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NEWS RELEASE

FOR IMMEDIATE RELEASE
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Extendicare REIT Announces 2011 First Quarter Results

Revenue and EBITDA Gains Driven by Operations Growth, Funding Improvements and Higher Medicare Census Levels

Declares June 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 three months ended March 31, 2011, in accordance with the newly adopted International Financial Reporting Standards (IFRS) for interim financial statements. Results are presented in Canadian dollars unless otherwise noted.

HIGHLIGHTS

- Revenue was $519.5 million in Q1 2011, a 2.3% increase over Q1 2010, excluding the adverse effect of foreign exchange.
- EBITDA was $59.9 million in Q1 2011, a 3.3% increase over Q1 2010, excluding the adverse effect of foreign exchange.
- EBITDA margin was 11.5% in Q1 2011, equal to Q1 2010.
- Average daily revenue rates for Medicare Part A and Managed Care grew by 13.0% and 10.1%, respectively, in Q1 2011 over Q1 2010.
- AFFO was $25.6 million ($0.308 per basic unit) in Q1 2011 compared to $24.7 million ($0.317 per basic unit) in Q1 2010.
- Distributions in Q1 2011 totalled $17.5 million, or $0.21 per unit, representing approximately 68% of AFFO for the same period.
- Cash distribution of $0.07 per unit declared for the month of June 2011.
- Cash on hand totalled $272.6 million at March 31, 2011.

"Extendicare achieved solid financial and operating results in the 2011 first quarter. Our strong performance was primarily due to growth from same-facility operations, improved government funding and higher Medicare census levels," said Tim Lukenda, President and CEO of Extendicare REIT. "The average daily Medicare Part A rate increased 13% as a result of changes to the Medicare reimbursement system introduced in the fourth quarter of 2010, along with our operational response to those changes, while the daily Managed Care rate improved by 10.1% over the 2010 first quarter."

"At the same time, we made significant progress towards the completion of the U.S. Department of Housing and Urban Development (HUD) refinancing during the quarter, locking in very advantageous rates on the first series of loans. The completion of this US$639 million refinancing will lower our costs of debt while bolstering our financial flexibility and further strengthening our balance sheet. The financing is set to be completed in stages, with the first closing anticipated by the end of June 2011 and the balance through to December 2011," he added.

"Despite recent funding announcements and the continuing uncertainty surrounding health care reform in the U.S., we maintain our focus on strengthening the fundamentals of our business. By enhancing the level of service we provide our customers and aligning ourselves with key referral partners, we will ensure that we are in position to capitalize on new opportunities to grow the business as they occur," Lukenda said.

2011 FIRST QUARTER FINANCIAL REVIEW

2011 First Quarter Comparison to 2010 First Quarter

Consolidated revenue increased by $12.3 million, or 2.3%, excluding the negative effect of the stronger Canadian dollar. Centers disposed of, or to be disposed, net of new centers (collectively "non same-facility operations"), resulted in lower revenue of $6.8 million between periods. Growth from same-facility operations of $19.1 million, or 3.8%, benefited from funding improvements and higher U.S. Medicare census levels, partially offset by lower Medicaid census and prior period revenue. However, the stronger Canadian dollar partially offset the underlying improvement in revenue, resulting in an overall decline of $7.1 million to $519.5 million in the 2011 first quarter from $526.6 million in the 2010 first quarter.

Consolidated EBITDA improved by $2.0 million, or 3.3%, excluding the negative effect of the stronger Canadian dollar, and as a percent of revenue was 11.5% in both periods. Growth in same-facility operations of $2.1 million resulted from improvements in U.S. operations of $4.0 million, partially offset by a decline of $1.9 million from Canadian operations, as discussed below.

TABLE 1	**Q1**	**Q1**	**Q4**
(millions of dollars unless otherwise noted)	**2011**	**2010**	**2010**
Revenue			
U.S. operations (US$)	**357.6**	352.1	353.2
U.S. operations (C$)	**352.5**	366.2	357.8
Canadian operations	**167.0**	160.4	174.3
Total Revenue	**519.5**	526.6	532.1
EBITDA [1]			
U.S. operations (US$)	**46.4**	42.8	51.6
U.S. operations (C$)	**45.7**	44.5	52.4
Canadian operations	**14.2**	15.9	15.2
Total EBITDA	**59.9**	60.4	67.6
EBITDA margin	**11.5%**	11.5%	12.7%
Average US/Canadian dollar exchange rate	**0.9856**	1.0400	1.0130

