EXTENDICARE
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NEWS RELEASE

FOR IMMEDIATE RELEASE
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Extendicare REIT Announces 2010 Third Quarter Results

Quarterly Results Include Reserve Adjustment

MARKHAM, ONTARIO – Extendicare Real Estate Investment Trust ("Extendicare REIT" or the "REIT") (TSX: EXE.UN) today reported results for the third quarter and nine months ended September 30, 2010. Results are presented in Canadian dollars unless otherwise noted.

HIGHLIGHTS

- Revenue was $517.5 million in Q3 2010, a 1.8% increase over Q3 2009, excluding the impact of foreign exchange.
- EBITDA was $51.4 million in Q3 2010, a $19.3 million or 27.3% decrease over Q3 2009, mainly due to a $14.0 million (US$13.5 million) adjustment this quarter to prior years' reserves for self-insured liabilities (compared to a US$3.2 million adjustment in Q3 2009), as well as softness in U.S. census levels.
- EBITDA margins declined to 9.9% in Q3 2010 (12.6% excluding the reserve adjustment) from 13.4% in Q3 2009 and from 13.5% in Q2 2010.
- Average daily revenue rate for Medicare Part A grew by 0.9% in Q3 2010 over Q3 2009 despite a 1.1% rate reduction on October 1, 2009.
- AFFO from continuing operations of $16.1 million ($0.191 per basic unit) in Q3 2010, a decline of $13.9 million over Q3 2009.
- Distributions in the first nine months of 2010 totalled $51.4 million, or $0.63 per unit, representing approximately 68% of AFFO from continuing operations for the same period.
- Cash distribution of $0.07 per unit declared for the month of November 2010.
- Cash on hand totalled $267.8 million at September 30, 2010.

"The delayed economic recovery continues to have a dampening effect on our efforts to build skilled mix census in the U.S.," said Tim Lukenda, President and CEO of Extendicare REIT. "In the meantime, our diligence in managing costs and continued strong reimbursement in the U.S. has lessened the EBITDA impact of our lower occupancy.

"We continue to invest in our properties and develop new locations which, combined with our strategic marketing efforts, are expected to accelerate our performance coming out of the recession," continued Mr. Lukenda.

"The adjustment to our self-insured general and professional liability reserves taken in the third quarter is a prudent measure in light of the accelerated settlement of prior year claims and increased reserves on other remaining prior year claims. We are aggressively managing our liability cases and have taken important steps that are positively impacting our clinical outcomes and regulatory performance. We are confident that these initiatives will help manage this risk and reduce the frequency and cost of future claims," he added.

2010 THIRD QUARTER FINANCIAL REVIEW

2010 Third Quarter Comparison to 2009 Third Quarter

Consolidated revenue increased by $9.3 million, or 1.8%, excluding the negative effect of the stronger Canadian dollar. New centers in Alberta, Michigan and Wisconsin contributed $7.6 million to the improvement. The remaining $1.7 million of the year-over-year increase was due to same-facility operations growth of 0.3% as a result of funding improvements, partially offset by lower U.S. census levels. However, the stronger Canadian dollar offset the underlying improvement in revenue, resulting in an overall decline of $10.8 million to $517.5 million in the 2010 third quarter from $528.3 million in the 2009 third quarter.

Consolidated EBITDA in the 2010 third quarter was $51.4 million, $19.3 million lower than the $70.7 million in the 2009 third quarter, and as a percent of revenue was 9.9% and 13.4%, respectively. Excluding a $12.1 million increase (US$13.5 million this quarter compared to US$3.2 million in the 2009 third quarter) in prior years' reserves for self-insured liabilities, EBITDA declined by $7.2 million quarter over quarter, with newly opened centers contributing $1.5 million of improvement. Remaining same-facility operations declined by $8.7 million, primarily due to lower U.S. census levels and higher labour-related costs in excess of funding improvements, as discussed below.

TABLE 1 *(millions of dollars unless otherwise noted)*	**Q3 2010**	**Q3 2009**	**Q2 2010**
Revenue			
U.S. operations (US$)	**340.0**	333.0	340.9
U.S. operations (C$)	**353.2**	365.7	350.5
Canadian operations	**164.3**	162.6	163.9
Total Revenue	**517.5**	528.3	514.4
EBITDA [1]			
U.S. operations (US$)	**32.4**	46.5	49.9
U.S. operations (C$)	**33.6**	51.2	51.4
Canadian operations	**17.8**	19.5	18.2
Total EBITDA	**51.4**	70.7	69.6
EBITDA margin	**9.9%**	13.4%	13.5%
Average US/Canadian dollar exchange rate	**1.0391**	1.0991	1.0277

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

EBITDA from U.S. operations was US$32.4 million in the 2010 third quarter, US$14.1 million lower than the US$46.5 million in the 2009 third quarter, and as a percent of revenue was 9.5% compared to 14.0%, respectively. EBITDA from newly built centers improved between quarters by US$0.8 million. Excluding the increase between quarters in prior years' reserves of US$10.3 million, same-facility operations declined by US$4.6 million, with higher revenue of US$2.2 million offset by increased costs of US$6.8 million. Revenue improvements included favourable prior period settlement adjustments of US$2.4 million, improved Resource Utilization Groupings (RUGs) mix and higher Medicaid and private-pay revenue rates, partially offset by lower census levels. Operating and administrative costs were affected by higher labour-related costs, state provider taxes, and professional fees. Despite a 1.1% reduction in Medicare Part A rates, effective October 1, 2009, our average Medicare Part A rate improved by 0.9% over the 2009 third quarter due to the change in mix of patients served.

