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NEWS RELEASE

FOR IMMEDIATE RELEASE
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Extendicare REIT Announces 2010 Fourth Quarter and Year-end Results

Strong Quarterly Results Drives Solid Annual Financial and Operational Performance

MARKHAM, ONTARIO – Extendicare Real Estate Investment Trust ("Extendicare REIT" or the "REIT") (TSX: EXE.UN) today reported results for the fourth quarter and year ended December 31, 2010. Results are presented in Canadian dollars unless otherwise noted.

HIGHLIGHTS

- Revenue was $2,069.1 million in 2010, a 2.8% increase over 2009, excluding the adverse effect of foreign exchange. In Q4, revenue was $528.4 million, up $23.9 million or 4.6% over the same prior year period, excluding the negative effect of a stronger Canadian dollar.
- EBITDA was $248.6 million in 2010, a 1.0% increase over 2009, excluding the adverse effect of foreign exchange. In Q4, EBITDA improved by $11.4 million or 19.2% to $67.8 million over 2009, excluding the negative effect of a stronger Canadian dollar.
- EBITDA margins were 12.0% in 2010 (12.7% excluding the Q3 reserve adjustment) compared to 12.3% in 2009. EBITDA margins improved to 12.8% in Q4 2010 over 11.4% in Q4 2009.
- Average daily revenue rates for Medicare Part A and Managed Care grew by 3.9% and 1.6%, respectively, in 2010 over 2009, as well as growing by 12.0% and 5.9%, respectively, in Q4 2010 over Q4 2009.
- AFFO from continuing operations was $110.4 million ($1.354 per basic unit) in 2010 compared to $141.3 million (1.936 per basic unit) in 2009.
- Distributions in 2010 totalled $68.8 million, or $0.84 per unit, representing approximately 62% of AFFO from continuing operations for the same period.
- Cash on hand totalled $267.8 million at December 31, 2010.

"In the fourth quarter, Extendicare REIT delivered strong financial and operating results on the strength of higher-than-anticipated Medicare rates that reflected the U.S. government's increased commitment to meet the higher costs of care in skilled nursing homes, together with our continued emphasis on diligent operational management," said Tim Lukenda, President and CEO of Extendicare REIT. "As a result of our sound fourth quarter performance, the REIT achieved solid, stable results for the 2010 year, allowing us to maintain a market leadership position in the long-term care sector and continue our commitment to providing quality services and care to our residents. Our year-end results were solid in spite of the charge of US$13.5 million taken in the third quarter to strengthen our reserves for self-insured general and professional liabilities with respect to pre-2009 claims," he added.

"In a year of significant uncertainty created by health care reform in the U.S. and the continuing economic weakness across North America, I am proud of the way our team has managed the many challenging issues in our industry and remained true to our business strategy and execution of our game plan. We continue to monitor these challenges in order to take advantage of the opportunities they present to grow our business," Lukenda said.

2010 FINANCIAL REVIEW

Consolidated revenue increased by $60.7 million or 2.8%, excluding the negative effect of the stronger Canadian dollar. Approximately $34.3 million of the increase was due to a 1.6% growth in same-facility operations as a result of funding improvements, including approximately $6.0 million of prior period funding settlements, partially offset by lower U.S. census levels. However, the negative effect of the stronger Canadian dollar offset the underlying improvement in revenue, resulting in an overall decline of $92.4 million to $2,069.1 million in 2010 from $2,161.5 million in 2009.

Consolidated EBITDA improved by $2.6 million, or 1.0%, excluding the negative effect of the stronger Canadian dollar, and as a percent of revenue was 12.0% in 2010 compared to 12.3% in 2009. Excluding an $11.8 million increase (US$13.5 million this year compared to US$3.2 million in 2009) in prior years' reserves for self-insured liabilities, EBITDA improved by $14.4 million and included $3.2 million from new centers. Remaining same-facility operations improved by $11.2 million, primarily due to favourable prior period adjustments between periods of $7.7 million and funding improvements, partially offset by higher operating and administrative costs, lower U.S. census levels and lower home health care volumes. The negative effect of the stronger Canadian dollar of $19.7 million contributed to the overall decline of $17.1 million in total EBITDA of $248.6 million in 2010 compared to $265.7 million in 2009.

TABLE 1	**Year ended December 31**	
(millions of dollars unless otherwise noted)	**2010**	**2009**
Revenue		
U.S. operations (US$)	**1,365.4**	1,329.8
U.S. operations (C$)	**1,406.2**	1,518.6
Canadian operations	**662.9**	642.9
Total Revenue	**2,069.1**	2,161.5
EBITDA [(1)]		
U.S. operations (US$)	**176.3**	175.7
U.S. operations (C$)	**181.5**	200.7
Canadian operations	**67.1**	65.0
Total EBITDA	**248.6**	265.7
EBITDA margin	**12.0%**	12.3%
Average US/Canadian dollar exchange rate	**1.0299**	1.1420

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

EBITDA from U.S. operations was US$176.3 million in 2010 compared to US$175.7 million in 2009, and as a percent of revenue was 12.9% and 13.2%, respectively. Excluding the US$10.3 million increase in 2010 over 2009 in prior years' reserves for self-insured liabilities, EBITDA improved by US$10.9 million, with newly opened centers contributing US$2.2 million of the improvement between years. Remaining same-facility operations grew by US$8.7 million as a result of the following: US$3.4 million of prior period funding settlements (US$5.0 million in 2010 compared to US$1.6 million in 2009); improved RUGs mix, Medicaid, Medicare and private-pay revenue rates and cost controls, partially offset by lower census.