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

EBITDA from U.S. operations improved by US$3.6 million, or 8.4%, to US$46.4 million in the 2011 first quarter from US$42.8 million in the 2010 first quarter, and as a percent of revenue was 13.2% compared to 12.2%, respectively. Non same-facility operations contributed US$0.1 million to EBITDA this quarter compared to US$0.3 million in the 2010 first quarter, for a net decline of US$0.2 million between periods. Growth in same-facility operations of US$3.8 million, or 8.9%, resulted from higher revenue of US$16.5 million, partially offset by higher costs of US$12.7 million. Revenue improvements included a contribution from higher average rates of US$17.9 million and higher Medicare census levels, partially offset by lower Medicaid census levels. The average daily census (ADC) of our same-facility Skilled Mix improved by 108 ADC over the 2010 first quarter, improving our Skilled Mix to 23.6% from 22.6%. This improvement was partially offset by a decline in Medicaid ADC of 232, for a net decline in same-facility census of 175 ADC between quarters. Our average Medicare Part A rate improved by 13.0% over the 2010 first quarter, increasing revenue by US$13.0 million due to a combination of changes in funding and

in the mix of patients served. Operating and administrative costs were affected primarily by higher labour costs of US$8.6 million (which included a US$0.9 million increase in the accrual for unit appreciation rights), food, supplies and state provider taxes.

EBITDA from Canadian operations was $14.2 million this quarter compared to $15.9 million in the 2010 first quarter. Excluding the $2.1 million of prior period home health care funding received in the 2010 first quarter, EBITDA improved by $0.4 million this quarter. As a percent of revenue, EBITDA was 8.5% this quarter compared to 9.9% in the 2010 first quarter, or 8.7% adjusted for prior period funding. Non same-facility operations contributed EBITDA of $0.4 million this quarter compared to $0.2 million in the 2010 first quarter, for a net improvement of $0.2 million between periods. Remaining growth from same-facility operations of $0.2 million resulted from increased revenue of $4.0 million, partially offset by higher operating and administrative costs of $3.8 million, which included a $0.6 million increase in the accrual for unit appreciation rights.

2011 First Quarter Comparison to 2010 Fourth Quarter

In comparison to the 2010 fourth quarter, consolidated revenue in the first quarter declined by $2.8 million, excluding the negative effect of the stronger Canadian dollar. Approximately $5.7 million of this decline was from same-facility operations primarily due to the timing of recognition of funding under the Ontario flow-through envelopes, and two fewer days between quarters, partially offset by improved U.S. census levels and higher average funding rates.

Revenue from U.S. operations improved by US$4.4 million to US$357.6 million this quarter from US$353.2 million in the 2010 fourth quarter. Approximately US$2.4 million of this increase was from growth in same-facility operations, with improvements from higher census levels of US$7.8 million, higher average rates of US$1.8 million and favourable prior period revenue settlements of US$1.5 million, partially offset by two fewer days in the quarter of US$7.2 million and lower other revenue. The average daily census (ADC) of our same-facility Skilled Mix improved by 305 ADC over the 2010 fourth quarter, increasing our Skilled Mix to 23.6% from 21.5%. This improvement was partially offset by a decline in private/other ADC of 131 and Medicaid ADC of 117, for a net improvement in same-facility census of 57 ADC between quarters.

Revenue from Canadian operations declined by $7.3 million this quarter to $167.0 million from $174.3 million in the 2010 fourth quarter. Revenue from nursing home operations was lower by $5.1 million, and included a contribution of $0.8 million from non same-facility operations and an unfavourable variance of $1.0 million due to prior period funding received in the 2010 fourth quarter. Revenue from remaining nursing home operations declined by $4.9 million primarily due to timing of recognition of funding under the Ontario flow-through envelopes and two fewer days in the quarter. Home health care revenue was lower by $1.6 million due to a 0.5% reduction in daily volumes and two fewer days between the quarters.

Consolidated EBITDA declined by $6.3 million this quarter, excluding the negative effect of the stronger Canadian dollar. As a percent of revenue, EBITDA was 11.5% compared to 12.7% in the 2010 fourth quarter. EBITDA from U.S. operations was lower by $5.3 million, primarily due to higher labour costs, and EBITDA from Canadian operations was lower by $1.0 million, as discussed below.