EBITDA from Canadian operations was $17.8 million this quarter, $1.7 million lower than the $19.5 million in the 2009 third quarter, and as a percent of revenue was 10.8% and 12.0%, respectively. EBITDA was negatively impacted by lower prior period adjustments between periods of $1.3 million ($0.8 million this quarter compared to $2.1 million in the 2009 third quarter), while the recently opened

Red Deer, Alberta center contributed $0.7 million to EBITDA this quarter. Remaining operations declined by $1.1 million, primarily due to funding enhancements offset by higher operating costs that included an increase in utility costs of $0.5 million.

2010 Third Quarter Comparison to 2010 Second Quarter

In comparison to the 2010 second quarter, consolidated revenue improved by $3.1 million, or 0.6% this quarter. Excluding the positive effect of the weaker Canadian dollar, revenue declined by $0.8 million. The 2010 third quarter results included prior period funding settlements of approximately $0.4 million compared to $3.7 million in the second quarter, for a net decline of $3.3 million, while newly built centers increased revenue between periods by $2.9 million. The $0.4 million decline from remaining operations was primarily due to lower U.S. census levels, partially offset by one extra day between quarters.

Revenue from U.S. operations was US$340.0 million this quarter compared to US$340.9 million in the 2010 second quarter. Revenue from same-facility operations declined by US$1.6 million primarily due to: a decline in census levels (approximately US$4.6 million); and lower prior period funding settlements of US$0.5 million (US$1.9 million in the third quarter compared to US$2.4 million in the second quarter), partially offset by one extra day in the quarter (approximately US$3.3 million).

Revenue from Canadian operations was $164.3 million in the 2010 third quarter compared to $163.9 million in the 2010 second quarter, an improvement of $0.4 million. Revenue from the new Red Deer center contributed $2.3 million to the 2010 third quarter. However, prior period funding adjustments were lower by $2.8 million between quarters (an accrual reversal of $1.6 million in the 2010 third quarter compared to a $1.2 million pick up in the 2010 second quarter). Revenue from remaining operations improved by $0.9 million, primarily due to funding enhancements and the extra day between quarters.

Consolidated EBITDA was $51.4 million this quarter, $18.2 million lower than the $69.6 million in the 2010 second quarter, and as a percent of revenue was 9.9% and 13.5%, respectively. Excluding the $14.0 million (US$13.5 million) increase this quarter in prior years' reserves for self-insured liabilities, EBITDA declined by $4.2 million, or 5.9%, primarily due to lower prior period adjustments of $1.5 million, lower U.S. census levels and higher labour and utility costs, partially offset by earnings from new centers and the extra day in the quarter, as discussed below.

EBITDA from U.S. operations was US$32.4 million this quarter, US$17.5 million lower than the US$49.9 million in the 2010 second quarter, and as a percent of revenue was 9.5% compared to 14.7% in the 2010 second quarter. Excluding the US$13.5 million increase this quarter in prior years' reserves for self-insured liabilities and lower EBITDA from new centers of US$0.1 million, EBITDA from same-facility operations declined by US$3.9 million. The revenue discussed above declined by US$1.6 million, and operating, administrative and lease costs increased by US$2.3 million, primarily due to higher labour-related costs and a seasonal increase in utility costs.

EBITDA from Canadian operations was $17.8 million this quarter, $0.4 million lower than the $18.2 million in the 2010 second quarter. The new Red Deer center contributed $0.7 million to EBITDA this quarter, while prior period adjustments were lower by $1.0 million between periods. Excluding these items, EBITDA from remaining operations was essentially flat between periods.

2010 Third Quarter Earnings from Continuing Operations

Earnings from continuing operations in the 2010 third quarter were $5.7 million ($0.07 per diluted unit) compared to $28.8 million ($0.36 per diluted unit) in the 2009 third quarter. The 2010 third quarter results reflected an after-tax gain on our derivative financial instruments and foreign exchange items of $3.9 million (pre-tax of $3.2 million) compared to $10.9 million (pre-tax of $10.4 million) in the same 2009 period. A portion of the items relate to foreign exchange gains or losses of a non-taxable entity.

