



For Immediate Release

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CAPITAL SENIOR LIVING CORPORATION REPORTS FIRST QUARTER 2008 RESULTS

DALLAS – (BUSINESS WIRE) – May 6, 2008 – Capital Senior Living Corporation (NYSE:CSU), one of the country's largest operators of senior living communities, today announced operating results for the first quarter of 2008. Company highlights for the first quarter include:

Financial Highlights

- Revenues of \$48.5 million increased \$2.3 million or approximately 5 percent from the first quarter of 2007.
- First quarter 2008 net income was \$1.5 million or \$0.06 per diluted share versus \$0.9 million or \$0.03 per diluted share in the first quarter of the prior year.
- Adjusted EBITDAR (income from operations plus depreciation and amortization and facility lease expense) of \$14.4 million increased approximately 9 percent from the prior year period.
- Adjusted EBITDAR margin of 29.6 percent improved 110 basis points from the first quarter of 2007.
- Adjusted net income was \$1.5 million or \$0.06 per diluted share in the first quarter of 2008 compared to adjusted net income of \$1.0 million or \$0.04 per diluted share in the first quarter of 2007. Adjusted net income for the first quarter of 2008 excludes the write-off of due diligence costs related to a potential acquisition that the Company terminated in the first quarter, legal and proxy expenses associated with a negotiated settlement to avoid a proxy contest and also excludes gains on the sale of two parcels of land and an adjustment to the carrying value of a third parcel which is held for sale. The combined net effect of these adjustments is less than \$0.1 million. Adjusted net income for the first quarter of 2007 excludes a gain of less than \$0.1 million on the sale of a parcel of land and approximately \$0.1 million of deferred loan costs and exit fees as a result of refinancing a community to reduce the interest rate on its mortgage.
- Adjusted cash earnings (net income plus depreciation and amortization) for the first quarter of 2008 were \$4.5 million or \$0.17 per diluted share versus \$3.7 million or \$0.14 per diluted share for the first quarter of 2007, with the adjustments noted above.

Operational Highlights

- Average physical occupancy rate for the 60 stabilized communities was 89 percent.
- Operating margins (before property taxes, insurance and management fees) were 48.5 percent in stabilized independent and assisted living communities.
- At communities under management, same-store revenue increased 3.3 percent versus the first quarter of 2007 as a result of a 4.4 percent increase in average

monthly rent. Same-community expenses increased 2.5 percent and net income increased 4.6 percent from the comparable period of the prior year. Incremental EBITDAR margin on same-store revenue increases was approximately 54 percent.

Significant Transactions

In February of 2008, the Company entered into a lease on the Whitley Place community located in Keller, Texas. This 47-unit assisted living community has capacity for 65 seniors and is expected to produce annual revenues of approximately \$1.4 million.

Whitley Place was purchased by a publicly traded healthcare REIT from a third party for approximately \$5 million. The Company has leased this community on a ten-year term with two five-year renewal options. The initial lease rate of 7.75 percent is subject to conditional escalation provisions.

“We remain committed to increasing shareholder value by executing our 2008 Business Plan,” said James A. Stroud, Chairman of the Company. “The successful execution of this plan is evident in the same-store results for the first quarter of 2008. Average monthly rent increased 4.4 percent while expenses increased 2.5 percent resulting in a 4.6 percent increase in net income. Our incremental EBITDAR margin of approximately 54 percent was also positive in the first quarter.”

OPERATING AND FINANCIAL RESULTS

For the first quarter of 2008, the Company reported revenue of \$48.5 million, compared to revenue of \$46.2 million in the first quarter of 2007, an increase of approximately \$2.3 million or 5 percent. Resident and healthcare revenue increased from the first quarter of the prior year by approximately \$1.5 million, or 4 percent. The number of consolidated communities increased from 48 in the first quarter of 2007 to 50 in the first quarter of 2008. Financial occupancy of the consolidated portfolio averaged 87.4 percent in the first quarter of 2008 with an average monthly rent of \$2,415 per occupied unit. Affiliated management services revenue increased from \$0.5 million in the first quarter of 2007 to \$1.4 million in the first quarter of 2008, due to development fees earned on three communities in joint ventures.