EBITDA from Canadian operations improved by $2.1 million, or 3.2%, to $67.1 million in 2010 from $65.0 million in 2009, and as a percent of revenue was 10.1% for both years. The improvement in EBITDA was primarily due to a $3.8 million increase in prior period adjustments between periods ($4.3 million in 2010 compared to $0.5 million in 2009) and $0.7 million from the Red Deer, Alberta center that opened in September 2010. Remaining operations declined by $2.4 million, with funding

enhancements offset by higher operating and administrative costs, which included severance costs of approximately $0.9 million, and lower home health care volumes.

2010 Earnings from Continuing Operations

Earnings from continuing operations in 2010 were $52.8 million ($0.65 per diluted unit) compared to $80.1 million ($1.05 per diluted unit) in 2009. The 2010 results reflected an after-tax gain on our derivative financial instruments and foreign exchange items of $4.8 million (pre-tax $3.3 million), compared to $20.7 million (pre-tax $20.2 million) in 2009.

Earnings from continuing operations prior to separately reported items, as outlined in Table 2 below, declined by $11.1 million ($0.22 per diluted unit) to $48.0 million ($0.59 per diluted unit) in 2010 from $59.1 million ($0.81 per diluted unit) in 2009. Excluding a $4.3 million negative effect of the stronger Canadian dollar and the $11.8 million (US$10.3 million) increase between periods in prior years' reserves for self-insured liabilities in our non-taxable captive insurance company, earnings improved by $5.0 million. This improvement resulted from the previously discussed growth in EBITDA, partially offset by higher depreciation and financing costs associated with capital expenditures.

TABLE 2	**Twelve months ended December 31**			
Components of Earnings from Continuing Operations [1]	**2010**		**2009**	
(thousands of dollars except per unit amounts)	**After -tax**	**Per diluted unit**	**After -tax**	**Per diluted unit**
Continuing Operations before Undernoted [1]				
U.S. operations (US$)	**38,337**		42,493	
U.S. operations (C$)	**39,483**		48,521	
Canadian operations	**8,504**		10,644	
	47,987	**$0.59**	59,165	$0.81
Gain on derivative financial instruments and foreign exchange	**4,804**	**0.06**	20,742	0.24
Gain from asset impairment, disposals, financing and other items	**19**	**–**	252	–
Earnings from continuing operations	**52,810**	**$0.65**	80,159	$1.05

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

2010 FOURTH QUARTER FINANCIAL REVIEW

2010 Fourth Quarter Comparison to 2009 Fourth Quarter

Consolidated revenue increased by $23.9 million, or 4.6%, excluding the negative effect of the stronger Canadian dollar. Approximately $14.3 million of the increase was due to a 2.8% growth in same-facility operations as a result of funding improvements, partially offset by lower U.S. census levels. However, the stronger Canadian dollar partially offset the underlying improvement in revenue, resulting in an increase of only $7.4 million, or 1.4%, to $528.4 million in the 2010 fourth quarter from $521.0 million in the 2009 fourth quarter.

Consolidated EBITDA improved by $11.4 million, or 19.2%, excluding the negative effect of the stronger Canadian dollar, and as a percent of revenue grew to 12.8% in the 2010 fourth quarter from 11.4% in the 2009 fourth quarter. Approximately $10.6 million of the increase was due to a 17.6% growth in same-facility operations, with improvement from U.S. operations of $12.8 million, partially offset by a decline of $2.2 million from Canadian operations, as discussed below.

EBITDA from U.S. operations improved by US$11.7 million, or 29.2%, to US$51.8 million in the 2010 fourth quarter from US$40.1 million in the 2009 fourth quarter, and as a percent of revenue was 14.8% compared to 12.0%, respectively. Approximately US$11.0 million of this increase was from a 27.0%

growth in same-facility operations, as a result of higher revenue of US$10.5 million and lower costs of US$0.5 million. Revenue improvements included a contribution from higher average rates of US$16.8 million, partially offset by lower census levels. Our average Medicare Part A rate improved by 12.0% over the 2009 fourth quarter, increasing revenue by US$10.7 million due to a combination of changes in funding and in the mix of patients served. Operating and administrative costs were affected by cost controls, particularly lower drug, food and supply costs.

EBITDA from Canadian operations was $15.2 million this quarter, $2.2 million lower than the $17.4 million in the 2009 fourth quarter, and as a percent of revenue was 8.7% and 10.4%, respectively. EBITDA was favourably affected by prior period revenue in this quarter of $1.0 million and funding enhancements, which were offset by higher operating and administrative costs, including severance costs of $0.9 million, and lower home health care volumes.

TABLE 3	**Q4**	**Q4**	**Q3**
(millions of dollars unless otherwise noted)	**2010**	**2009**	**2010**
Revenue			
U.S. operations (US$)	**349.5**	334.2	340.0
U.S. operations (C$)	**354.1**	353.7	353.2
Canadian operations	**174.3**	167.3	164.3
Total Revenue	**528.4**	521.0	517.5
EBITDA [(1)]			
U.S. operations (US$)	**51.8**	40.1	32.4
U.S. operations (C$)	**52.6**	42.0	33.6
Canadian operations	**15.2**	17.4	17.8
Total EBITDA	**67.8**	59.4	51.4
EBITDA margin	**12.8%**	11.4%	9.9%
Average US/Canadian dollar exchange rate	**1.0130**	1.0586	1.0391

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

2010 Fourth Quarter Comparison to 2010 Third Quarter

In comparison to the 2010 third quarter, consolidated revenue improved by $19.9 million, or 3.8% this quarter, excluding the negative effect of the stronger Canadian dollar. Approximately $16.7 million of this increase was from growth in same-facility operations primarily due to funding enhancements and increased home health care volumes, partially offset by lower U.S. census levels.