EBITDA from U.S. operations declined by US$5.2 million to US$46.4 million this quarter from US$51.6 million in the 2010 fourth quarter. As a percent of revenue, EBITDA was 13.0% compared to 14.6% in the 2010 fourth quarter. EBITDA from same-facility operations declined by US$6.6 million, resulting from revenue improvements of US$2.4 million discussed above offset by higher operating and administrative costs of US$9.0 million. Labour-related costs increased by US$7.5 million due to a

seasonal increase in payroll taxes of US$6.1 million, a US$1.0 million increase in the accrual for unit appreciation rights and higher staffing levels, partially offset by two fewer days between quarters.

EBITDA from Canadian operations declined by $1.0 million to $14.2 million this quarter from $15.2 million in the 2010 fourth quarter. Improvements in operations were offset by the $1.0 million of prior period funding received in the 2010 fourth quarter, a $0.7 million increase in the accrual for unit appreciation rights, a seasonal increase in utility costs of $0.5 million, and two fewer days in the quarter.

2011 First Quarter Net Earnings (Loss)

The REIT reported a net loss of $8.4 million in the 2011 first quarter compared to net earnings of $5.4 million in the 2010 first quarter. The 2011 first quarter results reflected an after-tax and pre-tax loss on our derivative financial instruments and foreign exchange items of $17.6 million compared to an after-tax loss of $4.4 million (pre-tax loss of $5.9 million) in the same 2010 period. These related primarily to unrealized losses on fair valuing the Class B units of Extendicare Limited Partnership (the "Exchangeable LP Units") and the convertible debentures. In addition, the 2011 results included an after-tax loss of $0.4 million (pre-tax $0.6 million) related to the early prepayment penalty incurred on a closed Alberta center.

TABLE 2	**Three months ended March 31**	
Components of Net Earnings (Loss)	**2011**	**2010**
(thousands of dollars except per unit amounts)	**After -tax**	**After -tax**
Earnings before Undernoted [1]		
U.S. operations (US$)	**9,759**	8,389
U.S. operations (C$)	**9,618**	8,722
Canadian operations	**667**	1,800
	10,285	10,522
Loss on derivative financial instruments and foreign exchange, net of tax	**(17,600)**	(4,415)
Loss from asset impairment, disposals and other items, net of tax	**(417)**	–
Distributions on Exchangeable LP Units	**(662)**	(686)
Net earnings (loss)	**(8,394)**	5,421

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

Earnings prior to separately reported items, as outlined in Table 2 above, were $10.3 million in the 2011 first quarter compared to $10.5 million in the 2010 first quarter. The improvements in EBITDA previously discussed were offset by higher depreciation costs and $0.5 million due to the negative effect of the stronger Canadian dollar.

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

AFFO of $25.6 million ($0.308 per basic unit) in the 2011 first quarter improved by $0.9 million over AFFO of $24.7 million ($0.317 per basic unit) in the 2010 first quarter. Excluding the negative effect of the stronger Canadian dollar, AFFO improved by $2.1 million, primarily due to growth in EBITDA, a decline in current income taxes and lower facility maintenance capital expenditures due to the timing of spending.

In comparison to the 2010 fourth quarter, AFFO declined by $9.1 million this quarter from $34.7 million ($0.421 per basic unit). This was primarily due to the decline in EBITDA and favourable current income tax adjustments in the 2010 fourth quarter, partially offset by lower facility maintenance capital expenditures of $7.0 million between periods.

Our effective current tax rate on funds from operations (FFO) was 31.6% in the 2011 first quarter compared to 3.8% in the 2010 fourth quarter. The 2010 fourth quarter current income taxes were favourably impacted by an adjustment for the acceleration of tax depreciation of $4.4 million, as well as other favourable current tax adjustments that typically occur in the fourth quarter. While these items had little impact on our net earnings because they were offset by adjustments to deferred income taxes, the changes to current income taxes significantly affected our AFFO. As previously indicated, the effective tax rates on FFO can be impacted by: adjustments to our estimates of annual timing differences, particularly when dealing with cash-based tax items versus accruals; changes in earnings of our non-taxable entities; as well as from book-to-file adjustments for prior year filings. We anticipate that our normal annual effective tax rate on FFO will be in the range of 27% to 30%, with quarterly fluctuations due to estimates of timing differences and mix of earnings between jurisdictions.

