1 million in 2011, a $36.5 million decline over 2010, excluding the adverse effect of foreign exchange. Excluding an increase in prior years' reserves for self-insured liabilities, EBITDA declined by $5.8 million due to the 2011 CMS Final Rule, with a margin of 11.6% this year compared to 12.2% in 2010.

- AFFO was $69.8 million ($0.837 per basic unit) in 2011 compared to $110.7 million ($1.358 per basic unit) in 2010. Excluding the adjustment to prior years' reserves, AFFO was $112.6 million ($1.350 per basic unit) this year and $124.7 million ($1.530 per basic unit) in 2010.
- Distributions in 2011 totalled $70.1 million, or $0.84 per unit, representing 100% of AFFO for the same period.

Corporate Conversion Proposed

- The board of trustees of Extendicare REIT has unanimously recommended conversion to a corporate structure, subject to approval by unitholders at the May 2012 special meeting.

"In 2011, Extendicare delivered solid financial and operational results despite it being a particularly challenging year due to the impact of the 2011 CMS Final Rule and the need to strengthen our reserves for self-insured liabilities. We were successful at implementing a wide range of operational and organizational changes aimed at achieving our targeted savings well ahead of schedule, thereby lessening the impact of the Medicare changes," said Tim Lukenda, President and CEO of Extendicare REIT.

"Among our successes, the highlight of the year was clearly our achievement in refinancing our CMBS debt, which is now in the final stages of completion. This was a huge undertaking, the significance of which cannot be overstated in terms of its contribution to strengthening our balance sheet with low-cost, long-term financing. The estimated annualized interest savings from the refinancing is US$20 million."

"As a result of the initiatives taken during the year, Extendicare has been able to deliver an AFFO in 2011 which has supported our distributions of $0.84 per unit. Throughout this difficult period, our employees have done a tremendous job at staying focused on the task at hand and showing their unwavering commitment to our mission of delivering quality care to our customers while adjusting to the many challenges that we have had to face during the past year," he added.

U.S. REFINANCING UPDATE

We are in the final stages of refinancing approximately US$636 million of debt with approximately US$520 million in mortgages insured with the U.S. Department of Housing and Urban Development (HUD) and US$116 million of cash on hand. As at December 31, 2011, Extendicare Health Services, Inc. (EHSI) had closed on 49 HUD loans totalling US$370.2 million in connection with this refinancing. In February 2012, we paid off the remaining balance of US$109.9 million on our commercial mortgage backed securitization (CMBS) financing that was due in May 2012. As of February 29, 2012, of the 71 HUD-loan applications submitted totalling US$520 million, we have closed on 61 HUD loans with a principal balance of US$453.4 million. In addition, we have received commitments to close on a further five HUD loans totalling US$43.8 million, all of which are under rate lock agreements and are anticipated to close in the 2012 first quarter. Collectively, the weighted average interest rate of the closed and committed loans is 4.35%, with an average term to maturity of about 33 years. We anticipate obtaining and closing on the majority of the remaining five HUD commitments before the end of June 2012. The estimated annualized interest savings from the refinancing isUS$20 million. As at December 31, 2011, EHSI had US$53 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.

CANADIAN REFINANCING

In December 2011, the REIT's Canadian operations refinanced $72.3 million in mortgages secured by 20 centers insured by CMHC that were at fixed rates of 9.81% and due to mature in March 2013. The new debt consists of $36.1 million secured by nine centers at a fixed rate of 2.986% maturing in 2022, $22.9 million secured by nine centers at a fixed rate of 2.22% maturing in 2017, and a variable-rate bridge loan of $13.3 million secured by two centers due in June 2013, for which we are seeking to secure new CMHC certificates to replace the existing ones that mature in 2022. A prepayment penalty of approximately $7.5 million was recognized in the 2011 fourth quarter and included in "loss (gain) from asset impairment, disposals and other items". The estimated annualized interest savings from this refinancing is $5 million.

DIVESTITURE OF U.S. GROUP PURCHASING ORGANIZATION

As previously announced, EHSI reached an agreement at the end of 2011 to sell its U.S. group purchasing organization, or GPO, resulting in the reclassification of its earnings to discontinued operations for the 2011 and 2010 comparative periods. The transaction was finalized and closed in January 2012, for cash proceeds of US$56 million, and will result in an after-tax gain of approximately US$33 million in the 2012 first quarter.

CMS FINAL RULE AND OTHER MEDICARE UPDATES

The 2011 CMS Final Rule includes an 11.1% reduction in Medicare funding to skilled nursing centres along with the elimination of group therapy and changes in the assessment process. As previously announced, we estimated that the impact of these changes, prior to implementing cost saving measures, would reduce our revenue and EBITDA in the range of US$70 million to US$80 million. However, we estimate that the actual impact on our 2011 fourth quarter results has been approximately US$15 million. The adverse effect was not as much as anticipated due to the transitional rules that delayed the full implementation of the changes during the 2011 fourth quarter. In addition, we have taken measures to help mitigate the adverse effect of the elimination of group therapy and the assessment process changes, such as employing more therapists and improving productivity. Though we continue to assess the impact of the 2011 CMS Final Rule, our revised estimate of the negative effect on our revenue and EBITDA is in the range of US$64 million to US$74 million, prior to our cost saving measures.

Prior to October 1, 2011, we completed a thorough review of our operations and implemented a number of changes within our organization and secured vendor pricing concessions. These savings are anticipated to reduce our general, administrative and non-wage operating costs by an estimated US$24 million on an annualized basis, approximately two-thirds of which were in effect as of October 1, 2011, with the remainder fully in effect as of January 1, 2012. None of these cost saving measures involved a reduction of direct care staffing at our centers. Therefore, our revised estimate of the net negative effect of the 2011 CMS Final Rule on our EBITDA, partially offset by our cost saving initiatives, is in the range of US$40 million to US$50 million.

