

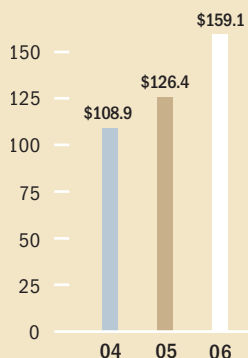
Capital Senior Living Corporation

06  
ANNUAL REPORT

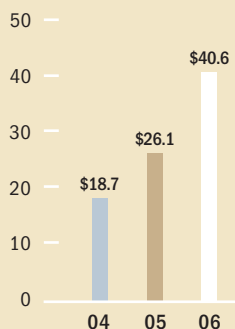


## TO OUR FELLOW SHAREHOLDERS:

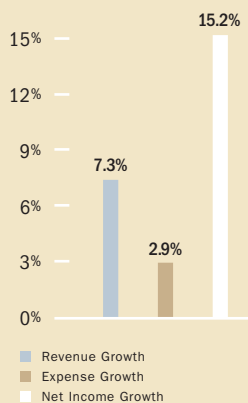
### Total Revenue (in millions)



### EBITDAR Comparison (in millions)



### Same Store Comparison 2005-2006 (percentage change)



Our 2006 business plan was focused on increasing shareholder value by providing income and asset growth, strengthening our balance sheet and returning the Company to profitability.

The execution of this plan resulted in one of the most successful years in the Company's history.

Compared to 2005 results, our total revenue increased approximately 26 percent to \$159.1 million and EBITDAR increased approximately 56 percent to \$40.6 million. Same store comparisons were equally impressive, with revenue and net income increasing 7.3 percent and 15.2 percent, respectively, while showing only a 2.9 percent increase in expenses. By the end of 2006, we were operating 64 senior living communities in 23 states with an aggregate capacity of approximately 9,500 residents, including 37 senior living communities that we own or in which we have an ownership interest, 23 leased communities and four communities that we manage for third parties.

Contributing to these results was our strategy to execute a number of acquisition transactions with strong capital partners. These transactions, combined with our operating metrics, helped drive the growth in revenues and EBITDAR. In total, we completed 20 acquisitions in 2006, totaling approximately \$220 million in value. Eight were completed through joint ventures with GE Healthcare Financial Services and 12 were acquisitions by health care REITs that were then leased to the Company. We expect these acquisitions to increase our annual revenue by approximately \$33 million at a combined EBITDAR margin of over 40 percent.

Importantly, we met our initiative to strengthen our financial position by reducing our net borrowings by approximately \$56 million while fixing or capping interest rates on our owned portfolio. The Company's mortgage debt is now either fixed or capped at a maximum blended rate of less than 6.5 percent. These actions not only improved our balance sheet, they are expected to result in savings of approximately \$7.5 million annually in interest expense.

The achievements we accomplished in 2006 were supported by strong industry fundamentals. These dynamics include improving occupancy rates, a limited number of new construction starts, increases in average monthly rents, robust acquisition opportunities, availability of attractive capital and a demand for proven operators of senior housing properties. We expect these dynamics to continue to contribute to our momentum as we move forward into 2007.

Our long-term strategy has positioned the Company to take advantage of opportunity through various industry and economic cycles. It is based on both organic growth and

growth through acquisition. It leverages our management experience, our national platform and our operating strength. Our business plan for 2007 is based on this strategy and, we believe, will deliver additional growth and increased shareholder value:

- Create internal growth by increasing our average occupancy. Achieving a 93 percent financial occupancy from 90.4 percent at the end of 2006, with an increase of 5 percent in average monthly rents, would result in annualized incremental revenue of approximately \$14 million and EBITDAR of \$10.5 million (at 75 percent incremental margin).
- Continue our successful strategy of joint venture and REIT acquisitions.
- Resume limited development of new properties.
- Explore additional opportunities to strengthen our balance sheet.
- Leverage our regional and national infrastructure as well as our management strength to maximize our operating metrics.

We believe 2007 holds significant potential for Capital Senior Living and its shareholders through the realization of our long-term strategy supported by positive industry trends. We look forward to sharing the results with you and thank you for your ongoing support.



