

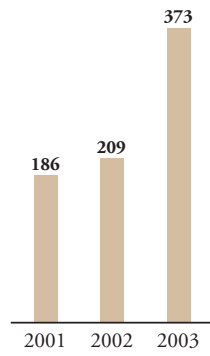


behind every smile...

2003 ANNUAL REPORT

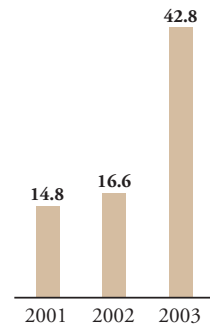


COMMUNITIES\*



\*As of 12/31/03

RESIDENT CAPACITY\*  
(in thousands)



...is a promise kept.

A promise to provide care and services in a warm and gentle manner, tailored to the individual. A promise to ensure that loved ones are in good company and in good hands. A promise to develop and successfully execute a business strategy that delivers strong results. A promise to skillfully operate the largest and most recognized management services company in the senior living industry. A promise to provide a greater variety of services in more communities and locations than ever before. The promises kept by Sunrise are reflected every day in the smiles of those we serve.



# A promise to serve with dedication:

At Sunrise Senior Living, we love to serve—the residents of our communities and their family members; the shareholders who invest in our company; our dedicated team of professional caregivers; and the owners of the communities we manage.

## FINANCIAL HIGHLIGHTS

(dollars in thousands)

Year Ended December 31,	2003 <sup>(1)</sup>	2002	2001
Operating revenue	\$1,188,301	\$ 505,912	\$ 428,219
Net income <sup>(3)</sup>	62,178	54,661	49,101
Cash and cash equivalents	102,548	173,119	50,275
Total assets	1,009,798	1,116,151	1,177,615
Total debt	222,990	456,969	630,756
Total stockholders' equity	490,276	465,818	410,701
Communities operated (at end of period)	373	209	186
Resident capacity	42,751	16,600	14,797

Notes (1) and (3): See notes to Selected Financial Data on page 18.



Paul J. Klaassen  
Chairman and  
Chief Executive Officer

Thomas B. Newell  
President

## TO OUR FELLOW SHAREHOLDERS:

In 1981, Sunrise opened its first community with a promise to provide compassionate care and resident-centered services for seniors. We have grown from this one community to more than 370 by keeping our promises to our residents and their families, our shareholders, our dedicated team members, the owners of the properties we manage and our lenders. While Sunrise is now the country's largest senior living provider, we still deliver our care and services to each resident using the same resident-centered model we introduced more than 20 years ago, which is a hallmark of our organization. The success Sunrise enjoyed in 2003 is the direct result of the efforts of thousands of Sunrise team members working together to keep the Sunrise promise and fulfill one mission—to champion quality of life for all seniors.

### 2003 Results

2003 was a very rewarding and successful year for Sunrise. During the year we accomplished several significant goals, including integrating 148 senior living communities following the completion of the Marriott Senior Living and EdenCare transactions; executing agreements with CNL Retirement Properties, Inc., a leading owner of senior housing and the largest owner of properties operated by Sunrise, and The Carlyle Group, a global private equity investment firm, to develop senior living communities in the United States; opening 17 new communities developed by us; and completing the sale of 43 consolidated properties valued at \$438 million while retaining long-term management agreements.

As a result of our achievements, we now offer more services in more locations than ever before. We more than doubled our resident capacity to a year-end level of nearly 43,000, served by a dedicated team of more than 31,000

individuals. We also more than doubled our revenues under management to \$1.4 billion and, based on the fourth quarter of 2003, are now on an annualized, managed revenue run rate of over \$1.7 billion. Revenues under management is an important measure to Sunrise and our shareholders, as our management fees are typically a percentage of revenue. Growth in revenues under management should result in higher revenues and earnings.

For the year, we reported net income of \$62.2 million, or \$2.63 per share—an 18 percent improvement in EPS over 2002 results, despite \$11 million, or \$0.28 per share, of one-time transition expenses associated with the Marriott Senior Living transaction. Most importantly, the majority of our growth in earnings per share was a result of higher revenues and earnings from long-term management contracts and lower interest expense from debt reduction, resulting from our transformation to a management services company.

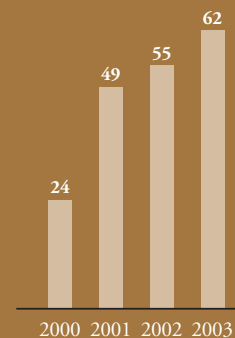
Our balance sheet is stronger than ever with over \$100 million of cash and a \$200 million available corporate credit facility with no amounts currently outstanding. During 2003, we reduced our debt by over 50 percent from \$457 million to just \$223 million, or only 22 percent of total assets.