In the U.S., the Joint Select Committee on Deficit Reduction was unable to make a recommendation and U.S. Congress failed to pass legislation, and therefore a process of sequestration has been put in place, which will result in a 2% reduction in Medicare Part A rates. In addition, in February 2012, as part of a bill addressing the U.S. payroll tax cut and physician fee settlement, a bill was passed that will reduce the amount of reimbursable bad debt for dually eligible residents from 100% to 65% over a three-year period commencing in 2013. The estimated impact of this change for Extendicare REIT is US$2.5 million in 2013, increasing to US$7.3 million in 2015.

PROVISION FOR SELF-INSURED LIABILITIES

As is the case each year, we conducted a year-end actuarial review of our self-insured general and professional liabilities, the results of which indicated the necessity to further strengthen our prior years' reserves by US$11.2 million in the 2011 fourth quarter. In addition, we injected cash of US$8 million to our investments held for self-insured liabilities in February 2012. As previously reported, following completion of our third quarter actuarial review, we strengthened our prior years' reserves by US$32.1 million. The total adverse impact of these non-taxable reserves to our 2011 EBITDA, net earnings and AFFO was $42.8 million (US$43.3 million), or $0.51 per basic unit, of which $31.4 million (US$32.1 million), or $0.38 per basic unit, was recorded in the 2011 third quarter and the balance in the 2011 fourth quarter.

We believe that the steps we have taken during the past year, including a more proactive case evaluation and acceleration of the time to resolve existing claims, have improved our positioning relative to our exposures for pre-existing claims. As such, we believe we are adequately reserved for our current exposure on known and unknown claims as at December 31, 2011. As a result of our initiative to aggressively resolve and close our portfolio of pre-existing claims, we experienced an escalation in settlement activity in the last half of 2011, resulting in a modification of our actuarial projections. Based on current claims activity levels, we believe that our future exposure has been adequately addressed. Barring any significant adverse new developments, we do not anticipate the need to make further material adjustments to our reserves. Furthermore, we have undertaken a review of our portfolio with a strategy to divest of properties in geographic areas with a significantly higher than average loss experience or where other factors exist that have contributed to the need for unusual reserve adjustments.

Provisions for loss for our general and professional liability risks are based on the best information available to management, including independent actuarially determined estimates. The accrual for self-insured liabilities includes estimates of costs for both reported claims and for claims incurred but not reported. The increase in costs of defending and insuring against general and professional liability claims could have a material adverse effect on our business, operating results and financial condition.

CORPORATE CONVERSION

As previously announced on November 8, 2011, the Board unanimously approved the conversion of Extendicare REIT (the "Conversion") from an income trust structure to a corporate structure under a new corporation (New Extendicare) by way of a plan of arrangement. The Conversion, which is anticipated to be completed on July 1, 2012, requires two-thirds approval of the unitholders of the REIT (the "Unitholders") voting in person or by proxy at a special meeting of Unitholders to be held in conjunction with the annual meeting on May 8, 2012. The Board believes that the Conversion is in the best interests of the REIT and the Unitholders and recommends that the Unitholders vote in favour of it.

The REIT has been subject to SIFT tax since 2007 at tax rates comparable to the general corporate tax rate. Therefore, the Conversion itself will not impact the funds available for distribution by New Extendicare. The declaration and payment of dividends by New Extendicare will be subject to the discretion of the New Extendicare Board, as to the amount of and if and when a dividend is declared and paid, after consideration of the same factors that are currently taken into account by the REIT Board, which factors include results of operations, requirements for capital, future financial prospects and debt covenants, as well as other factors that may be considered to be relevant by the board. The REIT Board currently anticipates that the New Extendicare Board will declare its first monthly dividend in the month of July, 2012.

2011 FOURTH QUARTER FINANCIAL REVIEW

TABLE 1	Q4	Q4	Q3
(millions of dollars unless otherwise noted)	**2011**	**2010**	**2011**
Revenue			
U.S. operations (US$)	**342.2**	350.3	359.1
U.S. operations (C$)	**350.3**	354.8	352.2
Canadian operations	**181.5**	174.3	176.3
Total Revenue	**531.8**	529.1	528.5
EBITDA (1)			
U.S. operations (US$)	**24.1**	49.7	20.1
U.S. operations (C$)	**25.1**	50.5	19.8
Canadian operations	**15.0**	15.2	18.9
Total EBITDA	**40.1**	65.7	38.7
EBITDA margin	**7.5%**	12.4%	7.3%
Average US/Canadian dollar exchange rate	**1.0217**	1.0130	0.9807

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

2011 Fourth Quarter Comparison to 2010 Fourth Quarter

Consolidated revenue from continuing operations declined by $1.2 million, excluding a $3.9 million positive effect of a weaker Canadian dollar. New centers net of disposals (collectively “non same-facility operations”), resulted in higher revenue of $7.1 million between periods. Revenue from same-facility operations declined by $8.3 million, with improvements in Canadian operations of $2.4 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$8.1 million to US$342.2 million in the 2011 fourth quarter compared to US$350.3 million in the 2010 fourth quarter. Non same-facility revenue contributed revenue of US$2.1 million between quarters. Revenue from same-facility operations declined by US$10.2 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. We estimate that the adverse effect of the 2011 CMS Final Rule on our 2011 fourth quarter revenue was approximately US$15 million.