TABLE 2	**Three months ended September 30**			
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$)	**(1,256)**		11,278	
U.S. operations (C$)	**(1,255)**		12,435	
Canadian operations	**3,052**		5,494	
	1,797	**$0.02**	17,929	$0.24
Gain on derivative financial instruments and foreign exchange	**3,921**	**0.05**	10,836	0.12
Gain from asset impairment, disposals and other items	**17**	**–**	8	–
Earnings from continuing operations	**5,735**	**$0.07**	28,773	$0.36

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

Earnings from continuing operations prior to separately reported items, as outlined in Table 2 above, declined by $16.1 million to $1.8 million ($0.02 per diluted unit) in the 2010 third quarter from $17.9 million ($0.24 per diluted unit) in the 2009 third quarter. This was primarily due to the $12.1 million (US$10.3 million) increase in prior years' reserves for self-insured liabilities in our non-taxable captive insurance company this quarter compared to the 2009 third quarter, and other previously discussed declines in EBITDA.

2010 NINE MONTH FINANCIAL REVIEW

Consolidated revenue increased by $36.8 million or 2.2%, excluding the negative effect of the stronger Canadian dollar. Approximately $20.0 million of the increase was due to a 1.2% growth in same-facility operations as a result of funding improvements, including approximately $6.1 million due to 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 $99.8 million to $1,540.7 million in the first nine months of 2010 from $1,640.5 million in the first nine months of 2009.

Consolidated EBITDA declined by $8.8 million, or 4.3%, excluding the negative effect of the stronger Canadian dollar, and as a percent of revenue was 11.7% and 12.6%, respectively. Excluding the increase between periods in prior years' reserves for self-insured liabilities of $12.1 million (US$10.3 million), EBITDA improved by $3.3 million, and included $2.4 million from new centers. Remaining same-facility operations improved by $0.9 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 $16.7 million contributed to the overall decline of $25.5 million in total EBITDA of $180.8 million in the first nine months of 2010 compared to $206.3 million in the first nine months of 2009.

TABLE 3	**Nine months ended September 30**	
(millions of dollars unless otherwise noted)	**2010**	**2009**
Revenue		
U.S. operations (US$)	**1,015.9**	995.6
U.S. operations (C$)	**1,052.1**	1,164.9
Canadian operations	**488.6**	475.6
Total Revenue	**1,540.7**	1,640.5
EBITDA [(1)]		
U.S. operations (US$)	**124.5**	135.6
U.S. operations (C$)	**128.9**	158.7
Canadian operations	**51.9**	47.6
Total EBITDA	**180.8**	206.3
EBITDA margin	**11.7%**	12.6%
Average US/Canadian dollar exchange rate	**1.0356**	1.1701

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

EBITDA from U.S. operations declined by US$11.1 million, or 8.2%, to US$124.5 million in the first nine months of 2010 from US$135.6 million in the first nine months of 2009, and as a percent of revenue was 12.3% and 13.6%, respectively. Excluding the US$10.3 million increase between periods in prior years' reserves for self-insured liabilities, EBITDA declined by US$0.8 million, with newly opened centers contributing US$1.5 million of improvement between periods. Remaining same-facility operations declined by US$2.3 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 and private-pay revenue rates, improved collection of accounts receivable that reduced bad debt provisions, and cost controls, offset by lower census. Despite a 1.1% reduction in Medicare Part A rates effective October 1, 2009, our average Medicare Part A rate improved by 1.2% over the first nine months of 2009 due to the change in mix of patients served.

EBITDA from Canadian operations improved by $4.3 million, or 9.0%, to $51.9 million in the first nine months of 2010 from $47.6 million in the first nine months of 2009, and as a percent of revenue was 10.6% and 10.0%, respectively. 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 new center. Remaining operations were essentially flat, with funding enhancements offset by higher operating and administrative costs and lower home health care volumes.

2010 Nine Months Earnings from Continuing Operations

Earnings from continuing operations in the first nine months of 2010 were $34.9 million ($0.43 per diluted unit) compared to $62.1 million ($0.81 per diluted unit) in the first nine months of 2009. The 2010 results reflected an after-tax gain on our derivative financial instruments and foreign exchange items of $2.4 million (pre-tax $1.9 million), compared to $17.3 million (pre-tax $17.8 million) in the same 2009 period. As well, the 2010 results included an after-tax impairment charge of $1.6 million (pre-tax $2.6 million), reflecting a decline in the fair value of two Canadian nursing homes below their carrying amounts as determined by recent appraisals and an impairment charge on a previously closed U.S. center.

Earnings from continuing operations prior to separately reported items, as outlined in Table 4 below, declined by $10.9 million ($0.19 per diluted unit) to $34.1 million ($0.42 per diluted unit) in the first nine months of 2010 from $45.0 million ($0.61 per diluted unit) in same 2009 period. Excluding a $3.1 million negative effect of the stronger Canadian dollar and the $12.1 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 $4.3 million.