Revenue from U.S. operations improved by US$9.5 million to US$349.5 million this quarter from US$340.0 million in the 2010 third quarter. Approximately US$8.2 million of this increase was from growth in same-facility operations, with average funding increases contributing US$12.8 million partially offset by lower census levels and lower prior period revenue settlements of US$1.9 million. Our average Medicare Part A rate improved by 10.5% over the 2010 third quarter, increasing revenue by US$9.6 million due to a combination of changes in funding and in the mix of patients served.

Revenue from Canadian operations was higher by $10.0 million this quarter at $174.3 million compared to $164.3 million in the 2010 third quarter. Revenue from the new Red Deer center contributed $2.0 million to the improvement between quarters and prior period funding adjustments were favourable by $2.3 million (a $1.0 million pick up this quarter compared to an accrual reversal of $1.3 million in the 2010 third quarter). Revenue from remaining operations improved by $5.7 million, primarily due to timing of recognition of funding under the Ontario flow-through envelopes and increased home health care volumes between the quarters.

Consolidated EBITDA improved by $3.6 million this quarter, excluding the negative effect of the stronger Canadian dollar and the 2010 third quarter reserve adjustment to self-insured liabilities of $14.0 million. As a percent of revenue, EBITDA was 12.8% compared to 12.6% in the 2010 third quarter, after adjusting for the third quarter reserves. EBITDA from U.S. operations improved by $6.2 million and was partially offset by a lower contribution from Canadian operations of $2.6 million, as discussed below.

EBITDA from U.S. operations improved by US$5.9 million, or 13.0%, this quarter in comparison to the 2010 third quarter, excluding the US$13.5 million increase in prior years' reserves for self-insured liabilities recorded in the third quarter. As a percent of revenue, EBITDA was 14.8% compared to 13.5% in the 2010 third quarter, after adjusting for the reserves. The revenue improvements of US$9.5 million discussed above were partially offset by higher costs of US$3.6 million.

EBITDA from Canadian operations was $15.2 million this quarter, $2.6 million lower than the $17.8 million in the 2010 third quarter. This decline was primarily due to higher operating and administrative costs that included severance costs of $0.9 million and a seasonal increase in utility costs of $0.8 million.

2010 Fourth Quarter Earnings from Continuing Operations

Earnings from continuing operations in the 2010 fourth quarter were $17.9 million ($0.22 per diluted unit) compared to $18.0 million ($0.24 per diluted unit) in the 2009 fourth quarter. The 2010 fourth quarter results reflected an after-tax gain on our derivative financial instruments and foreign exchange items of $2.4 million (pre-tax of $1.4 million) compared to $3.4 million (pre-tax of $2.4 million) in the same 2009 period. As well, the 2010 results included an after-tax gain of $1.6 million (pre-tax $1.4 million), primarily related to the sale of non-core assets. A disparity between the pre-tax and after-tax amounts arises because some of the gains or losses were incurred by a non-taxable entity.

TABLE 4	**Three months ended December 31**			
Components of Earnings from Continuing Operations [1]	**2010**		**2009**	
(thousands of dollars except per unit amounts)	**After -tax**	**Per diluted unit**	**After -tax**	**Per diluted unit**
Continuing Operations before Undernoted [1]				
U.S. operations (US$)	**15,430**		10,125	
U.S. operations (C$)	**15,760**		10,647	
Canadian operations	**(1,827)**		3,467	
	13,933	**$0.17**	14,114	$0.20
Gain on derivative financial instruments and foreign exchange	**2,350**	**0.03**	3,463	0.04
Gain from asset impairment, disposals, financing and other items	**1,658**	**0.02**	453	–
Earnings from continuing operations	**17,941**	**$0.22**	18,030	$0.24

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

Earnings from continuing operations prior to separately reported items, as outlined in Table 4 above, were $13.9 million ($0.17 per diluted unit) in the 2010 fourth quarter compared to $14.1 million ($0.20 per diluted unit) in the 2009 fourth quarter. The improvements in EBITDA previously discussed were offset by higher depreciation and financing costs, as well as an increase in income taxes in comparison to the 2009 fourth quarter. As previously disclosed, the 2009 fourth quarter results included favourable adjustments that reduced the effective tax rate for the quarter.

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

AFFO from continuing operations was $110.4 million ($1.354 per basic unit) in 2010 compared to $141.3 million ($1.936 per basic unit) in 2009. This decline was primarily due to more favourable current income tax adjustments realized in 2009, as discussed further below, and a $9.9 million negative effect of a strong Canadian dollar. Otherwise, AFFO was favourably impacted by growth in EBITDA, as discussed previously, and lower facility maintenance capital expenditures, partially offset by higher financing costs.