Consolidated EBITDA from continuing operations declined by $26.5 million, excluding a $0.9 million positive effect of a weaker Canadian dollar, and was 7.5% of revenue this period compared to 12.4% in the 2010 fourth quarter. Excluding an $11.5 million (US$11.2 million) increase this quarter in prior years’ reserves for self-insured liabilities, EBITDA declined by $15.0 million and represented 9.7% of revenue. A discussion of the segmented U.S. and Canadian operations follows.

EBITDA from U.S. operations declined by US$25.6 million to US$24.1 million in the 2011 fourth quarter from US$49.7 million in the 2010 fourth quarter, and represented 7.0% and 14.2% of revenue, respectively. Non same-facility operations contributed US$0.1 million to EBITDA this quarter compared to a loss of US$1.4 million in the 2010 fourth quarter, for a net increase of US$1.5 million between periods. Excluding the increase this quarter in prior years’ reserves of US$11.2 million, same-facility operations declined by US$15.9 million, resulting from the decline in revenue of US$10.2 million and higher costs, net of the cost saving initiatives, of US$5.7 million. Higher operating, administrative and lease costs of US$5.7 million were affected primarily by higher labour-related costs of US$4.4 million and other cost increases of US$1.3 million.

EBITDA from Canadian operations was $15.0 million this quarter compared to $15.2 million in the 2010 fourth quarter and represented 8.3% and 8.7% of revenue, respectively. Non same-facility operations contributed EBITDA of $2.7 million this quarter compared to $0.7 million in the 2010 fourth quarter, for a net improvement of $2.0 million between periods. Same-facility operations declined by $2.2 million and

was negatively impacted by prior period revenue adjustments of $3.0 million (a reversal of $2.0 million this quarter compared to $1.0 million received in the 2010 fourth quarter).

2011 Fourth Quarter Comparison to 2011 Third Quarter

In comparison to the 2011 third quarter, consolidated revenue from continuing operations in the fourth quarter declined by $11.3 million, excluding a $14.6 million positive effect of a weaker Canadian dollar. Revenue improvements from Canadian operations were offset by the impact of the 2011 CMS Final Rule and lower census in the U.S. operations, as discussed below.

Revenue from U.S. operations declined by US$16.9 million to US$342.2 million this quarter from US$359.1 million in the 2011 third quarter, of which approximately US$16.6 million was attributable to same-facility operations. The impact of lower average rates reduced our same-facility revenue by US$13.7 million, while lower census levels contributed US$2.3 million to the decline. We estimate that the adverse effect of the 2011 CMS Final Rule on our revenue for the 2011 fourth quarter was approximately US$15 million. Our same-facility ADC was lower by 62 this quarter, with a decline in Skilled Mix ADC of 43 and Medicaid ADC of 32, partially offset by an increase in private/other ADC of 13. Our Skilled Mix of residents declined to 21.6% of same-facility census this quarter from 21.8% in the 2011 third quarter.

Revenue from Canadian operations improved by $5.2 million this quarter to $181.5 million from $176.3 million in the 2011 third quarter. Revenue from nursing home operations increased by $4.2 million, and included a contribution of $2.1 million from non same-facility operations, partially offset by a reversal of prior period revenue of $2.0 million this quarter. Home health care revenue improved by $1.5 million primarily due to increased volumes, and other revenue decreased by $0.5 million between periods.

Consolidated EBITDA from continuing operations in the 2011 fourth quarter improved by $0.1 million, excluding a $1.3 million positive effect of a weaker Canadian dollar, and was 7.5% and 7.3% of revenue, respectively. Excluding the $20.4 million (US$11.2 million this quarter compared to US$32.1 million in the third quarter) change in prior years' reserves for self-insured liabilities, EBITDA declined by $20.3 million quarter over quarter, and represented 9.7% and 13.3% of revenue, respectively. A discussion of the segmented U.S. and Canadian operations follows.

EBITDA from U.S. operations improved by US$4.0 million to US$24.1 million this quarter from US$20.1 million in the 2011 third quarter, and represented 7.0% and 5.6% of revenue, respectively. Excluding the increase in prior years' reserves of US$11.2 million this quarter and US$32.1 million in the 2011 third quarter, EBITDA declined by US$16.9 million, of which US$16.5 million was from same-facility operations, resulting from lower revenue of US$16.6 million partially offset by lower costs of US$0.1 million as a result of the cost saving initiatives. Operating, administrative and lease costs benefited from lower labour-related costs of US$1.8 million and other net cost reductions of US$1.9 million, partially offset by a US$3.6 million vendor refund recorded in the 2011 third quarter. Labour-related costs included US$1.2 million of severance charges in the third quarter, partially offset by a US$0.9 million increase in the provision for UARs (a charge of US$0.1 million this quarter versus a credit of US$0.8 million in the third quarter).

EBITDA from Canadian operations declined by $3.9 million to $15.0 million this quarter from $18.9 million in the 2011 third quarter, and represented 8.3% and 10.7% of revenue, respectively. Non same-facility operations increased EBITDA by $1.1 million. While EBITDA from same-facility operations declined by $5.0 million and included a reversal of prior period revenue of $2.0 million, an increase in repairs and maintenance of $0.7 million, a seasonal increase in utilities of $0.5 million, and a higher provision for UARs of $0.7 million (a charge of $0.1 million this quarter compared to a credit of $0.6 million in the third quarter).