### Management Services Transformation

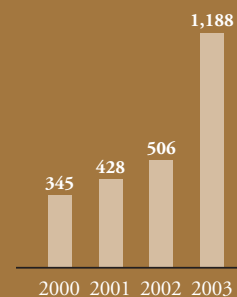
For several years now, it has been Sunrise's objective to transform into a management services company. Sunrise effectively completed this transition in 2003 through three primary drivers—assuming management of the Marriott Senior Living Services and EdenCare portfolios, accelerating our sale/long-term manage back program and deciding



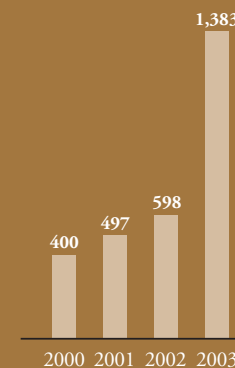
NET INCOME  
(dollars in millions)



OPERATING REVENUES  
(dollars in millions)



REVENUES UNDER MANAGEMENT  
(dollars in millions)



to develop substantially all of our new communities with investment partners. Sunrise believes this transformation has and will continue to result in more stable and predictable revenue and earnings streams as they become increasingly based on long-term management contracts.

The Marriott transaction added 126 new communities to Sunrise's portfolio, including communities that offer independent living, assisted living, Alzheimer's care and skilled nursing centers. We have made good progress toward increasing the occupancy levels of the Marriott Senior Living communities and believe further improvement is likely as we continue to implement our operating procedures in those communities.

Later in 2003, Sunrise expanded its portfolio once again when it assumed management of 22 EdenCare Senior Living Services communities pursuant to long-term management agreements. The EdenCare communities include assisted living and Alzheimer's care communities as well as full-service campuses providing independent living, assisted living and Alzheimer's care. These communities have been a positive addition to our portfolio, and we see strong opportunities to increase occupancy, revenues and associated management fees in the months and years ahead.

In 2003, Sunrise completed sale/long-term manage back transactions involving 43 consolidated communities valued at approximately \$438 million. These transactions involve Sunrise selling all or the majority of its ownership interest in a property while retaining the management of the community, pursuant to long-term management agreements. The sale/long-term manage back transactions completed in 2003 resulted in debt reduction of approximately \$215 million and generated approximately \$240 million of pre-tax proceeds.

Another key element of our management services transformation is that the majority of our new development is now taking place with investment partners. By developing communities with investment partners, such as CalPERS and Prudential, Sunrise is able to open new communities and increase revenue and earnings from long-term management contracts while, at the same time, reducing our risk profile because start-up losses as well as capital, development and community fill-up risks are shared. In 2003, Sunrise announced new development agreements with two additional investment partners—CNL and The Carlyle Group. We intend to continue to negotiate new development agreements with sophisticated institutional investors.

Sunrise has spent years developing the core competencies necessary for success as a management services company. For example, our owner services team serves as an effective liaison between our owner groups and the dedicated teams who manage our communities on a day-to-day basis; our purchasing team works to ensure cost-effective purchasing solutions for our network of communities; and our facilities management group works closely with our operations team to manage the maintenance of the buildings we operate.

More senior living property owners are turning to Sunrise for their management needs. We are continually evaluating new management opportunities, but we will remain selective—seeking to grow in strong, familiar markets.

#### Expanding Locations and Services to Meet Seniors' Needs

In 2003, we changed our name to Sunrise Senior Living to reflect the broadened scope of services available to seniors through Sunrise, including independent living, assisted living, Alzheimer's care, skilled nursing and rehabilitative care, At Home Assisted Living, short-term stays and hospice

care, which is provided in our communities by preferred hospice providers.

Sunrise continued its expansion in the United States, Canada and Europe in 2003 opening 17 communities we developed. At the end of the year, Sunrise had 16 communities under construction that are expected to open over the next four quarters and another 39 in development. Additionally, in the fourth quarter of 2003, Sunrise began construction on its first two communities in Germany and two additional communities in the United Kingdom, which are expected to open in 2005.

Sunrise also expanded its At Home Assisted Living program in 2003, introducing the home-based senior care services to the Atlanta metropolitan market and, in 2004, to South Florida and Chicago. The service, which offers seniors a personalized program of home care and homemaker services, as well as medication assistance and 24-hour emergency response services, is now available in seven of the major metropolitan markets where Sunrise operates senior living communities.

