

**RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL INFORMATION**  
(In thousands, except per share data)  
(Unaudited)

**RECONCILIATION OF GAAP TO NON-GAAP NET INCOME**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income attributable to The Ensign Group, Inc.	\$ 22,011	\$ 12,217	\$ 45,143	\$ 15,058
<b>Non-GAAP adjustments</b>				
(Earnings)/losses related to facilities currently being constructed and other start-up operations(a)	1,272	3,365	2,847	7,907
(Return of unclaimed class action settlement)/charges related to the settlement of the class action lawsuit(b)	—	163	(1,664)	11,163
Share-based compensation expense(c)	2,520	2,376	4,829	4,600
Results related to closed operations and operations not at full capacity, including continued obligations and closing expense(d)	291	(457)	489	5,130
Depreciation and amortization - Patient base(e)	62	115	101	151
General and administrative - Transaction-related costs(f)	83	360	111	448
Business interruption recoveries(g)	(675)	—	(675)	—
Provision for income taxes on Non-GAAP adjustments(h)	(1,863)	(2,054)	(3,416)	(10,508)
<b>Non-GAAP Net Income</b>	<b>\$ 23,701</b>	<b>\$ 16,085</b>	<b>\$ 47,765</b>	<b>\$ 33,949</b>

**Diluted Earnings Per Share As Reported**

Net Income	\$ 0.41	\$ 0.23	\$ 0.84	\$ 0.29
Average number of shares outstanding	54,251	52,548	53,909	52,593

**Adjusted Diluted Earnings Per Share**

Net Income	0.44	0.31	0.89	0.65
Average number of shares outstanding	54,251	52,548	53,909	52,593

**Footnotes:**

(a) Represents operating results for facilities currently being constructed and other start-up operations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue	\$ (16,343)	\$ (15,912)	\$ (32,566)	\$ (28,879)
Cost of services	13,800	15,055	27,772	28,653
Rent	3,571	3,934	7,154	7,596
Depreciation and amortization	244	288	487	537
Total Non-GAAP adjustment	<b>\$ 1,272</b>	<b>\$ 3,365</b>	<b>\$ 2,847</b>	<b>\$ 7,907</b>

(b) (Return of unclaimed class action settlement funds) or charges incurred in connection with the settlement of the class action lawsuit.

(c) Represents share-based compensation expense incurred.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Cost of services	\$ 1,381	\$ 1,338	\$ 2,638	\$ 2,573
General and administrative	1,139	1,038	2,191	2,027
Total Non-GAAP adjustment	<b>\$ 2,520</b>	<b>\$ 2,376</b>	<b>\$ 4,829</b>	<b>\$ 4,600</b>

(d) Represents results at closed operations and operations not at full capacity, including the fair value of continued obligation under the lease agreement and related closing expenses of \$4.0 million for the six months ended June 30, 2017. Included in the three and six months ended June 30, 2017 results is the loss recovery of \$1.3 million of certain losses related to a closed facility in prior year.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue	\$ —	\$ (172)	\$ —	\$ (2,544)
(Gains)/Losses related to operational closures	—	(1,286)	—	2,731
Cost of services	209	903	325	4,177
Rent	75	85	149	696
Depreciation and amortization	8	13	15	70
Total Non-GAAP adjustment	<b>\$ 292</b>	<b>\$ (457)</b>	<b>\$ 489</b>	<b>\$ 5,130</b>

(e) Included in depreciation and amortization are amortization expenses related to patient base intangible assets at newly acquired skilled nursing and assisted living facilities.

(f) Included in general and administrative expense are costs incurred to acquire an operation which are not capitalizable.

(g) Business interruption recoveries related to insurance claims of the California fires that occurred in the fourth quarter of 2017.