2011 FINANCIAL REVIEW

Consolidated revenue from continuing operations was $2,094.1 million this year compared to $2,097.4 million in 2010, and increased by $54.3 million, or 2.6%, excluding a $57.6 million negative effect of a stronger Canadian dollar. Revenue from non same-facility operations was higher by $5.9 million between years. Growth from same-facility operations of $48.4 million, or 2.4%, benefited from funding improvements, partially offset by the negative effect of the 2011 CMS Final Rule, lower U.S. census levels and prior period revenue. Same-facility revenue improvements from Canadian operations were $14.3 million and $34.1 million was from the U.S. operations.

Revenue from U.S. operations improved by US$18.3 million to US$1,411.1 million in 2011 compared to US$1,392.8 million in 2010. Non same-facility revenue was lower by US$14.8 million between years. Revenue from same-facility operations improved by US$33.1 million primarily due to the contribution from higher average nursing center rates of US$42.5 million, partially offset by lower census levels. Higher average rates reflected the October 2010 changes in Medicare funding for the implementation of MDS 3.0 and RUG-IV, inflationary increases, as well as higher average acuity levels of residents served, partially offset by the 2011 CMS Final Rule. We estimate that the adverse effect of the 2011 CMS Final Rule on our 2011 fourth quarter revenue was approximately US$15 million.

Consolidated EBITDA from continuing operations was $200.1 million this year compared to $242.1 million in 2010, and declined by $36.5 million, excluding a $5.5 million negative effect of a stronger Canadian dollar, and was 9.6% of revenue this year compared to 11.5% in 2010. Excluding the increase in prior years' reserves for self-insured liabilities of $30.7 million (US$43.3 million this year versus US$13.5 million in 2010), EBITDA was lower by $5.8 million and represented 11.6% of revenue this year and 12.2% of revenue in 2010. Non same-facility operations improved by $5.0 million and EBITDA from remaining same-facility operations declined by $10.8 million. A discussion of the segmented U.S. and Canadian operations follows.

TABLE 2	**Year ended December 31**	
(millions of dollars unless otherwise noted)	**2011**	**2010**
Revenue		
U.S. operations (US$)	**1,411.1**	1,392.8
U.S. operations (C$)	**1,395.8**	1,434.5
Canadian operations	**698.3**	662.9
Total Revenue	**2,094.1**	2,097.4
EBITDA [(1)]		
U.S. operations (US$)	**135.8**	169.8
U.S. operations (C$)	**134.4**	174.9
Canadian operations	**65.7**	67.2
Total EBITDA	**200.1**	242.1
EBITDA margin	**9.6%**	11.5%
Average US/Canadian dollar exchange rate	**0.9891**	1.0299

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

EBITDA from U.S. operations declined by US$34.0 million to US$135.8 million in 2011 from US$169.8 million in 2010, and was 9.6% and 12.2% of revenue, respectively. Non same-facility operations contributed US$1.2 million to EBITDA this year compared to a loss of US$0.5 million in 2010, for an improvement of US$1.7 million between years. Excluding the increase of US$29.8 million in prior years' reserves between years, EBITDA from same-facility operations declined by US$5.9 million, resulting from higher revenue of US$33.1 million offset by higher costs of US$39.0 million. Operating, administrative and lease costs were higher by US$39.0 million primarily due to higher labour-related costs of US$25.3 million and other cost increases, net of the cost saving initiatives, of US$13.7 million.

The increase in labour costs of US$25.3 million was primarily due to higher staffing levels attributable in part to the implementation of MDS 3.0 and RUG-IV and included a 0.7% average wage increase in nursing home operations. As well, payroll taxes were higher by US$4.5 million between years and we incurred severance charges of US$1.2 million, while the provision for UARs was lower at US$0.1 million this year compared to a charge of US$0.5 million last year. The other cost increases of US$13.7 million included higher state provider taxes of US$4.2 million that were implemented with increases in Medicaid revenue rates, along with increases in food, supplies, recruitment costs, utilities and travel. In addition to the impact of the 2011 CMS Final Rule, the lack of net Medicaid funding increases in 2010 and 2011 that would normally offset wage rate and non-wage inflationary increases has contributed to compression of our U.S. operating margin.

EBITDA from Canadian operations was $65.7 million in 2011 compared to $67.2 million in 2010, and represented 9.4% and 10.1% of revenue, respectively. Excluding the adverse impact of $6.3 million of prior period adjustments (unfavourable $2.0 million this year compared to a favourable $4.3 million recorded in 2010), EBITDA improved by $4.8 million, and represented 9.7% of revenue this year compared to 9.5% in 2010. Non same-facility operations contributed EBITDA of $6.6 million this year compared to $3.2 million in 2010, for a net improvement of $3.4 million between years. EBITDA from remaining same-facility operations improved by $1.4 million with improvements in nursing center and home health care operations, partially offset by a lower contribution from managed operations of approximately $1.6 million primarily due to the completion of contracts.

2011 EARNINGS (LOSS) FROM CONTINUING OPERATIONS

For the 2011 fourth quarter, Extendicare REIT reported a loss from continuing operations of $19.2 million compared to earnings of $27.2 million in the 2010 fourth quarter. The comparability of the earnings (loss) is impacted by fair value adjustments on convertible debentures and on the 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 statement. Excluding these separately reported items the earnings this quarter were $2.3 million compared to $11.3 million in the 2010 fourth quarter. In addition to the decline in consolidated EBITDA from continuing operations discussed previously, results were impacted by higher depreciation costs, partially offset by lower net interest costs and provision for income taxes.

For 2011, Extendicare REIT reported a loss from continuing operations of $35.3 million compared to earnings of $36.9 million in 2010. Earnings prior to separately reported items, as outlined on the attached condensed consolidated earnings statement, were $7.0 million in 2011 compared to $39.4 million in 2010. In addition to the decline in consolidated EBITDA discussed previously, earnings were impacted by higher net interest and depreciation costs. Net interest costs included a charge of $4.8 million related to the modification of our CMBS financing.