As previously disclosed, our 2009 results were significantly affected by changes between the split of current income taxes and future income taxes, primarily due to an acceleration of tax depreciation. As well, our 2010 results were impacted due to further refinements to our initial estimates of the 2009 acceleration of tax depreciation. While these items had little impact on our net earnings, the changes to current income taxes significantly affected our AFFO. In summary, the acceleration of tax depreciation resulted in a current income tax recovery in the fourth quarters of 2010 and 2009 of $4.4 million (US$4.3 million) and $24.9 million (US$21.8 million), respectively. As a result, our fourth quarter and annual Funds from Operations (FFO), Distributable Income (DI) and AFFO calculations were favourably affected by $0.054 per basic unit ($0.047 per diluted unit) in 2010 and $0.341 per basic unit ($0.286 per diluted unit) in 2009.

Our effective current tax rate on funds from continuing operations was 22.8% for 2010 compared to 5.0% for 2009. After adjusting for the accelerated depreciation item described above, the effective tax rates for 2010 and 2009 were 26.0% and 21.6%, respectively. Other favourable current tax adjustments affected both years resulting in lower effective tax rates than anticipated. As previously indicated, the effective tax rates 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 had initially anticipated that our normal annual effective tax rate on funds from continuing operations would be in the range of 29% to 33%. Looking forward, we estimate that this range will be 27% to 30%, with quarterly fluctuations due to estimates of timing differences and mix of earnings between jurisdictions.

2010 Fourth Quarter AFFO

AFFO from continuing operations was $34.7 million ($0.420 per basic unit) in the 2010 fourth quarter. In comparison to the 2009 fourth quarter of $59.9 million ($0.820 per basic unit), AFFO declined by $25.2 million. This was primarily due to the favourable effect of the acceleration of tax depreciation and other current income tax adjustments reported in the 2009 fourth quarter relative to the 2010 fourth quarter outlined above and the negative effect of the strong Canadian dollar, partially offset by improvements in EBITDA, as previously discussed.

In comparison to the 2010 third quarter, AFFO from continuing operations improved by $18.6 million this quarter from $16.1 million ($0.191 per basic unit). Excluding the $14.0 million reserve adjustment for self-insured liabilities in the third quarter, AFFO improved this quarter by $4.6 million. This was primarily due to the improvement in EBITDA and lower current income taxes, partially offset by an increase in facility maintenance capital expenditures of $3.2 million between periods.

Facility maintenance capital expenditures were $11.7 million in the 2010 fourth quarter, $12.4 million in the 2009 fourth quarter, and $8.5 million in the 2010 third quarter, representing 2.2%, 2.4% and 1.7% of revenue, respectively. For 2010, these costs were $29.9 million compared to $36.0 million in 2009, representing 1.4% and 1.7% 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 2010 totalled $68.8 million, or $0.84 per unit, representing approximately 62% of AFFO from continuing operations of $110.4 million, compared to a payout ratio of approximately 43% in 2009.

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 12.0% this quarter to US$509.49 from US$454.76 in the 2009 fourth quarter, and improved by 10.5% over the 2010 third quarter of US$461.11. These improvements resulted from changes to the Medicare reimbursement system that took effect October 1, 2010, as described further under the heading "U.S. Health Care Reform, Medicare and Medicaid Update".

Our percentage of Medicare patients in the "high" to "ultra high" RUGs classifications and percentage of Medicare residents receiving therapy services increased to 78.5% and 90.0% respectively in 2010 as compared to 75.4% and 89.6% in 2009. However, in the 2010 fourth quarter the percentage of Medicare patients in the "high" to "ultra high" categories declined to 77.4% as compared to 77.8% in the 2009 fourth quarter and to 80.0% in the 2010 third quarter. We also experienced a decline in the percentage of Medicare patients receiving therapy services to 84.6% this quarter from 90.6% in the 2009 fourth quarter and from 92.8% in the 2010 third quarter. We believe the declines experienced in the 2010 fourth 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 5.9% to US$443.19 this quarter from US$418.56 in the 2009 fourth quarter, and increased by 5.6% over the 2010 third quarter of US$419.54. While changes in our averaged Managed Care rates are reflective of the type of clients served in any particular quarter, the increase we experienced in the 2010 fourth 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. Approximately 47% of our Managed Care residents are on RUGs-based contracts.

Our average daily Medicaid rate, excluding prior period settlement adjustments, increased by 2.2% in the 2010 fourth quarter to US$181.80 from US$177.81 in the 2009 fourth quarter, and improved from US$180.55 in the 2010 third quarter.

Total and Skilled Census

We continued to experience a decline in our average daily census in the 2010 fourth quarter, which we believe is attributable to the slow economic recovery and is being experienced by both the hospital and skilled nursing center sectors. Notwithstanding the seasonal trends, it is our hope that our targeted capital expenditures and strategic marketing plan to meet the program and service needs of each community in which we are located will assist us in positioning ourselves effectively in the wake of the economic recovery.

Our same-facility ADC of 13,851 for the 2010 fourth quarter was 270 below the 2009 fourth quarter level of 14,121, with declines in all categories. For the 2010 year, our same-facility ADC of 13,978 was 246 below the comparable 2009 level of 14,224. In comparison to the 2010 third quarter ADC of 13,929, our same-facility ADC declined by 78 this quarter, of which Medicare and Medicaid accounted for 53 and 34 of the decline, respectively. Our Skilled Mix of residents on a same-facility basis declined to 21.2% this quarter from 21.4% in the 2009 fourth quarter, and from 21.4% in the 2010 third quarter.