#### Looking Ahead

We are excited about Sunrise's prospects for 2004 and look forward to delivering continued strong financial results. In 2004, we expect a large portion of our growth to be generated from revenue increases in our portfolio of owned and managed communities driven by higher occupancy and average daily rates. Additional growth in 2004 is expected to come from the expansion of our operating portfolio through new construction and new third-party management contracts.

Sunrise's 2004 results will reflect a full year of benefit from the assumption of management of the Marriott Senior

Living and EdenCare portfolios and we expect it to reflect stronger performance from our European operations. Additionally, we plan to re-deploy cash into higher yielding investments and anticipate a lower interest expense over last year as our debt is now half of what it was at the beginning of 2003.

We expect our revenues under management to increase to over \$1.8 billion in 2004, or more than 30 percent above 2003 levels of \$1.4 billion, driven by revenue growth from our existing portfolio as well as revenue from newly opened communities and new management contracts. The growth in revenues under management as well as new construction starts and the receipt of potential incentive fees should result in higher revenue and earnings for Sunrise. We expect the majority of this growth to occur in the second half of 2004, when new community openings and construction starts are expected to occur.

2004 holds great promise for Sunrise residents, family members, shareholders, team members and owners. We are thankful for the strong support we have received from these groups, which has helped position us as the nation's leading senior living provider. We are committed to those we serve and look forward to another great year. Thank you for your interest in Sunrise Senior Living.

Paul J. Klaassen  
Chairman and  
Chief Executive Officer

Thomas B. Newell  
President

March 16, 2004

A photograph of two women sitting on a floral-patterned sofa. The woman on the left is wearing a pink sweater and a patterned scarf, holding a white coffee cup and saucer. The woman on the right is wearing a blue patterned dress and a pearl necklace, also holding a white coffee cup and saucer. They appear to be in a comfortable, indoor setting, possibly a living room or a common area in a care facility. The lighting is warm and soft.

Keeping promises  
to residents  
and families

Sunrise's Mission, Principles of Service, Core Values and Foundation are central to our culture. Our commitment to them has allowed us to keep our promises to the many thousands of residents and family members who have selected Sunrise for their care and service needs.

## OUR MISSION

To champion quality of life for all seniors

## PRINCIPLES OF SERVICE

- Encouraging Independence
- Enabling Choice
- Preserving Dignity
- Celebrating Individuality
- Nurturing the Spirit
- Involving Family and Friends

## CORE VALUES

- Passion
- Joy in Service
- Stewardship
- Respect
- Trust

## OUR FOUNDATION

Belief in the sacred value of human life



## Keeping promises to our investors

### SHAREHOLDERS

The shareholders who own this company have entrusted their investment to us and placed their faith in our management team to develop and execute a successful operating strategy. We value their confidence and are closely aligned with shareholders' interests.

### PROPERTY OWNERS

We have developed strong relationships with our property owners. By providing consistent, high-quality care and services and generating attractive returns for our property owners, we seek to build on our status as the premier operator in the industry and increase the probability that existing and new owners will choose Sunrise to manage their properties.

### LENDERS

Capital sources looking to invest in the senior living field are attracted to Sunrise's long and proven track record. Sunrise has strong relationships with leading regional, national and international lenders—providing access to the capital needed for new development.



The promise  
of senior living's  
largest management  
services company

## QUALITY CARE AND SERVICE FOR SENIORS

Operating a deep and experienced management services organization gives us the opportunity to focus on what we do best—provide high-quality care and services to a growing number of seniors and their families.

## BENEFITS FOR SUNRISE AND SHAREHOLDERS

The transition to a management services company offers many benefits to Sunrise and its shareholders, including increased revenue and earnings generated by long-term management contracts, improved financial strength through reduced debt and increased cash balances, higher returns on equity, and a more simplified investment story.

## INCREASING VALUE OF PROPERTY OWNERS' INVESTMENTS

Property owners choose Sunrise for our experience and proven track record. Sunrise has developed sophisticated teams to ensure cost-effective and quality solutions for property operations and management that yield strong returns on owners' investments—increasing Sunrise's attractiveness as a manager to new and existing property owners.



## The promise of continued growth

### INTERNAL GROWTH

Increasing revenue from higher occupancy and average daily rates is expected to lead to 4 percent to 6 percent revenue growth from Sunrise's existing portfolio in 2004.

### NEW CONSTRUCTION

New construction remains a strong growth driver for Sunrise. We continue to develop new senior living communities in top domestic and international markets. Most new construction and development is being conducted with investment partners, consistent with our management services transformation strategy. Sunrise expects to generate 4 percent to 6 percent revenue growth from new construction in 2004.