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

AFFO was $12.4 million ($0.147 per basic unit) in the 2011 fourth quarter compared to $34.7 million ($0.421 per basic unit) in the 2010 fourth quarter, representing a decline of $22.5 million, excluding a $0.2 million positive effect of a weaker Canadian dollar. Excluding the $11.5 million (US$11.2 million) change in prior years’ reserves for self-insured liabilities, AFFO was lower by $11.0 million, primarily due to a decline in EBITDA of $15.0 million as a result of the 2011 CMS Final Rule along with lower census.

In comparison to the 2011 third quarter, AFFO improved by $7.4 million this quarter from $4.5 million ($0.054 per basic unit), excluding a $0.5 million positive effect of the weaker Canadian dollar. Excluding the $20.4 million (US$20.9 million) change in prior years’ reserves for self-insured liabilities, AFFO was

lower by $13.0 million, primarily due to the decline in EBITDA of $20.3 million and increase in facility maintenance capital expenditures, partially offset by lower interest costs and current income taxes.

For 2011, AFFO of $69.8 million ($0.837 per basic unit) was lower by $38.9 million in comparison to 2010 of $110.7 million ($1.358 per basic unit), after excluding a $2.0 million negative effect of the stronger Canadian dollar. Excluding the $30.7 million (US$29.8 million) increase between periods in prior years' reserves for self-insured liabilities, AFFO declined by $8.2 million this year, primarily due to a decline in EBITDA of $5.8 million, an increase in current income taxes relative to the pre-tax earnings adjusted for the reserves, and increased facility maintenance capital expenditures, partially offset by lower net interest costs. The 2010 results included a current income tax recovery of $4.4 million (US$4.3 million) in connection with the acceleration of tax depreciation.

Facility maintenance capital expenditures were $10.1 million in the 2011 fourth quarter, compared to $11.7 million in the 2010 fourth quarter and $9.1 million in the 2011 third quarter, representing 1.9%, 2.2% and 1.7% of revenue, respectively. For 2011, facility maintenance capital expenditures were $31.0 million compared to $29.9 million in 2010, representing 1.5% and 1.4% 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 projecting 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 2011 totalled $70.1 million, or $0.84 per unit, representing approximately 100% of total AFFO of $69.8 million compared to approximately 62% in 2010. The 2011 payout ratio increased from the prior year due to the strengthening of our reserves for self-insured liabilities, along with the negative effect of the 2011 CMS Final Rule.

U.S. OPERATIONS KEY METRICS

Skilled Nursing Facility Revenue Rates

The average daily Medicare Part A rate for EHSI, excluding prior period settlement adjustments, increased by 7.2% in 2011 to US$503.75 from US$470.11 in 2010. However, the financial impact of the October 2010 implementation of MDS 3.0 and RUG-IV, followed by the 2011 CMS Final Rule, significantly impacted the average daily Medicare Part A rates in each of the quarters subsequent to October 1, 2010. Following the October 2010 funding changes that CMS stated were intended to be budget neutral, our average Medicare Part A rates increased by 12.7% for the first nine months of 2011 over the same 2010 period, or from US$458.01 in 2010 to US$516.23 in 2011. Following the implementation of the 2011 CMS Final Rule, our average Medicare Part A rates declined by 8.9% in the 2011 fourth quarter to US$463.89 from US$508.95 in the 2010 fourth quarter and decreased by 11.0% from the 2011 third quarter rate of US$521.24. The decline in our average Medicare Part A rates in the 2011 fourth quarter was not as much as anticipated due to the transitional rules provided for in the change over to the new assessment process.

The percentage of Medicare residents receiving therapy services declined to 86.3% in 2011 from 90.0% in 2010, and for the 2011 fourth quarter, was 85.7% compared to 84.6% in the 2010 fourth quarter. We believe the declines in therapy services experienced over 2010 were primarily due to the implementation of MDS 3.0 and RUG-IV, the result of more frequent assessments, the limitations on the look-back period and the elimination of billing for concurrent and group therapy services.

The average daily revenue rate for Managed Care clients, excluding prior period settlement adjustments, improved by 5.2% in 2011 to US$442.81 from US$421.11 in 2010. The CMS changes implemented in October 2010 and 2011 discussed above, likewise impacted the Managed Care rates as approximately 45% of our Managed Care residents have rates that are RUGs-based or partially aligned to the Medicare rates. Following the October 2010 funding changes, our average Managed Care rates increased by 8.3%

for the first nine months of 2011 over the same 2010 period, or from US$414.02 in 2010 to US$448.30 in 2011. Following the implementation of the 2011 CMS Final Rule, our average Managed Care rates declined by 3.9% to US$425.80 in the 2011 fourth quarter from US$442.88 in the 2010 fourth quarter and decreased by 7.0% from the 2011 third quarter of US$457.71. The decline in our average Managed Care rates in the 2011 fourth quarter was not as much as anticipated due to the transitional rules provided for in the change over to the new assessment process.

Our average daily Medicaid rate, excluding prior period settlement adjustments, increased by 1.2% in 2011 to US$182.49 over US$180.27 in 2010. For the 2011 fourth quarter, our average Medicaid rate increased by 1.8% to US$184.83 from US$181.58 in the 2010 fourth quarter and by 0.8% over the 2011 third quarter rate of US$183.42. However, revenue from the Medicaid rate increases was partially offset by higher state provider taxes, resulting in a net increase of 0.9% in 2011.

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.