Revenues under management increased approximately 2 percent to \$55.0 million in the first quarter of 2008 from \$54.0 million in the first quarter of 2007. Revenues under management includes revenue generated by the Company’s consolidated communities, communities owned in joint ventures and communities owned by third parties that are managed by the Company. There were 64 communities under management in both periods.

Operating expenses increased by \$1.2 million from the first quarter of 2007. As a percentage of resident and healthcare revenues, operating expenses were 62.1 percent.

General and administrative expenses of \$3.6 million exceeded the first quarter of the prior year by approximately \$0.5 million. These expenses included approximately \$0.3

million of due diligence costs which were written off when a potential acquisition was terminated and approximately \$0.2 million of costs incurred to avoid a proxy contest. As a percentage of revenues under management, general and administrative expenses declined from 5.8 percent in the first quarter of 2007 to 5.6 percent in the first quarter of 2008, excluding the due diligence and proxy expenses.

Facility lease expenses were \$6.1 million in the first quarter of 2008, approximately \$0.4 million higher than the first quarter of 2007, reflecting 25 leased communities this year versus 23 last year, along with increases in contingent rent. The Company has reclassified in both the current and prior year periods the amortization of deferred gains on sale leaseback transactions from gain on sale of assets to a reduction of facility lease expense to better conform with industry practice.

Depreciation and amortization expense increased \$0.3 million from the first quarter of the prior year, as a result of capital improvements at certain of the Company's owned and leased facilities along with depreciation incurred this quarter related to new information systems which became operational on January 1, 2008.

Adjusted EBITDAR for the first quarter of 2008 was approximately \$14.4 million, an increase of 9 percent from \$13.2 million in the first quarter of 2007. Adjusted EBITDAR margin was 29.6 percent for the period, a 110 basis point improvement from the comparable period of the prior year.

Interest income was \$0.1 million in the current quarter as the Company earned interest on cash balances and lease deposits. Interest expense was \$3.1 million in the first quarter of 2008, compared to \$3.3 million in the first quarter of 2007, reflecting a combination of lower debt outstanding and a lower average interest rate.

Gain on sale of assets in the first quarter of 2008 represents gains of \$0.7 million from the sales of two parcels of land, the reduction in carrying value of \$0.1 million for a third parcel of land and the amortization of a deferred gain on the sale of the Richmond Heights land to a joint venture in which the Company has an equity interest.

The Company reported a pre-tax profit of approximately \$2.4 million in the first quarter of 2008 compared to a pre-tax profit of approximately \$1.5 million in the first quarter of 2007. Excluding approximately \$0.3 million of write-offs for due diligence costs, approximately \$0.2 million of unusual legal and proxy-related expenses and approximately \$0.6 million of net gains on three parcels of land, adjusted pre-tax profit is \$2.4 million for the first quarter of 2008. Adjusted pre-tax profit for the first quarter of 2007 was \$1.6 million, excluding gains on the sale of land and the write-off of deferred loan costs and exit fees.

The Company reported net income of \$1.5 million or \$0.06 per diluted share in the first quarter of 2008 versus net income of \$0.9 million or \$0.03 per diluted share in the first quarter of 2007. Excluding the adjustments noted above, the net income of \$0.06 per diluted share in the first quarter of 2008 compares to net income of \$0.04 per diluted share in the first quarter of 2007.

On this same basis, adjusted cash earnings (net income plus depreciation and amortization) were \$4.5 million or \$0.17 per diluted share in the first quarter of 2008, versus \$3.7 million or \$0.14 per diluted share in the first quarter of 2007.

“The first quarter of the year is typically the most challenging as we deal with higher levels of attrition and harsh weather conditions,” said Lawrence A. Cohen, Chief Executive Officer. “Despite these challenges, we continue to demonstrate positive results from leveraging our operating platform, increasing rents and tightly controlling expenses. Our 2008 Business Plan is focused on increasing capacity and levels of care through expansions, conversions, new developments and home health care to meet the needs of our residents who average 85 years of age. These investments typically produce excellent returns on invested capital and are expected to build shareholder value.”