TABLE 4	**Nine months ended September 30**			
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$)	**22,907**		32,368	
U.S. operations (C$)	**23,723**		37,874	
Canadian operations	**10,331**		7,177	
	34,054	**$0.42**	45,051	$0.61
Gain (loss) on derivative financial instruments and foreign exchange	**2,454**	**0.03**	17,279	0.20
Loss from asset impairment, disposals and other items	**(1,639)**	**(0.02)**	(201)	–
Earnings from continuing operations	**34,869**	**$0.43**	62,129	$0.81

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

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

AFFO from continuing operations declined by $13.9 million to $16.1 million ($0.191 per basic unit) in the 2010 third quarter from $30.0 million ($0.410 per basic unit) in the 2009 third quarter. This was primarily due to the decline in EBITDA that included the $12.1 million (US$10.3 million) increase between periods in prior years' reserves for self-insured liabilities in our non-taxable captive insurance company.

In comparison to the 2010 second quarter, AFFO from continuing operations was lower by $19.2 million this quarter from $35.3 million ($0.431 per basic unit). This was primarily due to the decline in EBITDA that included the $14.0 million (US$13.5 million) increase this quarter in prior years' reserves for self-insured liabilities this quarter and an increase in maintenance capital expenditures of $3.4 million between periods.

For the first nine months of 2010, AFFO from continuing operations of $75.7 million ($0.934 per basic unit) improved by $1.7 million in comparison to the same 2009 period of $81.4 million ($1.116 per basic unit), after excluding a $7.4 million negative effect of the stronger Canadian dollar. This improvement was primarily due to lower spending of maintenance capital expenditures of $3.5 million, excluding the effect of the change in foreign exchange rates, and lower current taxes, partially offset by a decline in EBITDA.

Our effective current tax rates on funds from continuing operations were 35.6% in the 2010 first quarter, 25.9% in the 2010 second quarter, 31.1% in the 2010 third quarter, and 30.3% for the first nine months of 2010. In comparison to the respective 2009 periods, these rates were 35.0%, 36.6%, 30.1% and 33.8%, respectively. The 2010 second quarter rate of 25.9% reflected year-to-date adjustments to timing differences from those estimated in the 2010 first quarter. As previously indicated, we anticipate that our normal annual effective rate on funds from continuing operations would be in the range of 29% to 33%, with quarterly fluctuations due to estimates of timing differences and mix of earnings between jurisdictions.

Facility maintenance capital expenditures were $8.5 million in the 2010 third quarter and $8.3 million in the 2009 third quarter, representing 1.7% and 1.6% of revenue, respectively. For the first nine months of the year, these costs were $18.3 million in 2010 compared to $23.6 million in 2009, representing 1.2%

and 1.4% of revenue, respectively. These costs fluctuate on a quarterly basis with the timing of projects and seasonality. It is our intention to spend between 1.5% and 2.0% of revenue annually, which is consistent with our objective to maintain and upgrade our centers. We are expecting to spend approximately $35.0 million in facility maintenance capital expenditures and approximately $45.0 million in growth capital expenditures in 2010.

Distributions declared in the first nine months of 2010 totalled $51.4 million, or $0.63 per unit, representing approximately 68% of AFFO from continuing operations of $75.7 million, compared to a payout ratio of approximately 56% in the same 2009 period.

THIRD QUARTER ACTUARIAL REVIEW

Following our usual practice of completing a third quarter interim independent actuarial review of our resident care liabilities, we strengthened the level of our reserves for prior years' claims by $14.0 million (US$13.5 million) in the 2010 third quarter, to a level which we believe is adequate as at September 30, 2010. Similarly in the 2009 and 2008 third quarters, following the completion of the interim actuarial review, we increased our reserves for prior years' claims by US$3.2 million and US$5.5 million, respectively. As is the case each year, an update of the interim independent actuarial review will be performed as part of the year-end financial reporting process. We do not expect that any additional reserve adjustments will be required at that time.

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 0.9% to US$461.11 in the 2010 third quarter from US$457.09 in the 2009 third quarter, despite a 1.1% reduction in rates effective October 1, 2009.

Our percentage of Medicare patients in the nine highest RUGs classifications increased to 44.6% this quarter from 42.6% in the 2009 third quarter. In addition, EHSI experienced an increase in the percentage of Medicare patients receiving therapy services to 92.8% this quarter from 89.4% in the 2009 third quarter.

EHSI's average daily Managed Care rate, excluding prior period settlement adjustments, improved by 2.7% to US$419.54 this quarter from US$408.50 in the 2009 third quarter, as well as improving over the 2010 second quarter of US$415.60. The changes in our average Managed Care rates reflect the type of client served during the quarter.

Our average daily Medicaid rate, excluding prior period settlement adjustments, increased by 3.2% in the 2010 third quarter to US$180.55 from US$174.96 in the 2009 third quarter, as well as increasing from US$179.79 in the 2010 second quarter. The impact of the higher Medicaid rates improved revenue this quarter by US$4.9 million over the 2009 third quarter, of which $1.1 million was offset by higher state provider taxes.