In terms of our continuing operations performance, which includes newly built centers, our Skilled Mix of residents improved to 21.6% this quarter, up marginally from 21.5% in the 2009 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 a significant portion of its debt that matures in 2011 and 2012 with mortgages insured by the U.S. Department of Housing and Urban Development (HUD). We have been approved as a corporate entity to proceed with HUD applications subject to an overall limit of US$550.0 million. EHSI currently has US$27.5 million in HUD-insured mortgages, and therefore has the ability to seek up to US$522.5 million in additional HUD financing. EHSI intends to seek approval from HUD by June 2011 for a further US$50.0 million of financing capacity, enabling it to seek up to US$572.5 million in additional HUD financing. Assuming the additional capacity is approved and EHSI is able to secure an average interest rate, inclusive of associated fees, of approximately 5.3%, it intends to reduce the balance of its debt by approximately US$67 million and reduce its interest costs by approximately US$11 million.

We expect to complete the refinancing in several phases between now and 2012. EHSI had cash on hand at December 31, 2010, of US$158.6 million in preparation for this refinancing, and had submitted loan applications to HUD for 19 skilled nursing centers representing mortgages totalling approximately US$127 million. This will provide EHSI with additional cash of approximately US$71 million following the retirement of its Sovereign Term Loans in May 2011.

In respect of its commercial mortgage backed securitization (CMBS) financings, EHSI plans to submit HUD loan applications for a total of 61 skilled nursing centers, seeking mortgages totalling approximately US$441 million. This, together with our projected cash on hand of approximately US$230 million, following the refinancing of the Sovereign Loans, will replace the CMBS financings of US$579.3 million. EHSI believes that it has full financial capacity to complete the refinancing of the CMBS financings. EHSI anticipates that HUD will complete the processing of both the 2011 and 2012 CMBS financings in stages through to November 2011 in order to enable EHSI to prepay the CMBS financings prior to November 2011. After the refinancing is completed, EHSI will have an additional 34 unencumbered centers. We have also taken appropriate steps to secure alternative financing, if required.

U.S. HEALTH CARE REFORM, MEDICARE AND MEDICAID UPDATE

The Centers for Medicare & Medicaid Services (CMS) increased Medicare Part A rates by 1.7% on October 1, 2010, representing a market basket increase of 2.3%, partially offset by a forecasting error adjustment of 0.6%. We estimate that this net rate increase of 1.7% will increase our Medicare revenue by approximately US$6.8 million per annum.

As well, recent health care reform measures that took effect October 1, 2010 included the implementation of MDS 3.0 and RUG-IV, which involved the realignment of the Medicare Part A rates affecting the provision of therapy services in skilled nursing centers, as well as improving payments for higher acuity care residents to more accurately reflect the higher costs of care for these residents. In addition, the government implemented changes to the delivery of concurrent therapy and the elimination of the hospital look-back period. In order to meet the needs of the new reimbursement system, we increased our nursing and therapy staff and realigned our staffing practices to meet the incremental assessment requirements and therapy needs of our residents. We had initially anticipated that the changes to the delivery of concurrent therapy and the elimination of the hospital look-back period would eliminate any potential benefit from the realignment of the rates. However, our effective response and extensive training of our staff have offset the adverse effect of these changes. As a result, these initiatives, together with the improved payments, have resulted in a 10.5% increase in our average Medicare Part A rates and an increase in our margins for the 2010 fourth quarter over the 2010 third quarter. We continue to monitor the challenges and opportunities presented by the health care reform initiatives, while taking advantage of the positive elements to grow our business.

Looking forward, health care reform measures include planned reductions to Medicare Part A rates, beginning October 2011 over a period of 10 years, and new employee health insurance requirements. The productivity adjustment to skilled nursing home rates that begins in October 2011 is estimated to reduce rates by 1%, or US$5.0 million per year, prior to any market basket increase. Market basket increases have averaged 2.9% (prior to forecasting error adjustments), or 2.1% after forecasting error adjustments over the past five years, and are generally announced at the end of July in the applicable year of the increase. New employee health insurance requirements were imposed beginning in 2011. We believe revisions to our plans have mitigated any adverse effects in 2011. However, more significant aspects of this mandate are not effective until 2014.

The Part B therapy cap that was due to expire on December 31, 2010, has been extended to the end of 2011, thereby preserving an estimated US$12.0 million of our annual Part B therapy revenue.

With respect to Medicaid funding, the FMAP (Federal Medical Assistance Percentages) funding is due to expire on June 30, 2011. This program provides federal matching funds to the states to help support their Medicaid expenditures. Failure by the federal government to extend this program further could have a detrimental impact on the ability of certain states to fund future growth in their Medicaid programs until the economy recovers.

Extendicare REIT is accustomed to an evolving health care environment and believes it is well prepared to adapt to these and future changes. Our active review process ensures our ability to execute the appropriate measures when required.

OTHER DEVELOPMENTS

As previously announced in April 2010, EHSI has received subpoenas from the U.S. Department of Health and Human Services (DHHS) relating to an investigation into the possible submission of claims that may be in violation of the U.S. Social Security Act, covering a period from January 1, 2007 to January 1, 2010. There have been no new developments in this matter and we continue to provide DHHS with the documentation requested.

We believe that we are in material compliance with the reimbursement and other rules of participation in the Medicare and Medicaid programs, and continue to cooperate fully with the DHHS by gathering and submitting the requested information. Adequate internal and external resources have been put into place to ensure that there is no disruption of the care and services within our nursing and assisted living centers. While the timing and outcome of the investigation are uncertain and difficult to predict at this time, we hope for an early resolution of the investigation and will update the market as and when appropriate. We believe this investigation is indicative of the current political and regulatory health care environment in the U.S.