CAPITAL OVERVIEW AND FINANCING

Capital expenditures in the first quarter of 2008 were approximately \$1.7 million. Of this amount, approximately \$1.0 million represented maintenance spending at the property level. If annualized, this rate of spending would equal approximately \$570 per unit. Approximately \$0.4 million was for information technology and the remaining \$0.3 million was for tenant improvements at the corporate headquarters.

Other investing activities for the quarter include net investments in joint ventures of \$0.6 million, offset by proceeds of \$1.4 million from the sale of two parcels of land. The Company ended the quarter with approximately \$24.6 million of cash and cash equivalents and approximately \$188.3 million of mortgage debt at fixed interest rates averaging approximately 6.1 percent.

1Q08 CONFERENCE CALL INFORMATION

The Company will host a conference call with senior management to discuss the Company's first quarter 2008 financial results. The call will be held on Wednesday, May 7, 2008 at 11:00 a.m. Eastern daylight time.

The call-in number is 913-312-1463, confirmation code 1462187. A link to a simultaneous webcast of the teleconference will be available at www.capitalsenior.com through Windows Media Player or RealPlayer.

For the convenience of the Company's shareholders and the public, the conference call will be recorded and available for replay starting May 7, 2008 at 2:00 pm Eastern Time, until May 16, 2008 at 8:00 pm Eastern Time. To access the conference call replay, call 719-457-0820, confirmation code 1462187. The conference call will also be made available for playback via the Company's corporate website, www.capitalsenior.com, and will be available until the next earnings release date.

ABOUT THE COMPANY

Capital Senior Living Corporation is one of the nation's largest operators of residential communities for senior adults. The Company's operating philosophy emphasizes a continuum of care, which integrates independent living, assisted living and home care services, to provide residents the opportunity to age in place.

The Company currently operates 64 senior living communities in 23 states with an aggregate capacity of approximately 9,400 residents, including 37 senior living communities which the Company owns or in which the Company has an ownership interest, 25 leased communities and 2 communities it manages for third parties. In the communities operated by the Company, 69 percent of residents live independently, 24 percent of residents require assistance with activities of daily living and 7 percent of residents live in continuing care retirement communities.

The forward-looking statements in this release are subject to certain risks and uncertainties that could cause results to differ materially, including, but not without limitation to, the Company's ability to find suitable acquisition properties at favorable terms, financing, licensing, business conditions, risks of downturns in economic conditions generally, satisfaction of closing conditions such as those pertaining to licensure, availability of insurance at commercially reasonable rates, and changes in accounting principles and interpretations among others, and other risks and factors identified from time to time in our reports filed with the Securities and Exchange Commission.

This release contains certain financial information not derived in accordance with generally accepted accounting principles (GAAP), including adjusted EBITDAR, cash earnings, cash earnings per share and other items. The Company believes this information is useful to investors and other interested parties. Such information should not be considered as a substitute for any measures derived in accordance with GAAP, and may not be comparable to other similarly titled measures of other companies. Reconciliation of this information to the most comparable GAAP measures is included as an attachment to this release.

Contact Ralph A. Beattie, Chief Financial Officer, at 972-770-5600 or Cameron Donahue or Brett Maas, Hayden Communications, Inc., at 646-653-1854 for more information.

CAPITAL SENIOR LIVING CORPORATION
CONSOLIDATED BALANCE SHEETS

(In thousands)