Total and Skilled Census

Our same-facility ADC of 13,929 for the 2010 third quarter was 305 below the 2009 third quarter level of 14,234, with declines in all categories. We believe that both the hospital and skilled nursing center sectors continue to be adversely affected by the U.S. economic recession that has reduced disposable income of individuals and resulted in a general restraint by the public on health care spending. As we have

previously noted, we have implemented a number of short and longer term tactics during 2010, which take a more strategic approach to identifying and meeting the program and service needs of each community in which we are located. Notwithstanding the seasonal trends, it is our hope that our targeted capital expenditures and strategic marketing plan will assist us in positioning ourselves effectively in the wake of the economic recovery.

In comparison to the 2010 second quarter ADC of 14,009, our same-facility ADC declined by 80 this quarter, of which Medicare accounted for 146 of the decline. A decline in our total ADC in the third quarter from the second quarter is not unusual, and is reflective of our seasonal trends prior to 2008. A decline in Medicare ADC, and to a lesser degree total ADC, during the summer months is consistent with prior year experience.

Our Skilled Mix of residents on a same-facility basis declined to 21.4% this quarter from 21.7% in the 2009 third quarter, and from 22.4% in the 2010 second quarter. In terms of our continuing operations performance, which includes newly built centers, our Skilled Mix of residents improved to 21.8% this quarter, up marginally from 21.7% in the 2009 third quarter, reflecting success with our new centers.

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

As previously announced, the U.S. President signed into law the Patient Protection and Affordable Care Act (the “Act”) in March 2010, which contained several sweeping changes to America’s health insurance system. With respect to its impact on the long-term care industry, the Act proposes, among other things, reductions to Medicare Part A rates, beginning October 2011 over a period of 10 years, adjustments to Medicare reimbursements methodologies in the adoption of MDS 3.0 and RUG-IV, 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.

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, on October 1, 2010, CMS implemented MDS 3.0 and RUG-IV, along with changes to the delivery of concurrent therapy and the elimination of the hospital look-back period. The final implementation of MDS 3.0 and RUG-IV requires Congress to act to revise the delayed implementation of RUG-IV included in the health care reform act. It is anticipated that Congress will include the retroactive implementation of RUG-IV to October 1, 2010, following the November elections. The alternative is to approve implementation of a hybrid RUG-IV that could be retroactive to October 1, 2010. There is no assurance that revenue recorded effective October 1, 2010 will not be modified by CMS at a later time. We previously disclosed that based on our mix of patients, we anticipated that there could be an adverse impact on our average Medicare Part A rates. However our preliminary indications, based on the initial financial information from our October billings, are that the changes inherent in the new reimbursement process have been offset by the mitigating strategies we have implemented. As a result, we do not anticipate any reduction in our Medicare Part A rates from this implementation. We caution that these results are preliminary and may not yet be indicative of the expected levels for 2011.

In November 2010, CMS issued a final payment rule for the 2011 Medicare Physician Fee Schedules, effective January 1, 2011. We estimate that the application of a multiple procedure payment reduction policy will reduce our Medicare Part B inpatient and outpatient therapy billings by approximately 5% and reduce our revenue by approximately US$2.0 million. In addition, the exemption from the Part B therapy cap is due to expire on December 31, 2010. We estimate that without the extension of this exemption, our annual Part B therapy revenue could decline by as much as US$12.0 million. To the extent such patients find other means of paying for these services and we are able to reduce costs, the impact to us could be mitigated.

With respect to Medicaid funding, the FMAP (Federal Medical Assistance Percentages) funding was extended by Congress through June 30, 2011. This program provides federal matching funds to the states to help support their Medicaid expenditures. The extension, while approved, has a step-down feature through its expiry and there is no current indication as to whether further extensions will be considered beyond June 2011. A 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.

With respect to the new employee health insurance requirements imposed by the Act on all U.S. employers, although the more significant aspects of this mandate are not effective until 2014, several provisions will impact EHSI beginning January 2011. EHSI has just completed the 2011 health care enrolment process for its employees. While it is difficult to quantify the financial impact of the new requirements, along with the results of the enrolment, we believe the mitigation strategies and options provided to our employees will result in no material increase (beyond modest inflationary adjustments) in the cost of providing employee health care coverage in 2011.

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.

UPDATE ON STATUS OF U.S. REFINANCING

As previously announced, EHSI plans to refinance 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). As a large portfolio corporate entity, the first significant step in this process was to receive approval of HUD in Washington D.C. for the overall scope of our planned refinancing. This approval was received in July 2010. Consequently, we are proceeding with our applications, subject to an overall limit of US$550.0 million of planned and existing HUD-insured financing. Currently, EHSI has US$29.4 million in HUD-insured mortgages, and therefore has the ability to seek up to US$520.6 million in additional HUD financing.

We expect to complete the refinancing in several phases between now and 2012. In March 2010, we refinanced two centers for US$11.7 million as a test case. We currently have 19 HUD applications filed for centers in Michigan and Wisconsin for approximately US$115.0 million. Upon refinancing of the Michigan properties, EHSI will repay in full its Sovereign Term Loan due in June 2011. By the end of November 2010, we will have completed a further 21 HUD applications for approximately $178.0 million for centers in seven states that are currently a portion of the collateral for EHSI's commercial mortgage backed securitization (CMBS) debt. The November applications and remaining phases of the refinancing will retire EHSI's CMBS debt prior to its maturity in November 2011 and March 2012.