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 37,700 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 265 senior care centers in North America have capacity to care for approximately 29,400 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 2, 2011, at 10:00 a.m. (ET), we will hold a conference call to discuss our results for the fourth quarter and year-end 2010 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 8528242#. A replay of the call will be available until midnight on March 18, 2011. To access the rebroadcast, dial 1-800-408-3053 or 905-694-9451, followed by the passcode 1846353#. 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

Certain figures have been revised to conform with the presentation in 2010, mainly for the reclassification of non-reimbursable bad debts from operating expense to a contra-revenue account. Over the past several years, an increasing number of states have decided to refrain from reimbursing providers for the resident's co-payment portion of Medicare Part B therapy services provided to Medicaid residents who do not have the resources to pay for the services themselves. This was most recently the case in the State of Ohio. As a result, EHSI has reclassified its non-reimbursable Medicare Part B bad debt expense from operating expense to net with revenue, beginning in 2010. The impact of this reclassification in 2010 and 2009 was to reduce revenue and operating expense from continuing operations by $6.3 million (US$6.1 million) and $5.6 million (US$4.9 million), respectively.

Non-GAAP Measures

Extendicare REIT assesses and measures operating results and financial position based on performance measures referred to as "EBITDA", "continuing health care operations before undernoted", "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 the REIT to make cash distributions; or (ii) certain ongoing rights and obligations of the REIT may be calculated using these measures. Such non-GAAP measures may differ from similar computations as reported by other issuers and, accordingly, may not be comparable to

similarly titled measures as reported by such issuers. They are not intended to replace earnings (loss) from operations, net earnings (loss) for the period, cash flow, or other measures of financial performance and liquidity reported in accordance with Canadian GAAP. Reconciliations of these non-GAAP measures from net earnings and/or from cash provided by operations, where applicable, are provided in this press release. Detailed descriptions of these terms can be found in the disclosure documents filed by Extendicare REIT with the securities regulatory authorities, available at www.sedar.com and on the REIT's website at www.extendicare.com.

Forward-looking Statements
Information provided by Extendicare REIT from time to time, including this release, contains or may contain forward-looking statements concerning anticipated financial events, results, circumstances, economic performance or expectations with respect to the REIT and its subsidiaries, including its business operations, business strategy, and financial condition. Forward-looking statements can be identified because they generally contain the words "expect", "intend", "anticipate", "believe", "estimate", "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 the 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 the REIT to differ materially from those expressed or implied in the statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on the REIT's forward-looking statements. Further information can be found in the disclosure documents filed by Extendicare REIT with the securities regulatory authorities, available at www.sedar.com and on the REIT's website at www.extendicare.com.

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EXTENDICARE REIT
Condensed Consolidated Earnings

(thousands of Canadian dollars except per unit amounts)	Three months ended December 31		Twelve months ended December 31	
	2010	**2009**	**2010**	**2009**
Revenue				
Nursing and assisted living centers				
United States	**341,480**	341,111	**1,356,592**	1,463,497
Canada	**131,021**	124,441	**495,610**	479,125
Home health – Canada	**40,692**	40,544	**157,177**	155,096
Health technology services – United States	**4,555**	4,444	**17,205**	18,853
Outpatient therapy – United States	**3,299**	3,357	**12,603**	13,905
Other	**7,351**	7,104	**29,916**	31,091
	528,398	521,001	**2,069,103**	2,161,567
Operating expenses	**438,386**	441,763	**1,736,880**	1,810,978
Administrative costs	**19,491**	16,942	**72,624**	72,818
Lease costs	**2,771**	2,914	**11,016**	12,101
EBITDA [(1)]	**67,750**	59,382	**248,583**	265,670
Depreciation and amortization	**16,301**	16,144	**63,981**	66,032
Accretion of asset retirement obligations	**386**	385	**1,572**	1,569
Interest expense	**23,192**	23,218	**92,102**	97,059
Interest income	**(683)**	(1,114)	**(4,235)**	(4,244)
Gain on derivative financial instruments and foreign exchange	**(1,397)**	(2,442)	**(3,280)**	(20,289)
Loss (gain) from asset impairment, disposals, financing and other items	**(1,402)**	(548)	**1,154**	(219)
Earnings from continuing operations before income taxes	**31,353**	23,739	**97,289**	125,762
Income tax expense (recovery)				
Current	**1,822**	(31,994)	**31,723**	6,818
Future	**11,590**	37,703	**12,756**	38,785
	13,412	5,709	**44,479**	45,603
Earnings from continuing operations	**17,941**	18,030	**52,810**	80,159
Discontinued operations	**(237)**	(2,302)	**(1,123)**	(2,451)
Net earnings	**17,704**	15,728	**51,687**	77,708
Basic Earnings per Unit ($)				
Earnings from continuing operations	**0.22**	0.24	**0.65**	1.09
Net earnings	**0.21**	0.21	**0.63**	1.06
Diluted Earnings per Unit ($)				
Earnings from continuing operations	**0.22**	0.24	**0.65**	1.05
Net earnings	**0.21**	0.21	**0.63**	1.02

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

Certain 2009 figures have been revised for comparative purposes.