| | <u>March 31,</u> <u>2008</u> | <u>December 31,</u> <u>2007</u> |
|---|---------------------------------|------------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 24,603 | \$ 23,359 |
| Accounts receivable, net | 4,112 | 3,232 |
| Accounts receivable from affiliates | 1,238 | 846 |
| Federal and state income taxes receivable | 1,570 | 2,084 |
| Deferred taxes | 844 | 996 |
| Assets held for sale | 354 | 1,011 |
| Property tax and insurance deposits | 6,118 | 7,860 |
| Prepaid expenses and other | <u>2,619</u> | <u>4,526</u> |
| Total current assets | 41,458 | 43,914 |
| Property and equipment, net | 308,894 | 310,442 |
| Deferred taxes | 12,609 | 12,824 |
| Investments in limited partnerships | 6,848 | 6,199 |
| Other assets, net | <u>16,778</u> | <u>16,674</u> |
| Total assets | <u>\$ 386,587</u> | <u>\$ 390,053</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,669 | \$ 1,201 |
| Accrued expenses | 10,912 | 13,561 |
| Current portion of notes payable | 7,633 | 9,035 |
| Current portion of deferred income | 5,426 | 5,174 |
| Customer deposits | <u>1,932</u> | <u>2,024</u> |
| Total current liabilities | 27,572 | 30,995 |
| Deferred income | 22,291 | 23,168 |
| Notes payable, net of current portion | 184,848 | 185,733 |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Preferred stock, \$.01 par value: | | |
| Authorized shares — 15,000; no shares issued or outstanding | — | — |
| Common stock, \$.01 par value: | | |
| Authorized shares — 65,000; issued and outstanding | | |
| shares 26,597 and 26,596 in 2008 and 2007, respectively | 266 | 266 |
| Additional paid-in capital | 129,388 | 129,159 |
| Retained earnings | <u>22,222</u> | <u>20,732</u> |
| Total shareholders' equity | <u>151,876</u> | <u>150,157</u> |
| Total liabilities and shareholders' equity | <u>\$ 386,587</u> | <u>\$ 390,053</u> |

CAPITAL SENIOR LIVING CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

| | Three Months Ended March 31, | |
|---|---------------------------------|----------------|
| | <u>2008</u> | <u>2007</u> |
| Revenues: | | |
| Resident and health care revenue | \$ 42,844 | \$ 41,305 |
| Unaffiliated management services revenue | 42 | 88 |
| Affiliated management services revenue | 1,433 | 539 |
| Community reimbursement revenue | <u>4,198</u> | <u>4,294</u> |
| Total revenues | 48,517 | 46,226 |
| Expenses: | | |
| Operating expenses (exclusive of facility lease expense and depreciation and amortization expense shown below) | 26,606 | 25,385 |
| General and administrative expenses | 3,618 | 3,135 |
| Facility lease expense | 6,136 | 5,720 |
| Stock-based compensation expense | 229 | 251 |
| Depreciation and amortization | 3,033 | 2,745 |
| Community reimbursement expense | <u>4,198</u> | <u>4,294</u> |
| Total expenses | <u>43,820</u> | <u>41,530</u> |
| Income from operations | 4,697 | 4,696 |
| Other income (expense): | | |
| Interest income | 127 | 151 |
| Interest expense | (3,065) | (3,285) |
| Gain on sale of properties | 600 | 67 |
| Write-off of deferred loan costs | — | (187) |
| Other income | <u>53</u> | <u>55</u> |
| Income before income taxes | 2,412 | 1,497 |
| Provision for income taxes | <u>(922)</u> | <u>(577)</u> |
| Net income | <u>\$ 1,490</u> | <u>\$ 920</u> |
| Per share data: | | |
| Basic income per share | <u>\$ 0.06</u> | <u>\$ 0.04</u> |
| Diluted income per share | <u>\$ 0.06</u> | <u>\$ 0.03</u> |
| Weighted average shares outstanding — basic | <u>26,341</u> | <u>26,149</u> |
| Weighted average shares outstanding — diluted | <u>26,623</u> | <u>26,636</u> |