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.

NOVEMBER 2010 DISTRIBUTION DECLARED

The Board of Trustees of the REIT today declared a cash distribution of $0.07 per unit for the month of November 2010, which is payable to unitholders of record at the close of business on November 30, 2010, and will be paid on December 15, 2010.

Extendicare Limited Partnership (the “Partnership”) also announced that it has declared a cash distribution of $0.07 per Class B limited partnership unit for the month of November 2010, which is payable to unitholders of record at the close of business on November 30, 2010, and will be paid on December 15, 2010.

As previously announced, a portion of the November distribution will be treated as U.S. source interest income in the hands of the unitholders of the REIT and Partnership. The Canadian dollar amount of the U.S. source interest income in the November 2010 distribution is estimated to be $0.01597 per unit. This U.S. source interest income is subject to U.S. withholding tax for non-U.S. residents, and U.S. backup withholding tax for U.S. unitholders. Unitholders may be eligible for the portfolio interest exemption under Sections 871 and 881 of the *United States Internal Revenue Code of 1986*, as amended by submitting a valid Form W-8BEN or Form W-9, as applicable to their broker or administrator.

ABOUT US

Extendicare REIT is a leading North American provider of long-term and short-term senior care services through its network of owned and operated health care centers. We employ 37,600 qualified and experienced individuals dedicated to helping people live better through a commitment to quality service that includes post-acute care, rehabilitative therapies and home health care services. Our 264 senior care centers in North America have capacity 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 November 5, 2010, at 10:00 a.m. (ET), we will hold a conference call to discuss our results for the 2010 third 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 8528242#. A replay of the call will be available until midnight on November 19, 2010. To access the rebroadcast, dial 1-800-408-3053 or 416-695-5800, 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 the first nine months of 2010 and 2009 and for the 2009 year was to reduce revenue and operating expense from continuing operations by $4.9 million (US$4.7 million), $4.2 million (US$3.6 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 September 30		Nine months ended September 30	
	2010	**2009**	**2010**	**2009**
Revenue				
Nursing and assisted living centers				
United States	**341,393**	353,287	**1,015,112**	1,122,386
Canada	**123,046**	121,440	**364,589**	354,684
Home health – Canada	**38,594**	39,729	**116,485**	114,552
Health technology services – United States	**4,365**	4,164	**12,650**	14,409
Outpatient therapy – United States	**2,610**	3,312	**9,304**	10,548
Other	**7,492**	6,394	**22,565**	23,987
	517,500	528,326	**1,540,705**	1,640,566
Operating expenses	**444,631**	437,556	**1,298,494**	1,369,215
Administrative costs	**18,649**	17,040	**53,133**	55,876
Lease costs	**2,825**	2,996	**8,245**	9,187
EBITDA [(1)]	**51,395**	70,734	**180,833**	206,288
Depreciation and amortization	**16,201**	16,179	**47,680**	49,888
Accretion of asset retirement obligations	**393**	331	**1,186**	1,184
Interest expense	**22,916**	23,525	**68,910**	73,841
Interest income	**(550)**	(1,279)	**(3,552)**	(3,130)
Gain on derivative financial instruments and foreign exchange	**(3,168)**	(10,373)	**(1,883)**	(17,847)
Loss (gain) from asset impairment, disposals and other items	**(24)**	(8)	**2,556**	329
Earnings from continuing operations before income taxes	**15,627**	42,359	**65,936**	102,023
Income tax expense				
Current	**7,251**	12,901	**29,901**	38,812
Future	**2,641**	685	**1,166**	1,082
	9,892	13,586	**31,067**	39,894
Earnings from continuing operations	**5,735**	28,773	**34,869**	62,129
Discontinued operations	**(322)**	(694)	**(886)**	(149)
Net earnings	**5,413**	28,079	**33,983**	61,980
Basic Earnings per Unit ($)				
Earnings from continuing operations	**0.07**	0.40	**0.43**	0.85
Net earnings	**0.06**	0.39	**0.42**	0.85
Diluted Earnings per Unit ($)				
Earnings from continuing operations	**0.07**	0.36	**0.43**	0.81
Net earnings	**0.06**	0.35	**0.42**	0.81