### NEW MANAGEMENT SERVICES CONTRACTS

Sunrise continues to explore and evaluate new management contract opportunities, but we will remain selective as we work toward adding new management contracts in 2004. Sunrise expects to generate approximately 5 percent growth from new management contracts in 2004.

### OTHER OPPORTUNITIES

With Sunrise's strong cash balances and available credit facilities, the company believes it is in a good position to react to potential investment alternatives that may become available throughout the year.

Promising to  
provide more choices  
in more locations  
than ever



#### ASSISTED LIVING

Our unique approach to assisted living provides the ideal solution for seniors who need some help with daily activities, such as bathing, dressing and medication reminders. We focus on a resident's wellness and independence by providing a tailored plan of assistance. Our residents enjoy beautifully appointed living spaces, delicious meals, engaging social activities, transportation and personalized assistance and care. We offer assisted living in a choice of locations, under well-known names that include Sunrise Assisted Living, Brighton Gardens and others.

#### INDEPENDENT LIVING

Our independent living alternatives are often the perfect solution for seniors who wish to enjoy an active, fulfilling life with access to a wide range of services. Overall, these independent living communities allow each resident to enjoy a high quality of life by providing a wide range of living environments matched with a personalized array of services. Most of our independent living communities also offer assisted living neighborhoods and often nursing and rehabilitative care options to meet life's changing needs.

#### ALZHEIMER'S CARE

Sunrise recognizes the special needs of people with Alzheimer's disease and other related memory impairments. Offering a fresh approach, we begin with understanding the stories and details of a senior's life so we can help them attain what we call "pleasant days." This means finding ways to involve residents in everyday activities they enjoy and can feel successful at, in specially designed surroundings that are both safe and stimulating.

#### NURSING AND REHABILITATIVE CARE

At Sunrise, we place a premium on enhancing each resident's quality of life, while providing the most exacting standards of nursing care. For those who have more complex care needs, certain Sunrise communities offer: 24-hour skilled nursing; post-hospital and post-surgical care; restorative care; physical, occupational and speech therapy; pharmacy services; and family counseling.

#### AT HOME ASSISTED LIVING

For seniors who aren't ready to move to a senior living community and wish to remain in their own homes, Sunrise offers quality health and homemaker services in certain areas from licensed/certified, insured professional caregivers; medication assistance; and reliable, 24-hour security monitoring and emergency response systems.

#### SHORT-TERM RESPITE STAYS

Sunrise offers short-term services to seniors in all our living alternatives when family members are away or need a short break from caregiving. Short stays are also an option for seniors needing some assistance after surgery or during an illness.

#### HOSPICE CARE

By working with a network of preferred providers who have agreed to abide by established best practices, Sunrise makes it possible for residents with end-of-life needs to receive high-quality, consistent hospice care while residing and remaining in one of our communities.

# In appreciation

Success can be measured many different ways, but success can only be achieved by a dedicated team of individuals who are committed to the same cause.

We are humbled and gratified to know that our success is the result of thousands of people who have supported Sunrise since 1981. Without the residents and family members who trust us for their care and service needs; the team members who believe in the mission of Sunrise and work toward fulfilling it every day; and the investors who have shown confidence in Sunrise's ability to develop and execute an effective business strategy, we would not be where we are today.

We extend a heartfelt thanks to all of these individuals and look forward to delivering a future full of promises kept.

OUR RESIDENTS AND FAMILY MEMBERS	THE SUNRISE TEAM	TOP FIVE BANKS	TOP FIVE PROPERTY OWNERS	TOP FIVE INSTITUTIONAL SHAREHOLDERS
40,000+ RESIDENTS AND THEIR FAMILY MEMBERS WHO RELY ON SUNRISE FOR THEIR CARE AND SERVICE NEEDS	31,000+ DEDICATED TEAM MEMBERS WITH HEARTS FOR SERVICE AND A PASSION FOR CAREGIVING	BANK OF AMERICA GMAC COMMERCIAL MORTGAGE FANNIE MAE WACHOVIA BANK FREDDIE MAC	CNL RETIREMENT PROPERTIES, INC. SENIORS HOUSING PROPERTIES TRUST CRESCENT CAPITAL CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS) PRUDENTIAL	DIMENSIONAL FUND ADVISORS, INC. BROWN INVESTMENT ADVISORY & TRUST COMPANY WASATCH ADVISORS, INC. T. ROWE PRICE ASSOCIATES, INC. BARCLAYS GLOBAL INVESTORS, N.A.