Facility maintenance capital expenditures were $4.7 million in the 2011 first quarter, compared to $4.6 million in the 2010 first quarter and $11.7 million in the 2010 fourth quarter, representing 0.9%, 0.9% and 2.2% 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 approximately $39 million in facility maintenance capital expenditures and approximately $49 million in growth capital expenditures in 2011.

Distributions declared in the 2011 first quarter totalled $17.5 million, or $0.21 per unit, representing approximately 68% of AFFO of $25.6 million, unchanged from the payout ratio in the same 2010 period.

U.S. OPERATIONS KEY METRICS

Skilled Nursing Facility Revenue Rates

The average daily Medicare Part A rate for our wholly owned U.S. subsidiary, Extendicare Health Services, Inc. (EHSI), excluding prior period settlement adjustments, increased by 13.0% this quarter to US$515.49 from US$456.35 in the 2010 first quarter, and improved by 1.3% over the 2010 fourth quarter of US$508.95. The improvement over the 2010 first quarter resulted from changes to the Medicare reimbursement system that took effect October 1, 2010.

Our percentage of Medicare patients in the “high” to “ultra high” RUGs classifications increased to 80.2% in the 2011 first quarter from 78.4% in the 2010 first quarter and from 77.4% in the 2010 fourth quarter. The percentage of Medicare residents receiving therapy services declined to 86.7% this quarter as compared to 91.3% in the 2010 first quarter. However, this percentage improved from the 2010 fourth quarter of 84.6%. We believe the declines in therapy services experienced over the 2010 first quarter were primarily due to the implementation of MDS 3.0 and RUG-IV. Under the changes implemented on October 1, 2010, residents are assessed on a more frequent and in-depth basis with limitations on the look-back period and they are now classified into 66 RUGs categories (previously 53). In addition, the changes involved the elimination of billing for concurrent therapy services and for services provided by technicians.

EHSI's average daily Managed Care rate, excluding prior period settlement adjustments, improved by 10.1% to US$447.77 this quarter from US$406.85 in the 2010 first quarter, and increased by 1.1% over the 2010 fourth quarter of US$442.88. While changes in our average Managed Care rates are reflective of the type of clients served in any particular quarter, the increase we experienced over the 2010 first quarter was largely due to the changes in the implementation of MDS 3.0 and RUG-IV that favourably impacted RUGs-based Managed Care contract rates.

Our average daily Medicaid rate, excluding prior period settlement adjustments, increased marginally by 0.9% in the 2011 first quarter to US$180.20 from US$178.56 in the 2010 first quarter, and declined by 0.8% from US$181.58 in the 2010 fourth quarter.

Total and Skilled Census

In the first quarter, we experienced a slight increase in Skilled Mix from the 2010 first and fourth quarters. However, our total census declined from the 2010 first quarter. We continue to experience reduced admissions due to the slow pace of the economic recovery. We maintain a focus on aligning our clinical programs and services to meet the needs of every community in which we are located and upgrading our centers through capital expenditures to attract prospective customers.

Our same-facility Skilled Mix increased 108 ADC to 3,339 this quarter from 3,231 in the 2010 first quarter, and represented 23.6% of our resident mix, compared to 22.6% in the comparable 2010 period. In addition, the Skilled Mix rose by 305 ADC over the 2010 fourth quarter level of 3,034 ADC and a resident mix of 21.5%.

Despite the improvement in Skilled Mix, our same-facility ADC of 14,135 for the 2011 first quarter was 175 below the 2010 first quarter level of 14,310 due to lower Medicaid ADC of 232 and private/other ADC of 51. However, in comparison to the 2010 fourth quarter ADC of 14,078, our same-facility ADC improved by 57 this quarter, with the improvements in Skilled Mix, partially offset by lower Medicaid and private/other ADC.

In terms of our total operations performance, which includes both newly built centers and recently disposed ones, our Skilled Mix of residents improved to 23.8% this quarter, up from 22.4% in the 2010 first quarter and from 21.6% in the 2010 fourth quarter, reflecting success with our new centers.

UPDATE ON STATUS OF U.S. REFINANCING

As previously announced, EHSI is in the process of refinancing approximately US$639 million of its debt with US$563 million in mortgages insured by the U.S. Department of Housing and Urban Development (HUD) and cash on hand of US$76 million. The refinancing is to be completed in stages, with the first anticipated by the end of June 2011 and the balance through to December 2011. Assuming EHSI is able to secure an average interest rate of 4.9%, inclusive of mortgage insurance premium (MIP) fees, and reduce its debt by US$76 million, its interest costs will decline by an estimated US$14 million per annum. Upon completion of the refinancing, EHSI anticipates having 44 unencumbered centers with an approximate value of over US$300 million.