(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)	**September 30 2010**	**December 31 2009**
Assets		
Current assets		
Cash and short-term investments	**267,753**	134,012
Restricted cash	**18,676**	22,361
Accounts receivable, less allowances	**206,919**	213,477
Income taxes recoverable	**-**	29,314
Future income tax assets	**22,595**	24,900
Other current assets	**23,986**	22,187
	539,929	446,251
Property and equipment, including construction-in-progress of $30,248 and $41,956, respectively	**853,334**	863,430
Goodwill and other intangible assets	**187,752**	191,514
Other assets	**124,638**	166,870
	1,705,653	1,668,065
Liabilities and Equity		
Current liabilities		
Accounts payable	**31,117**	38,372
Accrued liabilities	**235,387**	245,260
Accrual for self-insured liabilities	**11,215**	11,321
Current portion of long-term debt	**93,597**	28,538
Income taxes payable	**2,665**	-
	373,981	323,491
Accrual for self-insured liabilities	**39,118**	32,562
Long-term debt	**1,129,536**	1,205,494
Other long-term liabilities	**67,316**	67,555
Future income tax liabilities	**70,435**	79,866
	1,680,386	1,708,968
Unitholders' equity (deficiency)	**25,267**	(40,903)
	1,705,653	1,668,065
Closing US/Cdn. dollar exchange rate	**1.0290**	1.0510

EXTENDICARE REIT
Condensed Consolidated Cash Flows

(thousands of Canadian dollars)	Three months ended September 30		Nine months ended September 30	
	2010	**2009**	**2010**	**2009**
Operating Activities				
Net earnings	**5,413**	28,079	**33,983**	**61,980**
Adjustments for:				
Depreciation and amortization	**16,201**	16,581	**47,680**	**51,246**
Provision for self-insured liabilities	**17,495**	8,438	**26,928**	**18,751**
Payments for self-insured liabilities	**(6,367)**	(5,071)	**(18,026)**	**(12,634)**
Future income taxes	**(2,023)**	(92)	**(4,973)**	**299**
Gain on derivative financial instruments and foreign exchange	**(3,168)**	(10,373)	**(1,883)**	(17,847)
Loss (gain) from asset impairment, disposals and other items	**(24)**	(8)	**2,556**	329
Loss from asset disposals, impairment and other items from discontinued operations	**343**	1,770	**3,094**	344
Other	**2,734**	2,739	**7,963**	8,944
	30,604	42,063	**97,322**	111,412
Net change in operating assets and liabilities				
Accounts receivable	**(194)**	(6,616)	**1,954**	18,287
Other current assets	**626**	3,528	**(2,024)**	(2,474)
Accounts payable and accrued liabilities	**3,204**	19,273	**(13,726)**	7,209
Income taxes	**11,357**	3,694	**30,990**	(1,149)
	14,993	19,879	**17,194**	21,873
	45,597	61,942	**114,516**	133,285
Investing Activities				
Growth capital expenditures	**(14,057)**	(12,488)	**(32,574)**	(38,277)
Maintenance capital expenditures	**(8,539)**	(8,409)	**(18,298)**	(23,650)
Net proceeds from dispositions	**15,506**	-	**20,988**	9,995
Other assets	**1,348**	(25)	**163**	(1,735)
	(5,742)	(20,922)	**(29,721)**	(53,667)
Financing Activities				
Issue of long-term debt	**5,541**	5,234	**35,679**	17,283
Issue on line of credit	**-**	6,611	**-**	6,611
Repayment of long-term debt	**(14,192)**	(3,706)	**(34,557)**	(17,841)
Decrease (increase) in restricted cash	**646**	-	**3,685**	(29,482)
Decrease in investments held for self-insured liabilities	**5,821**	6,018	**14,099**	13,109
Purchase of securities for cancellation	**-**	-	**-**	(6,189)
Distributions paid	**(15,880)**	(14,650)	**(46,966)**	(45,516)
Issue of units	**-**	-	**82,212**	-
Financing costs	**(2,667)**	-	**(3,407)**	(2,832)
Other	**50**	412	**(45)**	(1,448)
	(20,681)	(81)	**50,700**	(66,305)
Foreign exchange loss on cash held in foreign currency	**(3,963)**	(4,683)	**(1,754)**	(5,534)
Increase in cash and cash equivalents	**15,211**	36,256	**133,741**	7,779
Cash and cash equivalents at beginning of period	**252,542**	94,607	**134,012**	123,084
Cash and cash equivalents at end of period	**267,753**	130,863	**267,753**	130,863