Sincerely,

*James A. Stroud*

JAMES A. STROUD  
Chairman of the Board

*Lawrence A. Cohen*

LAWRENCE A. COHEN  
Chief Executive Officer

## Company Management

**LAWRENCE A. COHEN**  
*Chief Executive Officer*

**JAMES A. STROUD**  
*Chairman of the Company and Secretary*

**KEITH N. JOHANNESSEN**  
*President and Chief Operating Officer*

**RALPH A. BEATTIE**  
*Executive Vice President and  
Chief Financial Officer*

**ROB L. GOODPASTER**  
*Vice President, National Marketing*

**DAVID W. BEATHARD**  
*Vice President, Operations*

**GLEN H. CAMPBELL**  
*Vice President, Development*

**DAVID R. BRICKMAN**  
*Vice President and General Counsel*

**GLORIA M. HOLLAND**  
*Vice President, Finance*

**JERRY D. LEE**  
*Corporate Controller*

**ROBERT F. HOLLISTER**  
*Property Controller*

## Corporate Information

### CORPORATE HEADQUARTERS

14160 Dallas Parkway, Suite 300  
Dallas, Texas 75254  
(972) 770-5600  
(972) 770-5666 fax  
main@capitalsenior.com

### NEW YORK OFFICE

300 Park Avenue, Suite 1700  
New York, New York 10022  
(212) 551-1770  
(212) 551-1774 fax

### CORPORATE WEB SITE

www.capitalsenior.com

## Board of Directors

**JAMES A. STROUD**  
*Chairman of the Board  
Capital Senior Living Corporation  
Dallas, Texas*

**LAWRENCE A. COHEN**  
*Vice Chairman of the Board  
Capital Senior Living Corporation  
New York, New York*

**KEITH N. JOHANNESSEN**  
*President and Chief Operating Officer  
Capital Senior Living Corporation  
Dallas, Texas*

**CRAIG F. HARTBERG**<sup>1,2,3</sup>  
*Retired First Vice President  
Bank One, Texas, N.A.  
Baton Rouge, Louisiana*

**JILL M. KRUEGER**<sup>2</sup>  
*President and CEO  
Health Resources Alliance, Inc.  
Oakbrook, Illinois*

**JAMES A. MOORE**<sup>1,2,3</sup>  
*President  
Moore Diversified Services, Inc.  
Fort Worth, Texas*

**VICTOR W. NEE, PH.D.**<sup>1,3</sup>  
*Professor Emeritus  
Department of Aerospace & Mechanical Engineering  
University of Notre Dame  
Scottsdale, Arizona*

<sup>1</sup> Member of the Board's Compensation Committee

<sup>2</sup> Member of the Board's Audit Committee

<sup>3</sup> Member of the Board's Nominating Committee

## Shareholder Information

### STOCK EXCHANGE LISTING

Capital Senior Living Corporation Common  
Stock is listed on the New York Stock Exchange  
and trades under the symbol CSU.

### TRANSFER AGENT AND REGISTRAR

Mellon Investor Services LLC  
480 Washington Boulevard, 27th Floor  
Jersey City, New Jersey 07310  
(800) 635-9270  
www.melloninvestor.com

### AUDITORS

Ernst & Young LLP  
2100 Ross Avenue, Suite 1500  
Dallas, Texas 75201  
(214) 969-8000

## Regional Information

### EASTERN REGIONAL OFFICE

186 Old Stagecoach Road  
Ridgefield, Connecticut 06877  
(203) 894-9406  
(203) 894-9407 fax

### CENTRAL PLAINS REGIONAL OFFICE

1913 E. Highway 34  
Plattsmouth, Nebraska 68048  
(402) 296-0618  
(866) 731-0053 fax

### MIDWESTERN REGIONAL OFFICE

18 Larks Aire Place  
The Woodlands, Texas 77381  
(936) 273-0157  
(936) 273-0166 fax

### WESTERN REGIONAL OFFICE

5757 Cypress Avenue  
Carmichael, California 95608  
(916) 480-0634  
(916) 486-4375 fax

### SOUTHWESTERN AND TEXAS REGIONAL OFFICES

14160 Dallas Parkway, Suite 300  
Dallas, Texas 75254  
(972) 770-5600  
(972) 770-5666 fax

### DALLAS REGIONAL OFFICE

2222 Walter Smith Road  
Azle, Texas 76020  
(817) 237-2496  
(817) 237-3496 fax

## Form 10-K

A copy of Capital Senior Living Corporation's  
2006 annual report to the SEC on Form 10-K is  
included herein and is available without charge  
upon written request to the Investor Relations  
Department at corporate headquarters. It can  
also be found on the Company's web site,  
www.capitalsenior.com.

## Annual Shareholders Meeting

May 8, 2007 at 10:00 am, Central Time  
The Embassy Suites Hotel  
14021 Noel Road  
Dallas, TX 75240  
(972) 364-3640