We have implemented a number of short and longer term tactics, which take a more strategic approach to identifying and meeting the program and service needs of each community in which we are located. Included in these initiatives are the establishment of Active Life Transition Units (ALTUs) that are upgraded suites targeted to attract our short term rehab residents. We currently have 11 ALTUs and plan to continue to expand the number of centers with ALTUs within certain of our centers. As a result, we have been successful in sustaining our Skilled Mix census as a percentage of total ADC.

Our same-facility ADC of 13,990 in 2011 was 196 below the 2010 level of 14,186 due to lower Medicaid ADC of 112 and lower private/other ADC of 92, partially offset by an increase in Skilled Mix ADC of 8. Our Skilled Mix represented 22.5% of our residents in 2011 compared to 22.2% in 2010. Our average same-facility occupancy was 86.0% this year compared to 86.3% in 2010.

For the 2011 fourth quarter, our same-facility Skilled Mix ADC was 32 ADC below the same 2010 period, at 3,002 compared to 3,034, and was 43 ADC below the 2011 third quarter ADC of 3,045.

In terms of our total operations performance, which includes both newly built centers and recently disposed ones, our Skilled Mix of residents improved to 22.8% of total census in 2011 from 22.1% in 2010. For the 2011 fourth quarter it was 21.8%, up from 21.6% in the 2010 fourth quarter and down from 22.1% in the 2011 third quarter.

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 38,100 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 261 senior care centers in North America have capacity to care for approximately 28,100 residents. Extendicare REIT is a specified investment flow-through trust (SIFT) that has been subject to the SIFT tax since January 1, 2007.

CONFERENCE CALL AND WEBCAST

On March 1, 2012, at 10:00 a.m. (ET), we will hold a conference call to discuss our 2011 fourth quarter and year-end 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 March 16, 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.

REVISED BASIS OF PRESENTATION

The financial information presented herein has been prepared on the basis of IFRS and is expressed in Canadian dollars unless otherwise stated. Our unaudited interim financial statements for the three and twelve months ended December 31, 2010 have been restated to reflect our adoption of IFRS, with effect from January 1, 2010. Details of the impact of the transition to IFRS were provided in Extendicare REIT's unaudited interim report for the three months ended March 31, 2011.

In addition, as a result of the disposal of our U.S. group purchasing operations, their results have been reclassified to discontinued operations for the 2011 and 2010 comparative periods.

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 @ www.extendicare.com

Extendicare REIT

Consolidated Statements of Earnings (Loss)

(in thousands of Canadian dollars)	**Three months ended December 31**		**Twelve months ended December 31**	
	2011	**2010**	**2011**	**2010**
Revenue				
Nursing and assisted living centers				
United States	**338,819**	345,144	**1,355,289**	1,397,452
Canada	**136,776**	131,021	**525,831**	495,610
Home health – Canada	**43,207**	40,692	**165,030**	157,177
Health technology services – United States	**4,966**	4,555	**19,120**	17,205
Outpatient therapy – United States	**3,497**	3,299	**13,750**	12,603
Management, consulting and other services	**4,561**	4,391	**15,062**	17,369
Total revenue	**531,826**	529,102	**2,094,082**	2,097,416
Operating expenses	**471,552**	441,187	**1,813,792**	1,771,168
Administrative costs	**17,264**	19,490	**69,155**	72,630
Lease costs	**2,907**	2,760	**10,999**	11,548
Total expenses	**491,723**	463,437	**1,893,946**	1,855,346
EBITDA (1)	**40,103**	65,665	**200,136**	242,070
Depreciation and amortization	**19,587**	18,775	**76,577**	73,769
Loss (gain) from asset impairment, disposals and other items	**8,667**	(1,402)	**62,496**	2,948
Results from operating activities	**11,849**	48,292	**61,063**	165,353
Finance costs				
Interest expense	**20,417**	22,408	**89,634**	88,967
Interest income	**(656)**	(683)	**(4,322)**	(4,244)
Accretion costs	**520**	516	**2,029**	2,128
Distributions on Exchangeable LP Units	**216**	669	**2,179**	2,702
Fair value adjustments	**11,362**	(12,220)	**(6,023)**	4,649
Loss (gain) on foreign exchange and financial instruments	**115**	(1,397)	**(553)**	(3,280)
Net finance costs	**31,974**	9,293	**82,944**	90,922
Earnings (loss) before income taxes	**(20,125)**	38,999	**(21,881)**	74,431
Income tax expense (recovery)				
Current	**(541)**	1,112	**28,280**	34,320
Deferred	**(315)**	10,734	**(14,838)**	3,207
	(856)	11,846	**13,442**	37,527
Earnings (loss) from continuing operations	**(19,269)**	27,153	**(35,323)**	36,904
Discontinued operations	**1,372**	1,183	**4,927**	4,925
Net earnings (loss)	**(17,897)**	28,336	**(30,396)**	41,829
Earnings (loss) from continuing operations	**(19,269)**	27,153	**(35,323)**	36,904
Add (deduct):				
Fair value adjustment on convertible debentures, net of tax	**9,686**	(8,783)	**577**	5,435
Fair value adjustment on Exchangeable LP Units	**618**	(3,437)	**(6,600)**	(1,579)
Loss (gain) on foreign exchange and financial instruments, net of tax	**115**	(2,350)	**(655)**	(4,804)
Loss (gain) from asset impairment, disposals and other items, net of tax	**6,284**	(2,034)	**46,808**	720
Distributions on Exchangeable LP Units	**216**	669	**2,179**	2,702
Earnings from continuing operations before separately reported gains/losses and distributions on Exchangeable LP Units	**(2,350)**	11,218	**6,986**	39,378