We have submitted 80 HUD-loan applications totalling US$563 million. On June 1, 2011, we paid off our Sovereign Term Loan of US$44.9 million using borrowings under our line of credit that will be repaid upon closing of the first phase of HUD loans, which is anticipated by the end of June. We anticipate that HUD will complete the processing of the balance of the loan applications in stages to enable the repayment of EHSI's commercial mortgage backed securitization (CMBS) financings beginning in September 2011 with final payment anticipated in December 2011.

As of June 7, 2011, EHSI has received commitments for 26 HUD loans totalling US$228.7 million, with rate lock agreements securing a weighted average interest rate (including MIP fees) of 4.54%, and a weighted average term of 32 years. In addition, EHSI has a forward rate lock agreement of 4.58% (including MIP fees) on $51.3 million worth of centers awaiting their loan commitments.

In May 2011, EHSI signed an agreement to modify its CMBS financing that matures in November 2011 (the "Loan Modification Agreement") for a fee of US$5.4 million. The Loan Modification Agreement extends the maturity date to May 2012 and, during the period between August 2011 and May 2012, allows EHSI to prepay in part and release properties from the CMBS financing without any prepayment yield maintenance payment. The Loan Modification Agreement enhances the ability to complete the closing of the 80 HUD mortgages in stages.

PROPOSED U.S. MEDICARE REIMBURSEMENT CHANGE EFFECTIVE OCTOBER 1, 2011

On April 28, 2011, CMS issued a proposed rule (the "Proposed Rule") which presents two options for updating the payment rates used under the prospective payment system for skilled nursing facilities to be effective October 1, 2011. The two options are as follows:

(i) a market basket update of 2.7% minus a productivity adjustment of 1.2%, for a net increase in payments of 1.5%; or

(ii) a market basket update, as outlined above, along with a "parity adjustment" that would reduce Medicare rates by 11.3%, along with further changes in the delivery of therapy services.

The proposed 11.3% Medicare funding reduction would essentially reverse the Medicare funding increase experienced with the implementation of MDS 3.0 and RUG-IV in October 2010. As well, changes in the delivery of therapy and assessment processes could adversely impact our earnings. The industry is lobbying vigorously to make CMS aware that the proposed changes do not take into consideration incremental costs incurred by operators in moving to the new assessment and RUGs system, nor the potential financial impact of the therapy and assessment changes.

CMS is expected to issue a final rule the end of July or early August, after considering comments from the industry. Management is reviewing these proposals; however, it is difficult to assess the potential impact on EHSI until the rules are finalized. We believe that efforts by the industry to explain the detrimental impact that such reductions will have on it will likely result in the implementation by CMS of a lesser reduction, which may be phased in over a period of time.

Extendicare REIT is accustomed to an evolving health care environment and believes it is well prepared to adapt to these and future changes.

OTHER DEVELOPMENTS

As previously disclosed, EHSI has received subpoenas from the U.S. Department of Health and Human Services (DHHS), Office of the Inspector General (OIG), relating to the possible submission of claims that may be in violation of the U.S. Social Security Act and to the provision of rehabilitation services. EHSI and its subsidiaries believe that they are in material compliance with the requirements imposed on them by the U.S. Social Security Act, and intend to furnish all requested information and to cooperate with the OIG in its investigations. The DHHS, OIG, CMS and other federal, state and provincial enforcement agencies may conduct additional investigations related to our business in the future that may, individually or in the aggregate, have a material adverse effect on the business or financial condition of the REIT.

Separately, the board of trustees of the REIT (the "Board of Trustees" or the "Board") has continued to review and consider strategic alternatives available and in particular recent developments in the U.S. that have resulted in the separation of the business operations and real estate, in most cases through a sale and lease-back (often referred to as an OpCo/PropCo structure). In view of the uncertain U.S. economic and political environment, and the material adverse tax consequences related to the reviewed alternatives, the Board considers such a transaction not to be a prudent option at this time. The Board of Trustees of the REIT is committed to creating value for its unitholders and will continue to review and monitor options for value creation.

Once CMS' Proposed Rule has been finalized and the funding for our U.S. health care centers is determined, the Board of Trustees will revisit the REIT's cash flow position and projected payout ratio to consider the advisability of any adjustments to the REIT's current distribution policy in the context of other potential value-enhancing opportunities for the REIT's unitholders.