EXTENDICARE REIT
Condensed Consolidated Balance Sheets

(thousands of Canadian dollars, unless otherwise noted)	December 31 2010	December 31 2009
Assets		
Current assets		
Cash and short-term investments	**267,759**	134,012
Restricted cash	**10,095**	22,361
Accounts receivable, less allowances	**212,610**	213,477
Income taxes recoverable	**3,182**	29,314
Future income tax assets	**19,190**	24,900
Other current assets	**19,843**	22,187
	532,679	446,251
Property and equipment, including construction-in-progress of $35,170 and $41,956, respectively	**853,760**	863,430
Goodwill and other intangible assets	**182,024**	191,514
Other assets	**129,547**	166,870
	1,698,010	1,668,065
Liabilities and Equity		
Current liabilities		
Accounts payable	**36,167**	38,372
Accrued liabilities	**229,966**	245,260
Accrual for self-insured liabilities	**16,013**	11,321
Current portion of long-term debt	**569,558**	28,538
	851,704	323,491
Accrual for self-insured liabilities	**31,382**	32,562
Long-term debt	**653,122**	1,205,494
Other long-term liabilities	**66,633**	67,555
Future income tax liabilities	**76,482**	79,866
	1,679,323	1,708,968
Unitholders' equity (deficiency)	**18,687**	(40,903)
	1,698,010	1,668,065
Closing US/Cdn. dollar exchange rate	**0.9946**	1.0510

EXTENDICARE REIT
Condensed Consolidated Cash Flows

(thousands of Canadian dollars)	Three months ended December 31		Twelve months ended December 31	
	2010	**2009**	**2010**	**2009**
Operating Activities				
Net earnings	**17,704**	15,728	**51,687**	77,708
Adjustments for:				
Depreciation and amortization	**16,301**	16,163	**63,981**	67,409
Provision for self-insured liabilities	**6,389**	3,308	**33,317**	22,059
Payments for self-insured liabilities	**(6,834)**	(6,684)	**(24,860)**	(19,318)
Future income taxes	**11,474**	37,683	**6,501**	37,982
Gain on derivative financial instruments and foreign exchange	**(1,397)**	(2,442)	**(3,280)**	(20,289)
Loss (gain) from asset impairment, disposals, financing and other items	**(1,402)**	(548)	**1,154**	(219)
Loss from asset disposals, impairment and other items from discontinued operations	**-**	3,982	**3,094**	4,326
Other	**2,912**	2,547	**10,875**	11,491
	45,147	69,737	**142,469**	181,149
Net change in operating assets and liabilities				
Accounts receivable	**(12,572)**	9,041	**(10,618)**	27,328
Other current assets	**3,715**	(927)	**1,691**	(3,401)
Accounts payable and accrued liabilities	**5,093**	9,344	**(8,633)**	16,553
Income taxes	**(6,542)**	(35,355)	**24,448**	(36,504)
	(10,306)	(17,897)	**6,888**	3,976
	34,841	51,840	**149,357**	185,125
Investing Activities				
Growth capital expenditures	**(7,417)**	(17,297)	**(39,991)**	(55,574)
Maintenance capital expenditures	**(11,664)**	(12,370)	**(29,962)**	(36,020)
Net proceeds from dispositions	**7,994**	-	**28,982**	9,995
Other assets	**(1,471)**	1,687	**(1,308)**	(48)
	(12,558)	(27,980)	**(42,279)**	(81,647)
Financing Activities				
Issue of long-term debt	**32,629**	2,927	**68,308**	20,210
Issue (repayment) on line of credit	**(6,849)**	7,704	**(6,849)**	14,315
Repayment of long-term debt	**(11,787)**	(4,488)	**(46,344)**	(22,329)
Decrease (increase) in restricted cash	**8,581**	7,121	**12,266**	(22,361)
Increase in investments held for self-insured liabilities	**(19,238)**	(18,980)	**(5,139)**	(5,871)
Purchase of securities for cancellation	**-**	-	**-**	(6,189)
Distributions paid	**(15,817)**	(14,666)	**(62,783)**	(60,182)
Issue of units	**-**	-	**82,212**	-
Financing costs	**(4,101)**	(192)	**(7,508)**	(3,024)
Other	**(681)**	1,109	**(726)**	(339)
	(17,263)	(19,465)	**33,437**	(85,770)
Foreign exchange loss on cash held in foreign currency	**(5,014)**	(1,246)	**(6,768)**	(6,780)
Increase in cash and cash equivalents	**6**	3,149	**133,747**	10,928
Cash and cash equivalents at beginning of period	**267,753**	130,863	**134,012**	123,084
Cash and cash equivalents at end of period	**267,759**	134,012	**267,759**	134,012