## BOARD OF DIRECTORS

**Paul J. Klaassen**  
Founder, Chairman and Chief Executive Officer

**Teresa M. Klaassen**  
Founder, Chief Cultural Officer and Secretary

**Ronald V. Aprahamian**<sup>(1)(2)(3)</sup>  
Private Investor

**David G. Bradley**<sup>(1)(2)</sup>  
Chairman and Owner  
Atlantic Media Company

**Craig R. Callen**  
Managing Director  
U.S. Health Care Investment Banking,  
Credit Suisse First Boston, LLC

**Thomas J. Donohue**<sup>(1)(2)(3)</sup>  
President and Chief Executive Officer  
U.S. Chamber of Commerce

**David W. Faeder**  
Managing Partner  
Fountain Square Properties LLC

**J. Douglas Holladay**<sup>(3)</sup>  
General Partner  
Park Avenue Equity Partners, LP

**Pete A. Klisares**  
Principal Owner  
MIGG Capital Investment Company

**J.W. Marriott, Jr.**  
Chairman and Chief Executive Officer  
Marriott International Inc.

## EXECUTIVE MANAGEMENT

**Paul J. Klaassen**  
Founder, Chairman and Chief Executive Officer

**Teresa M. Klaassen**  
Founder, Chief Cultural Officer and Secretary

**Thomas B. Newell**  
President

**Tiffany L. Tomasso**  
Chief Operating Officer

**Christian B. A. Slavin**  
Chief Investment Officer

**Larry E. Hulse**  
Chief Financial Officer

**John F. Gaul**  
General Counsel

**Kenneth J. Abod**  
Senior Vice President and Treasurer

**Jeffrey M. Jasnoff**  
Senior Vice President, Human Resources

### Major Board Committees

(1) Audit Committee, (2) Compensation Committee, (3) Nominating and Corporate Governance Committee

## CORPORATE INFORMATION

### Corporate Headquarters

Sunrise Senior Living, Inc.  
7902 Westpark Drive  
McLean, Virginia 22102  
703.273.7500

### Transfer Agent and Registrar

Wachovia Bank, N.A.  
1525 West W.T. Harris Boulevard, 3C3  
Charlotte, North Carolina 28288

### Annual Meeting Date

Sunrise will hold its annual meeting of stockholders on Wednesday, May 12, 2004, at 9:00 a.m. at:  
Ritz-Carlton Hotel, Tysons Corner  
1700 Tysons Boulevard  
McLean, Virginia 22102  
703.506.4300

### Form 10-K and Annual Reports Available

Copies of the Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, without exhibits, are available at no charge by calling 703.273.7500 or writing:  
Sunrise Senior Living, Inc.  
7902 Westpark Drive  
McLean, Virginia 22102  
Attention: Corporate Secretary

### Stock Information

Sunrise's common stock is listed and traded publicly on the New York Stock Exchange under the symbol SRZ. Trading of the common stock commenced on May 31, 1996. Sunrise's common stock began trading on the New York Stock Exchange on May 23, 2001 under the symbol SRZ. Prior to that date, Sunrise's common stock was traded on the Nasdaq National Market under the symbol SNRZ. As of March 3, 2004, there were 263 stockholders of record. No cash dividends have been paid in the past.

### Quarterly Market Price Range of Common Stock

#### 2003

Quarter Ended	High	Low
March 31, 2003	25.54	21.37
June 30, 2003	28.95	19.60
September 30, 2003	27.45	21.26
December 31, 2003	40.00	26.40

#### 2002

Quarter Ended	High	Low
March 31, 2002	32.70	20.60
June 30, 2002	30.15	25.36
September 30, 2002	27.50	21.00
December 31, 2002	29.00	19.60

### Web site

To learn more about Sunrise Senior Living, Inc., visit our Web site: [www.sunriseseniorliving.com](http://www.sunriseseniorliving.com)

### Forward-Looking Statements

This annual report contains certain forward-looking statements that involve risks and uncertainties. Although Sunrise believes the expectations reflected in such forward-looking statements are based on reasonable assumptions, there can be no assurance that Sunrise's expectations will be realized. Sunrise's actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to, development and construction risks, acquisition risks, business conditions, competition, changes in interest rates, our ability to manage our expenses as a percentage of revenues under management, market factors that could affect the value of our properties, the risks of downturns in economic conditions generally, success in integrating Marriott Senior Living Services' operations and other acquisitions, satisfaction of closing conditions and availability of financing for development and acquisitions. These and other risks are detailed in the Company's annual report on Form 10-K filed with the Securities and Exchange Commission. We assume no obligation to update or supplement forward-looking statements that become untrue because of subsequent events. Unless the context suggests otherwise, references herein to "Sunrise," the "company," "we," "us" and "our" mean Sunrise Senior Living, Inc. and its consolidated subsidiaries.