JUNE 2011 DISTRIBUTION DECLARED

The Board of Trustees today declared a cash distribution of $0.07 per unit for the month of June 2011, which is payable to unitholders of record at the close of business on June 30, 2011, and will be paid on July 15, 2011.

Extendicare Limited Partnership also announced that it has declared a cash distribution of $0.07 per Class B limited partnership unit (the "Exchangeable LP Units") for the month of June 2011, which is payable to unitholders of record at the close of business on June 30, 2011, and will be paid on July 15, 2011.

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 37,600 individuals 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 259 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.

CONFERENCE CALL AND WEBCAST

On June 8, 2011, at 1:00 p.m. (ET), we will hold a conference call to discuss our results for the 2011 first quarter. 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 8863257#. A replay of the call will be available until midnight on June 24, 2011. To access the rebroadcast, dial 1-800-408-3053 or 905-694-9451, followed by the passcode 4844520#. 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 for interim financial statements and is expressed in Canadian dollars unless otherwise stated. Our unaudited interim financial statements for the three months ended March 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 will be provided in Extendicare REIT's unaudited interim report for the three months ended March 31, 2011, which is anticipated to be published close to the June 14, 2011 filing deadline. The following provides a summary of the significant items.

Property Plant and Equipment (PP&E) and Goodwill: We elected the "fair value as deemed cost" exemption to revalue land and buildings of selected nursing centers at fair value. All nursing centers were considered for revaluation, with the exception of nursing centers where we expect their economic life to be limited or centers where we do not expect significant improvements in future cash flows. The net increase to PP&E at January 1, 2010, resulting from our revaluation exercise was $380.4 million. In conjunction with the revaluation exercise related to PP&E, we completed the impairment tests under IFRS. As a result of the differences in impairment testing methodologies, the impairment relating to goodwill under IFRS was $75.8 million at January 1, 2010. The increase in PP&E resulted in an increase in depreciation and amortization costs of $2.4 million in the 2010 first quarter and $9.9 million for the year ended December 31, 2010.

Convertible Debt: The full amount, including the equity portion, of convertible debt is presented as a financial liability and remeasured to its fair value at each reporting date. The revaluation was a pre-tax loss of $5.5 million (after-tax loss of $3.3 million) at January 1, 2010. Subsequent changes in value are charged to net earnings as part of "gain (loss) on derivative financial instruments and foreign exchange", which amounted to a loss of $8.0 million in the 2011 first quarter ($5.8 million – 2010 first quarter) and a loss of $6.2 million for the year ended December 31, 2010.

Exchangeable LP Units: The class B limited partnership units of Extendicare Limited Partnership (the "Exchangeable LP Units") are presented as a financial liability under IFRS. As a result, they are remeasured to fair value at each reporting date and the distributions are presented as part of finance costs. The revaluation was a loss of $17.9 million at January 1, 2010. Subsequent changes in value are charged to net earnings as part of "gain (loss) on derivative financial instruments and foreign exchange", which amounted to a loss of $10.6 million in the 2011 first quarter ($3.4 million – 2010 first quarter) and a gain of $1.6 million for the year ended December 31, 2010. The revaluation gains or losses and the distributions are added back to earnings in arriving at FFO, DI and AFFO.

Non-GAAP Measures

Extendicare REIT assesses and measures operating results and financial position based on performance measures referred to as "EBITDA", "earnings before undernoted", "continuing health care operations before undernoted", "continuing operations before undernoted", "Distributable Income", "Funds from Operations", "Adjusted Funds from Operations" and "Adjusted Gross Book Value". These are not measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. These non-GAAP measures are presented in this document because either: (i) management believes that they are a relevant measure of the ability of 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.