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

Extendicare REIT
Consolidated Statements of Financial Position

(in thousands of Canadian dollars, unless otherwise noted)	**December 31 2011**	**December 31 2010**
Assets		
Current assets		
Cash and short-term investments	**80,018**	267,759
Restricted cash	**16,848**	10,095
Accounts receivable, less allowance	**222,707**	212,610
Income taxes recoverable	**8,223**	3,182
Other current assets	**32,279**	23,670
Total current assets	**360,075**	517,316
Non-current assets		
Property and equipment, *including construction-in-progress of $18,770 and $17,470, respectively*	**1,192,913**	1,206,656
Goodwill and other intangible assets	**87,269**	110,272
Other assets	**154,695**	126,200
Deferred tax assets	**35,752**	34,190
Total non-current assets	**1,470,629**	1,477,318
Total Assets	**1,830,704**	1,994,634
Liabilities and Equity		
Current liabilities		
Accounts payable	**42,241**	36,167
Accrued liabilities	**224,693**	230,113
Accrual for self-insured liabilities	**24,408**	16,013
Current portion of long-term debt	**192,698**	571,168
Income taxes payable	**10,519**	-
Exchangeable LP units	**-**	29,264
Total current liabilities	**494,559**	882,725
Non-current liabilities		
Provisions	**26,105**	29,848
Accrual for self-insured liabilities	**55,015**	30,535
Long-term debt	**941,742**	670,028
Other long-term liabilities	**49,638**	44,155
Deferred tax liabilities	**215,326**	224,349
Total non-current liabilities	**1,287,826**	998,915
Total liabilities	**1,782,385**	1,881,640
Unitholders' equity	**48,319**	112,994
Total Liabilities and Equity	**1,830,704**	1,994,634
Closing US/Cdn. dollar exchange rate	***1.0170***	*0.9946*

Extendicare REIT

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Three months ended December 31		Twelve months ended December 31	
	2011	**2010**	**2011**	**2010**
Operating Activities				
Net earnings (loss)	**(17,897)**	28,336	**(30,396)**	41,829
Adjustments for:				
Depreciation and amortization	**19,604**	18,798	**76,658**	73,877
Provision for self-insured liabilities	**16,105**	6,209	**65,266**	33,137
Payments for self-insured liabilities	**(9,110)**	(6,834)	**(35,103)**	(24,860)
Deferred taxes	**(315)**	10,733	**(14,838)**	3,206
Current taxes	**316**	1,859	**31,316**	37,419
Loss (gain) from asset impairment, disposals and other items	**8,667**	(1,402)	**62,496**	2,948
Net finance costs	**31,974**	9,294	**82,944**	90,923
Interest capitalized	**(35)**	(536)	**(195)**	(1,262)
Other	**99**	366	**399**	524
	49,408	66,823	**238,547**	257,741
Net change in operating assets and liabilities				
Accounts receivable	**(18,689)**	(12,529)	**(10,545)**	(10,588)
Other current assets	**(4,891)**	3,715	**(11,210)**	1,691
Accounts payable and accrued liabilities	**11,260**	8,704	**(4,525)**	(8,477)
	37,088	66,713	**212,267**	240,367
Interest paid	**(22,468)**	(24,776)	**(83,531)**	(85,797)
Interest received	**627**	640	**4,278**	4,214
Income taxes paid	**(7,508)**	(8,941)	**(26,235)**	(13,391)
	7,739	33,636	**106,779**	145,393
Investing Activities				
Purchase of property, equipment and software	**(20,624)**	(18,545)	**(64,308)**	(68,691)
Acquisition of nursing center, net of cash acquired	**-**	-	**(7,299)**	-
Net proceeds from dispositions	**-**	7,994	**4,805**	28,982
Other assets	**215**	(1,471)	**(1,104)**	(1,308)
	(20,409)	(12,022)	**(67,906)**	(41,017)
Financing Activities				
Issue of long-term debt, excluding line of credit	**107,537**	32,629	**402,327**	68,308
Repayment of long-term debt, excluding line of credit	**(227,999)**	(11,787)	**(551,250)**	(46,344)
Issue on line of credit	**40,809**	-	**81,195**	-
Repayment on line of credit	**(17,808)**	(6,849)	**(45,474)**	(6,849)
Decrease (increase) in restricted cash	**(6,209)**	8,581	**(6,753)**	12,266
Increase in investments held for self-insured liabilities	**(35,157)**	(19,238)	**(21,053)**	(5,139)
Distributions paid on REIT Units	**(13,778)**	(15,148)	**(58,375)**	(60,081)
Issue of units	**-**	-	**-**	82,212
Financing costs	**(11,892)**	(4,101)	**(28,315)**	(7,508)
Other	**(173)**	(681)	**455**	(726)
	(164,670)	(16,594)	**(227,243)**	36,139
Foreign exchange gain (loss) on cash held in foreign currency	**(8,235)**	(5,014)	**629**	(6,768)
Increase (decrease) in cash and cash equivalents	**(185,575)**	6	**(187,741)**	133,747
Cash and cash equivalents at beginning of period	**265,593**	267,753	**267,759**	134,012
Cash and cash equivalents at end of period	**80,018**	267,759	**80,018**	267,759