EXTENDICARE REIT
Financial and Operating Statistics

(amounts in Canadian dollars, unless otherwise noted)	Three months ended September 30 2010	2009	Nine months ended September 30 2010	2009
Earnings from Continuing Operations (millions)				
United States (US$)	**$0.3**	$17.1	**$23.2**	$42.9
United States	**$0.4**	$19.0	**$24.0**	$50.1
Canada	**5.4**	9.8	**10.9**	12.0
	$5.8	$28.8	**$34.9**	$62.1
Net Earnings (millions)				
United States (US$)	**$0.0**	$16.5	**$22.3**	$42.8
United States	**$0.0**	$18.3	**$23.1**	$50.0
Canada	**5.4**	9.8	**10.9**	12.0
	$5.4	$28.1	**$34.0**	$62.0
U.S. Skilled Nursing Center Statistics				
Percent of Revenue by Payor Source (same-facility basis, excluding prior period settlement adjustments)				
Medicare (Parts A and B)	**32.2 %**	32.8 %	**32.8 %**	33.9 %
Managed Care	**9.4**	9.5	**9.4**	9.5
Skilled mix	**41.6**	42.3	**42.2**	43.4
Private/other	**9.3**	9.7	**9.2**	9.4
Quality mix	**50.9**	52.0	**51.4**	52.8
Medicaid	**49.1**	48.0	**48.6**	47.2
	100.0	100.0	**100.0**	100.0
Average Daily Census by Payor Source (same-facility basis)				
Medicare	**2,196**	2,274	**2,287**	2,385
Managed Care	**781**	811	**799**	805
Skilled mix	**2,977**	3,085	**3,086**	3,190
Private/other	**1,485**	1,583	**1,447**	1,538
Quality mix	**4,462**	4,668	**4,533**	4,728
Medicaid	**9,467**	9,566	**9,488**	9,531
	13,929	14,234	**14,021**	14,259
Average Revenue per Resident Day by Payor Source (excluding prior period settlement adjustments) (US$)				
Medicare Part A only	**$ 461.11**	$ 457.09	**$ 458.60**	$ 452.97
Medicare (Parts A and B)	**509.87**	502.29	**503.11**	495.36
Managed Care	**419.54**	408.50	**415.00**	412.86
Private/other	**219.29**	212.81	**222.75**	213.27
Medicaid	**180.55**	174.96	**179.71**	173.07
Weighted average	**251.38**	244.79	**251.67**	244.85
Average Occupancy (excluding managed centers) (same-facility basis)				
U.S. skilled nursing centers	**86.4 %**	88.8 %	**87.0 %**	88.8 %
U.S. assisted living centers	**76.6**	81.2	**77.8**	82.1
Canadian centers	**98.2**	98.3	**98.2**	98.0
Average US/Cdn. dollar exchange rate	**1.0391**	1.0991	**1.0356**	1.1701

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 September 30, 2010 and 2009.[1]

	Three months ended September 30		Nine months ended September 30	
(thousands of Canadian dollars unless otherwise noted)	**2010**	**2009**	**2010**	**2009**
EBITDA from continuing operations	**51,395**	70,734	**180,833**	206,288
Depreciation for furniture, fixtures, equipment and computers	**(5,706)**	(5,767)	**(16,739)**	(17,816)
Interest expense, net	**(22,366)**	(22,246)	**(65,358)**	(70,711)
	23,323	42,721	**98,736**	117,761
Current income tax expense [2]	**(7,251)**	(12,841)	**(29,901)**	(39,752)
FFO (continuing operations)	**16,072**	29,880	**68,835**	78,009
Amortization of financing costs	**2,228**	2,165	**6,581**	7,530
Principal portion of government capital funding payments	**611**	576	**1,837**	1,726
DI (continuing operations)	**18,911**	32,621	**77,253**	87,265
Additional maintenance capital expenditures [3]	**(2,833)**	(2,642)	**(1,559)**	(5,834)
AFFO (continuing operations)	**16,078**	29,979	**75,694**	81,431
AFFO (discontinued operations) [4]	**(424)**	719	**307**	3,081
AFFO	**15,654**	30,698	**76,001**	84,512
Per Basic Unit ($)				
FFO (continuing operations)	**0.191**	0.409	**0.849**	1.069
AFFO (continuing operations)	**0.191**	0.410	**0.934**	1.116
AFFO	**0.185**	0.420	**0.937**	1.158
Per Diluted Unit ($)				
FFO (continuing operations)	**0.194**	0.376	**0.814**	0.994
AFFO (continuing operations)	**0.186**	0.368	**0.862**	1.007
AFFO	**0.181**	0.377	**0.865**	1.043
Distributions declared	**17,382**	15,342	**51,401**	45,944
Distributions declared per unit ($)	**0.2100**	0.2100	**0.6300**	0.6300
Basic weighted average number of units (thousands)	**82,742**	73,039	**81,070**	72,955
Diluted weighted average number of units (thousands)	**96,555**	86,852	**94,884**	86,772

[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] 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 September 30		Nine months ended September 30	
(thousands of Canadian dollars)	**2010**	**2009**	**2010**	**2009**
Cash provided by operating activities	**45,597**	61,942	**114,516**	133,285
Add (Deduct):				
Net change in operating assets and liabilities	**(14,993)**	(19,879)	**(17,194)**	(21,873)
Current tax expense on gain or loss from derivative financial instruments, foreign exchange, asset impairment, disposals and other items	**4,210**	60	**4,198**	1,310
Net provisions and payments for self-insured liabilities	**(11,128)**	(3,367)	**(8,902)**	(6,117)
Depreciation for furniture, fixtures, equipment and computers	**(5,706)**	(5,767)	**(16,739)**	(17,816)
Principal portion of government capital funding payments	**611**	576	**1,837**	1,726
Other	**(104)**	(225)	**(156)**	(169)
DI	**18,487**	33,340	**77,560**	90,346
Additional maintenance capital expenditures	**(2,833)**	(2,642)	**(1,559)**	(5,834)
AFFO	**15,654**	30,698	**76,001**	84,512