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Extendicare REIT
Condensed Consolidated Earnings (Loss)

(in thousands of Canadian dollars)	**Three months ended March 31**	
	2011	**2010**
Revenue		
Nursing and assisted living centers		
United States	**340,309**	353,869
Canada	**125,941**	118,584
Home health − Canada	**39,079**	39,529
Health technology services − United States	**4,382**	4,146
Outpatient therapy − United States	**3,337**	2,936
Management, consulting and other services	**6,493**	7,516
Total revenue	**519,541**	526,580
Operating expenses	**437,636**	445,937
Administrative costs	**19,274**	16,977
Lease costs	**2,753**	3,260
Total expenses	**459,663**	466,174
EBITDA (1)	**59,878**	60,406
Depreciation and amortization	**19,223**	18,136
Loss from asset impairment, disposals and other items	**569**	-
Results from operating activities	**40,086**	42,270
Finance costs		
Interest expense	**22,299**	22,410
Interest income	**(789)**	(935)
Accretion costs	**507**	549
Distributions on Exchangeable LP Units	**662**	686
Loss on derivative financial instruments and foreign exchange	**17,552**	5,943
Net finance costs	**40,231**	28,653
Earnings (loss) before income taxes	**(145)**	13,617
Income tax expense		
Current	**10,109**	11,637
Deferred	**(1,860)**	(3,441)
	8,249	8,196
Net earnings (loss)	**(8,394)**	5,421

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

Extendicare REIT

Condensed Consolidated Statements of Financial Position

(in thousands of Canadian dollars, unless otherwise noted)	**March 31 2011**	**December 31 2010**	**January 1 2010**
Assets			
Current assets			
Cash and short-term investments	**272,566**	267,759	134,012
Restricted cash	**9,841**	10,095	22,361
Accounts receivable, less allowance	**202,999**	212,610	213,477
Income taxes recoverable	**4,328**	3,182	29,314
Other current assets	**27,314**	23,670	56,123
Total current assets	**517,048**	517,316	455,287
Non-current assets			
Property and equipment, *including construction-in-progress of $19,946, $17,470 and $41,956, respectively*	**1,185,176**	1,206,656	1,243,870
Goodwill and other intangible assets	**109,101**	110,272	115,680
Other assets	**113,400**	126,200	133,649
Deferred tax assets	**18,559**	19,190	24,900
Total non-current assets	**1,426,236**	1,462,318	1,518,099
Total Assets	**1,943,284**	1,979,634	1,973,386
Liabilities and Equity			
Current liabilities			
Accounts payable	**30,748**	36,167	38,372
Accrued liabilities	**226,979**	230,113	245,406
Accrual for self-insured liabilities	**15,650**	16,013	11,321
Current portion of long-term debt	**619,380**	571,168	30,126
Income taxes payable	**8,127**	-	-
Exchangeable LP units	**39,744**	29,264	-
Total current liabilities	**940,628**	882,725	325,225
Non-current liabilities			
Provisions	**29,794**	29,848	30,417
Accrual for self-insured liabilities	**26,665**	30,535	31,326
Long-term debt	**615,162**	670,028	1,219,330
Other long-term liabilities	**45,647**	44,155	72,830
Deferred tax liabilities	**202,441**	209,349	224,410
Total non-current liabilities	**919,709**	983,915	1,578,313
Total liabilities	**1,860,337**	1,866,640	1,903,538
Unitholders' equity	**82,947**	112,994	69,848
Total Liabilities and Equity	**1,943,284**	1,979,634	1,973,386
Closing US/Cdn. dollar exchange rate	***0.9696***	*0.9946*	*1.0510*

Extendicare REIT
Condensed Consolidated Cash Flows

(in thousands of Canadian dollars)	Three months ended March 31	
	2011	**2010**
Operating Activities		
Net earnings (loss)	**(8,394)**	5,421
Adjustments for:		
Depreciation and amortization	**19,223**	18,136
Provision for self-insured liabilities	**5,815**	5,491
Payments for self-insured liabilities	**(9,404)**	(3,123)
Deferred taxes	**(1,860)**	(3,441)
Current taxes	**10,109**	11,637
Loss from asset impairment, disposals and other items	**569**	-
Net finance costs	**40,231**	28,653
Interest capitalized	**(111)**	(236)
Other	**177**	45
	56,355	62,583
Net change in operating assets and liabilities		
Accounts receivable	**2,487**	(8,306)
Other current assets	**(3,150)**	(3,163)
Accounts payable and accrued liabilities	**(6,171)**	(5,643)
	49,521	45,471
Interest paid	**(18,372)**	(18,357)
Interest received	**773**	914
Income taxes paid	**(3,033)**	(2,386)
	28,889	25,642
Investing Activities		
Purchase of property, equipment and software	**(12,271)**	(15,966)
Acquisition of nursing centre, net of cash acquired	**(7,299)**	-
Other assets	**113**	(695)
	(19,457)	(16,661)
Financing Activities		
Issue of long-term debt, excluding line of credit	**13,301**	20,711
Repayment of long-term debt, excluding line of credit	**(10,105)**	(13,408)
Issue on line of credit	**7,382**	-
Repayment on line of credit	**(6,786)**	-
Decrease in restricted cash	**254**	-
Decrease in investments held for self-insured liabilities	**13,110**	328
Distributions paid on REIT Units	**(15,118)**	(14,432)
Issue of units	**-**	82,212
Financing costs	**(2,500)**	(264)
Other	**173**	-
	(289)	75,147
Foreign exchange loss on cash held in foreign currency	**(4,336)**	(2,248)
Increase in cash and cash equivalents	**4,807**	81,880
Cash and cash equivalents at beginning of period	**267,759**	134,012
Cash and cash equivalents at end of period	**272,566**	215,892