EXTENDICARE REIT
Financial and Operating Statistics

(amounts in Canadian dollars, unless otherwise noted)	**Three months ended December 31**		**Twelve months ended December 31**	
	2011	**2010**	**2011**	**2010**
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 %**	33.8 %	**34.6 %**	33.5 %
Managed Care	**9.7**	9.8	**10.0**	9.5
Skilled mix	**41.6**	43.6	**44.6**	43.0
Private/other	**9.0**	9.2	**8.5**	9.1
Quality mix	**50.6**	52.8	**53.1**	52.1
Medicaid	**49.4**	47.2	**46.9**	47.9
	100.0	100.0	**100.0**	100.0
Average Daily Census by Payor Source (same-facility basis)				
Medicare	**2,200**	2,228	**2,323**	2,333
Managed Care	**802**	806	**832**	814
Skilled mix	**3,002**	3,034	**3,155**	3,147
Private/other	**1,428**	1,519	**1,384**	1,476
Quality mix	**4,430**	4,553	**4,539**	4,623
Medicaid	**9,466**	9,525	**9,451**	9,563
	13,896	14,078	**13,990**	14,186
Average Revenue per Resident Day by Payor Source (excluding prior period settlement adjustments) (US$)				
Medicare Part A only	**$ 463.89**	$ 508.95	**$ 503.75**	$ 470.11
Medicare (Parts A and B)	**513.24**	554.94	**546.91**	514.96
Managed Care	**425.80**	442.88	**442.81**	421.11
Private/other	**224.17**	221.51	**224.91**	221.85
Medicaid	**184.83**	181.58	**182.49**	180.27
Weighted average	**255.46**	260.08	**263.56**	253.22
Average Occupancy (excluding managed centers) (same-facility basis)				
U.S. skilled nursing centers	**85.6 %**	85.9 %	**86.0 %**	86.3 %
U.S. assisted living centers	**66.2**	67.0	**67.4**	65.4
Canadian centers	**97.8**	98.4	**97.9**	98.3
Purchase of Property, Equipment and Software *(thousands)*				
Growth expenditures	**$10,566**	$7,417	**$33,528**	$39,991
Facility maintenance	**10,093**	11,664	**30,975**	29,962
Deduct: capitalized interest	**(35)**	(536)	**(195)**	(1,262)
	$20,624	$18,545	**$64,308**	$68,691
Average US/Cdn. dollar exchange rate	***1.0217***	*1.0130*	***0.9891***	*1.0299*

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 December 31, 2011 and 2010.[1]

(in thousands of Canadian dollars unless otherwise noted)	Three months ended December 31		Twelve months ended December 31	
	2011	**2010**	**2011**	**2010**
EBITDA from continuing operations	**40,103**	65,665	**200,136**	242,070
Depreciation for furniture, fixtures, equipment and computers	**(6,114)**	(5,698)	**(23,386)**	(22,437)
Accretion costs	**(520)**	(516)	**(2,029)**	(2,128)
Interest expense, net	**(19,761)**	(21,725)	**(85,312)**	(84,723)
	13,708	37,726	**89,409**	132,782
Current income tax expense [2]	**(1,841)**	(720)	**(30,981)**	(29,730)
FFO (continuing operations)	**11,867**	37,006	**58,428**	103,052
Amortization of financing costs	**2,495**	1,888	**11,405**	7,730
Principal portion of government capital funding payments	**646**	609	**2,595**	2,446
DI (continuing operations)	**15,008**	39,503	**72,428**	113,228
Additional maintenance capital expenditures [3]	**(3,979)**	(5,966)	**(7,589)**	(7,525)
AFFO (continuing operations)	**11,029**	33,537	**64,839**	105,703
AFFO (discontinued operations)	**1,389**	1,206	**5,008**	5,033
AFFO	**12,418**	34,743	**69,847**	110,736
Per Basic Unit ($) [4]				
FFO (continuing operations)	**0.142**	0.449	**0.701**	1.264
AFFO (continuing operations)	**0.131**	0.406	**0.777**	1.296
AFFO	**0.147**	0.421	**0.837**	1.358
Per Diluted Unit ($) [4]				
FFO (continuing operations)	**0.143**	0.406	**0.689**	1.166
AFFO (continuing operations)	**0.134**	0.369	**0.755**	1.194
AFFO	**0.148**	0.381	**0.806**	1.246
Distributions declared [4]	**17,630**	17,416	**70,101**	68,817
Distributions declared per unit ($)	**0.2100**	0.2100	**0.8400**	0.8400
Basic weighted average number of units *(thousands)* [4]	**83,869**	82,906	**83,408**	81,533
Diluted weighted average number of units *(thousands)* [4]	**97,682**	96,720	**97,205**	95,346

[1] "EBITDA", "funds from operations", "distributable income" and "adjusted funds from operations" are not recognized 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 December 31		Twelve months ended December 31	
(in thousands of Canadian dollars)	**2011**	**2010**	**2011**	**2010**
Cash provided by operating activities	**7,739**	33,636	**106,779**	145,393
Add (Deduct):				
Net change in operating assets and liabilities, including interest and taxes	**23,386**	10,842	**22,532**	(5,632)
Current tax on fair value adjustments, gain/loss on foreign exchange, financial instruments, asset impairment, disposals and other items	**(2,382)**	392	**(2,701)**	4,590
Net provisions and payments for self-insured liabilities	**(6,995)**	625	**(30,163)**	(8,277)
Distributions on Exchangeable LP Units	**216**	669	**2,179**	2,702
Depreciation for furniture, fixtures, equipment and computers	**(6,114)**	(5,698)	**(23,386)**	(22,437)
Principal portion of government capital funding payments	**646**	609	**2,595**	2,446
Other	**(99)**	(366)	**(399)**	(524)
DI	**16,397**	40,709	**77,436**	118,261
Additional maintenance capital expenditures	**(3,979)**	(5,966)	**(7,589)**	(7,525)
AFFO	**12,418**	34,743	**69,847**	110,736