CAPITAL SENIOR LIVING CORPORATION
NON-GAAP RECONCILIATIONS

| | Three Months Ended March 31, | |
|--|-------------------------------------|------------------|
| | 2008 | 2007 |
| Adjusted EBITDAR | | |
| Income from operations..... | \$ 4,697 | \$ 4,696 |
| Depreciation and amortization expense | 3,033 | 2,745 |
| Facility lease expense | 6,136 | 5,720 |
| Unusual legal/proxy costs..... | 176 | - |
| Write-off of Hearthstone acquisition costs..... | 337 | - |
| Adjusted EBITDAR | <u>\$ 14,379</u> | <u>\$ 13,161</u> |
| Adjusted EBITDAR Margin | | |
| Adjusted EBITDAR | \$ 14,379 | \$ 13,161 |
| Total revenues..... | 48,517 | 46,226 |
| Adjusted EBITDAR margin | <u>29.6%</u> | <u>28.5%</u> |
| Adjusted net income and net income per share | | |
| Net income..... | \$ 1,490 | \$ 920 |
| Unusual legal/proxy costs, net of tax | 109 | - |
| Write-off of Hearthstone acquisition costs, net of tax | 208 | - |
| Asset held for sale impairment, net of tax..... | 83 | - |
| Gain on sale of land parcels, net of tax | (423) | (41) |
| Write-off deferred loan costs, net of tax | - | 115 |
| Adjusted net income | <u>\$ 1,467</u> | <u>\$ 994</u> |
| Adjusted net income per share | <u>\$ 0.06</u> | <u>\$ 0.04</u> |
| Diluted shares outstanding | 26,623 | 26,636 |
| Adjusted cash earnings and cash earnings per share | | |
| Net income..... | \$ 1,490 | \$ 920 |
| Depreciation and amortization expense | 3,033 | 2,745 |
| Unusual legal/proxy costs, net of tax | 109 | - |
| Write-off of Hearthstone acquisition costs, net of tax | 208 | - |
| Asset held for sale impairment, net of tax..... | 83 | - |
| Gain on sale of land parcels, net of tax | (423) | (41) |
| Write-off deferred loan costs, net of tax | - | 115 |
| Adjusted cash earnings | <u>\$ 4,500</u> | <u>\$ 3,739</u> |
| Adjusted cash earnings per share | <u>\$ 0.17</u> | <u>\$ 0.14</u> |
| Diluted shares outstanding | 26,623 | 26,636 |
| Adjusted income before income taxes | | |
| Income before income taxes | \$ 2,412 | \$ 1,497 |
| Unusual legal/proxy costs..... | 176 | - |
| Write-off of Hearthstone acquisition costs..... | 337 | - |
| Asset held for sale impairment | 134 | - |
| Gain on sale of land parcels, net of tax | (684) | (66) |
| Write-off deferred loan costs, net of tax | - | 187 |
| Adjusted income before income taxes..... | <u>\$ 2,375</u> | <u>\$ 1,618</u> |