EXTENDICARE REIT
Financial and Operating Statistics

(amounts in Canadian dollars, unless otherwise noted)	Three months ended March 31	
	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)	**36.5 %**	33.5 %
Managed Care	**10.3**	9.5
Skilled mix	**46.8**	43.0
Private/other	**8.1**	9.0
Quality mix	**54.9**	52.0
Medicaid	**45.1**	48.0
	100.0	100.0
Average Daily Census by Payor Source (same-facility basis)		
Medicare	**2,476**	2,405
Managed Care	**863**	826
Skilled mix	**3,339**	3,231
Private/other	**1,388**	1,439
Quality mix	**4,727**	4,670
Medicaid	**9,408**	9,640
	14,135	14,310
Average Revenue per Resident Day by Payor Source (excluding prior period settlement adjustments) (US$)		
Medicare Part A only	**$ 515.49**	$ 456.35
Medicare (Parts A and B)	**552.58**	499.38
Managed Care	**447.77**	406.85
Private/other	**221.07**	224.42
Medicaid	**180.20**	178.56
Weighted average	**266.40**	249.71
Average Occupancy (excluding managed centers) (same-facility basis)		
U.S. skilled nursing centers	**86.6 %**	87.0 %
U.S. assisted living centers	**68.2**	64.6
Canadian centers	**97.8**	98.1
Purchase of Property, Equipment and Software *(thousands)*		
Growth expenditures	**$7,658**	$11,615
Facility maintenance	**4,724**	4,587
Deduct: capitalized interest	**(111)**	(236)
	$12,271	$15,966
Average U.S./Cdn. dollar exchange rate	***0.9856***	*1.0400*

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, 2011 and 2010.[1]

(in thousands of Canadian dollars unless otherwise noted)	**Three months ended March 31**	
	2011	**2010**
EBITDA	**59,878**	60,406
Depreciation for furniture, fixtures, equipment and computers	**(5,877)**	(5,453)
Accretion costs	**(507)**	(549)
Interest expense, net	**(21,510)**	(21,475)
	31,984	32,929
Current income tax expense [2]	**(10,106)**	(11,637)
FFO	**21,878**	21,292
Amortization of financing costs	**1,931**	1,934
Principal portion of government capital funding payments	**648**	611
DI	**24,457**	23,837
Additional maintenance capital expenditures [3]	**1,153**	866
AFFO	**25,610**	24,703
Per Basic Unit ($) [4]		
FFO	**0.263**	0.274
AFFO	**0.308**	0.317
Per Diluted Unit ($) [4]		
FFO	**0.248**	0.254
AFFO	**0.286**	0.291
Distributions declared [4]	**17,453**	16,673
Distributions declared per unit ($)	**0.2100**	0.2100
Basic weighted average number of units *(thousands)* [4]	**83,082**	77,839
Diluted weighted average number of units *(thousands)* [4]	**96,895**	91,652

[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 March 31**	
(in thousands of Canadian dollars)	**2011**	**2010**
Cash provided by operating activities	**28,889**	25,642
Add (Deduct):		
Net change in operating assets and liabilities, including interest and taxes	**(3,280)**	**4,764**
Current tax expense on gain or loss from derivative financial instruments, foreign exchange, asset impairment, disposals and other items	**3**	-
Net provisions and payments for self-insured liabilities	**3,589**	(2,368)
Distributions on Exchangeable LP Units	**662**	686
Depreciation for furniture, fixtures, equipment and computers	**(5,877)**	(5,453)
Principal portion of government capital funding payments	**648**	611
Other	**(177)**	(45)
DI	**24,457**	23,837
Additional maintenance capital expenditures	**1,153**	866
AFFO	**25,610**	24,703