EXTENDICARE REIT
Financial and Operating Statistics

(amounts in Canadian dollars, unless otherwise noted)	Three months ended December 31 2010	Three months ended December 31 2009	Twelve months ended December 31 2010	Twelve months ended December 31 2009
Earnings from Continuing Operations (millions)				
United States (US$)	**$18.4**	$11.9	**$41.6**	$54.8
United States	**$18.8**	$12.5	**$42.8**	$62.6
Canada	**(0.9)**	5.5	**10.0**	17.5
	$17.9	$18.0	**$52.8**	$80.1
Net Earnings (millions)				
United States (US$)	**$18.2**	$9.6	**$40.5**	$52.4
United States	**$18.6**	$10.2	**$41.7**	$60.2
Canada	**(0.9)**	5.5	**10.0**	17.5
	$17.7	$15.7	**$51.7**	$77.7
U.S. Skilled Nursing Center Statistics				
Percent of Revenue by Payor Source (same-facility basis, excluding prior period settlement adjustments)				
Medicare (Parts A and B)	**33.2 %**	31.7 %	**32.9 %**	33.3 %
Managed Care	**9.7**	9.8	**9.5**	9.6
Skilled mix	**42.9**	41.5	**42.4**	42.9
Private/other	**9.2**	9.4	**9.2**	9.4
Quality mix	**52.1**	50.9	**51.6**	52.3
Medicaid	**47.9**	49.1	**48.4**	47.7
	100.0	100.0	**100.0**	100.0
Average Daily Census by Payor Source (same-facility basis)				
Medicare	**2,143**	2,198	**2,251**	2,338
Managed Care	**786**	816	**796**	807
Skilled mix	**2,929**	3,014	**3,047**	3,145
Private/other	**1,489**	1,517	**1,457**	1,533
Quality mix	**4,418**	4,531	**4,504**	4,678
Medicaid	**9,433**	9,590	**9,474**	9,546
	13,851	14,121	**13,978**	14,224
Average Revenue per Resident Day by Payor Source (excluding prior period settlement adjustments) (US$)				
Medicare Part A only	**$ 509.49**	$ 454.76	**$ 470.88**	$ 453.40
Medicare (Parts A and B)	**554.35**	499.60	**515.47**	496.37
Managed Care	**443.19**	418.56	**422.06**	415.29
Private/other	**221.74**	214.58	**222.49**	213.60
Medicaid	**181.80**	177.81	**180.24**	174.27
Weighted average	**260.32**	246.23	**253.83**	245.25
Average Occupancy (excluding managed centers) (same-facility basis)				
U.S. skilled nursing centers	**86.1 %**	87.9 %	**86.8 %**	88.6 %
U.S. assisted living centers	**75.3**	79.4	**77.1**	81.4
Canadian centers	**98.2**	98.4	**98.2**	98.1
Average US/Cdn. dollar exchange rate	**1.0130**	1.0586	**1.0299**	1.1420

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, 2010 and 2009.[1]

	Three months ended December 31		Twelve months ended December 31	
(thousands of Canadian dollars unless otherwise noted)	**2010**	**2009**	**2010**	**2009**
EBITDA from continuing operations	**67,750**	59,382	**248,583**	265,670
Depreciation for furniture, fixtures, equipment and computers	**(5,698)**	(5,591)	**(22,437)**	(23,407)
Interest expense, net	**(22,509)**	(22,104)	**(87,867)**	(92,815)
	39,543	31,687	**138,279**	149,448
Current income tax expense [2]	**(1,602)**	32,299	**(31,503)**	(7,453)
FFO (continuing operations)	**37,941**	63,986	**106,776**	141,995
Amortization of financing costs	**2,156**	2,145	**8,737**	9,675
Principal portion of government capital funding payments	**609**	577	**2,446**	2,303
DI (continuing operations)	**40,706**	66,708	**117,959**	153,973
Additional maintenance capital expenditures [3]	**(5,966)**	(6,779)	**(7,525)**	(12,613)
AFFO (continuing operations)	**34,740**	59,929	**110,434**	141,360
AFFO (discontinued operations) [4]	**(178)**	1,696	**129**	4,777
AFFO	**34,562**	61,625	**110,563**	146,137
Per Basic Unit ($)				
FFO (continuing operations)	**0.461**	0.876	**1.310**	1.945
AFFO (continuing operations)	**0.420**	0.820	**1.354**	1.936
AFFO	**0.419**	0.844	**1.356**	2.002
Per Diluted Unit ($)				
FFO (continuing operations)	**0.424**	0.768	**1.238**	1.762
AFFO (continuing operations)	**0.381**	0.713	**1.243**	1.720
AFFO	**0.379**	0.732	**1.244**	1.775
Distributions declared	**17,416**	15,360	**68,817**	61,304
Distributions declared per unit ($)	**0.2100**	0.2100	**0.8400**	0.8400
Basic weighted average number of units (thousands)	**82,906**	73,132	**81,533**	73,000
Diluted weighted average number of units (thousands)	**96,720**	86,945	**95,346**	86,817

[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, financing 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] The impact of discontinued operations reduces FFO, DI and AFFO by the same amount.

Reconciliation of Cash Provided by Operating Activities to DI & AFFO	Three months ended December 31		Twelve months ended December 31	
(thousands of Canadian dollars)	**2010**	**2009**	**2010**	**2009**
Cash provided by operating activities	**34,841**	51,840	**149,357**	185,125
Add (Deduct):				
Net change in operating assets and liabilities	**10,306**	17,897	**(6,888)**	(3,976)
Current tax expense on gain or loss from derivative financial instruments, foreign exchange, asset impairment, disposals, financing and other items	**392**	305	**4,590**	1,615
Net provisions and payments for self-insured liabilities	**445**	3,376	**(8,457)**	(2,741)
Depreciation for furniture, fixtures, equipment and computers	**(5,698)**	(5,591)	**(22,437)**	(23,407)
Principal portion of government capital funding payments	**609**	577	**2,446**	2,303
Other	**(367)**	-	**(523)**	(169)
DI	**40,528**	68,404	**118,088**	158,750
Additional maintenance capital expenditures	**(5,966)**	(6,779)	**(7,525)**	(12,613)
AFFO	**34,562**	61,625	**110,563**	146,137