Capital Senior Living Corporation
Supplemental Information

| | Communities | | Resident Capacity | | Units | |
|---|-------------|--------|-------------------|--------|--------|--------|
| | Q1 08 | Q1 07 | Q1 08 | Q1 07 | Q1 08 | Q1 07 |
| Portfolio Data | | | | | | |
| I. Community Ownership / Management | | | | | | |
| Consolidated communities | | | | | | |
| Owned | 25 | 25 | 3,926 | 3,926 | 3,503 | 3,503 |
| Leased | 25 | 23 | 3,775 | 3,625 | 3,152 | 3,025 |
| Joint Venture communities (equity method) | 12 | 12 | 1,406 | 1,406 | 1,221 | 1,221 |
| Third party communities managed | 2 | 4 | 294 | 587 | 239 | 488 |
| Total | 64 | 64 | 9,401 | 9,544 | 8,115 | 8,237 |
| Independent living | | | | | | |
| Assisted living | | | 6,505 | 6,713 | 5,569 | 5,738 |
| Continuing Care Retirement Communities | | | 2,241 | 2,176 | 1,928 | 1,881 |
| Total | | | 655 | 655 | 618 | 618 |
| | | | 9,401 | 9,544 | 8,115 | 8,237 |
| II. Percentage of Operating Portfolio | | | | | | |
| Consolidated communities | | | | | | |
| Owned | 39.1% | 39.1% | 41.8% | 41.1% | 43.2% | 42.5% |
| Leased | 39.1% | 35.9% | 40.2% | 38.0% | 38.8% | 36.7% |
| Joint venture communities (equity method) | 18.8% | 18.8% | 15.0% | 14.7% | 15.0% | 14.8% |
| Third party communities managed | 3.1% | 6.3% | 3.1% | 6.2% | 2.9% | 5.9% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Independent living | | | | | | |
| Assisted living | | | 69.2% | 70.3% | 68.6% | 69.7% |
| Continuing Care Retirement Communities | | | 23.8% | 22.8% | 23.8% | 22.8% |
| Total | | | 7.0% | 6.9% | 7.6% | 7.5% |
| | | | 100.0% | 100.0% | 100.0% | 100.0% |
| Selected Operating Results | | | | | | |
| I. Consolidated communities | | | | | | |
| Number of communities | 50 | 48 | | | | |
| Resident capacity | 7,701 | 7,551 | | | | |
| Unit capacity | 6,655 | 6,528 | | | | |
| Financial occupancy (1) | 87.4% | 89.4% | | | | |
| Revenue (in millions) | 42.5 | 41.2 | | | | |
| Operating expenses (in millions) (2) | 23.8 | 22.7 | | | | |
| Operating margin | 44% | 45% | | | | |
| Average monthly rent | 2,415 | 2,326 | | | | |
| II. Waterford / Wellington communities | | | | | | |
| Number of communities | 17 | 17 | | | | |
| Resident capacity | 2,426 | 2,426 | | | | |
| Unit capacity | 2,132 | 2,132 | | | | |
| Financial occupancy (1) | 89.8% | 91.6% | | | | |
| Revenue (in millions) | 11.7 | 11.4 | | | | |
| Operating expenses (in millions) (2) | 6.5 | 6.3 | | | | |
| Operating margin | 44% | 45% | | | | |
| Average monthly rent | 2,044 | 1,962 | | | | |
| III. Communities under management | | | | | | |
| Number of communities | 64 | 64 | | | | |
| Resident capacity | 9,401 | 9,544 | | | | |
| Unit capacity | 8,115 | 8,237 | | | | |
| Financial occupancy (1) | 87.6% | 88.7% | | | | |
| Revenue (in millions) | 55.0 | 54.0 | | | | |
| Operating expenses (in millions) (2) | 30.0 | 29.4 | | | | |
| Operating margin | 45% | 46% | | | | |
| Average monthly rent | 2,559 | 2,441 | | | | |
| IV. Same Store communities under management | | | | | | |
| Number of communities | 63 | 63 | | | | |
| Resident capacity | 9,336 | 9,336 | | | | |
| Unit capacity | 8,068 | 8,068 | | | | |
| Financial occupancy (1) | 87.6% | 88.5% | | | | |
| Revenue (in millions) | 55.0 | 53.2 | | | | |
| Operating expenses (in millions) (2) | 30.0 | 29.0 | | | | |
| Operating margin | 45% | 45% | | | | |
| Average monthly rent | 2,568 | 2,460 | | | | |
| V. General and Administrative expenses as a percent of Total Revenues under Management | | | | | | |
| First Quarter (3) | 5.6% | 5.8% | | | | |

VI. Consolidated Debt Information (in thousands, except for interest rates)
Excludes insurance premium financing

| | | |
|--|----------------|----------------|
| Fixed rate debt | 188,269 | 161,260 |
| Variable rate debt, with a cap | - | 32,716 |
| Variable rate debt, no cap or floor | - | - |
| Total debt | <u>188,269</u> | <u>193,976</u> |
| Fixed rate debt - weighted average rate | 6.1% | 6.1% |
| Variable rate debt - weighted average rate | 0.0% | 7.6% |
| Total debt - weighted average rate | 6.1% | 6.4% |

(1) - Financial occupancy represents actual days occupied divided by total number of available days during the month of the quarter.

(2) - Excludes management fees, insurance and property taxes.

(3) - Excludes due diligence costs which were written off when a potential acquisition was terminated and costs incurred to avoid a proxy contest.

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