

THE ENSIGN GROUP, INC.
GAAP AND ADJUSTED CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

| | <i>Three Months Ended</i> | | | <i>Three Months Ended</i> | | |
|---|---------------------------|-------------------------------|------------------------|---------------------------|-------------------------------|------------------------|
| | <i>March 31, 2010</i> | | | <i>March 31, 2009</i> | | |
| | <i>As Reported</i> | <i>Non- GAAP Adj.</i> | <i>As Adjusted</i> | <i>As Reported</i> | <i>Non- GAAP Adj.</i> | <i>As Adjusted</i> |
| Revenue | \$154,174 | | \$154,174 | \$130,285 | | \$ 130,285 |
| Expense: | | | | | | |
| Cost of services (exclusive of facility rent and depreciation and amortization shown separately below)..... | 123,183 | (52) ⁽¹⁾ | 123,131 | 104,199 | (114) ⁽¹⁾ | 104,085 |
| Facility rent—cost of services | 3,575 | | 3,575 | 3,701 | | 3,701 |
| General and administrative expense | 5,774 | | 5,774 | 4,961 | | 4,961 |
| Depreciation and amortization | 3,955 | (255) ⁽²⁾ | 3,700 | 2,965 | (223) ⁽²⁾ | 2,742 |
| Total expenses | 136,487 | (307) | 136,180 | 115,826 | (337) | 115,489 |
| Income from operations | 17,687 | 307 | 17,994 | 14,459 | 337 | 14,796 |
| Other income (expense): | | | | | | |
| Interest expense | (2,280) | | (2,280) | (1,328) | | (1,328) |
| Interest income | 67 | | 67 | 70 | | 70 |
| Other expense, net | (2,213) | | (2,213) | (1,258) | | (1,258) |
| Income before provision for income taxes | 15,474 | 307 | 15,781 | 13,201 | 337 | 13,538 |
| Provision for income taxes | 6,126 | 122 ⁽³⁾ | 6,248 | 5,278 | 135 ⁽³⁾ | 5,413 |
| Net income | <u>\$ 9,348</u> | <u>185</u> | <u>\$ 9,533</u> | <u>\$ 7,923</u> | <u>202</u> | <u>\$ 8,125</u> |
| Net income per share: | | | | | | |
| Basic | <u>\$ 0.45</u> | | <u>\$ 0.46</u> | <u>\$ 0.39</u> | | <u>\$ 0.39</u> |
| Diluted | <u>\$ 0.44</u> | | <u>\$ 0.45</u> | <u>\$ 0.38</u> | | <u>\$ 0.39</u> |
| Weighted average common shares outstanding: | | | | | | |
| Basic | <u>20,686</u> | | <u>20,686</u> | <u>20,572</u> | | <u>20,572</u> |
| Diluted | <u>21,074</u> | | <u>21,074</u> | <u>20,892</u> | | <u>20,892</u> |

(1) Represents acquisition-related costs expenses.

(2) Represents amortization costs related to patient base intangible assets acquired. Patient base intangible assets are amortized over a period of four to eight months, depending on the classification of the patients and the level of occupancy in a new acquisition on the acquisition date.

(3) Represents the tax impact of acquisition costs and patient base non-GAAP adjustments represented in entries (1) and (2).