

THE ENSIGN GROUP, INC.
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	
	March 31,	
	2016	2015
Net income attributable to The Ensign Group, Inc.	\$ 9,172	\$ 15,170
Non-GAAP adjustments		
Results at urgent care centers, including noncontrolling interests(a)	(195)	(169)
Costs incurred for facilities currently being constructed and other start-up operations(b)	2,798	146
Results at closed facility, including continued obligations and closing expenses(c)	8,184	-
Acquisition related costs(d)	145	152
Patient base amortization(e)	276	284
Stock-based compensation expense(f)	1,885	1,493
Professional service fees(g)	-	26
Write off of deferred financing fee(h)	197	-
Amortization of deferred financing fee related to Spin-Off debt(i)	28	46
Costs incurred related to new systems implementation(j)	678	287
Break up fee, net of costs, received in connection with a public auction(k)	-	(1,019)
Tax effect on Non-GAAP adjustments(l)	(5,337)	(454)
Non-GAAP Net Income	\$ 17,831	\$ 15,962
Diluted Earnings Per Share As Reported		
Net Income	\$ 0.18	\$ 0.31
Average number of shares outstanding	52,334	49,652
Adjusted Diluted Earnings Per Share		
Net Income	\$ 0.34	\$ 0.32
Average number of shares outstanding	52,334	49,652

(a) Represent operating results at newly opened urgent care centers, including noncontrolling interest

(b) Represent costs incurred for facilities currently being constructed and other start-up operations.

(c) Represent results at closed facility during three months ended March 31, 2016, including fair value of continued obligation under lease agreement and related closing expenses \$7.9 million and operating loss of \$0.3 million.

(d) Represent costs incurred to acquire an operation which are not capitalizable.

(e) Represent amortization costs related to patient base intangible assets at skilled nursing and assisted living facilities.

(f) Represent stock-based compensation expense incurred.

(g) Represent professional service fees include costs incurred to recognize income tax credits which contributed to a decrease in effective tax rate.

(h) Represent write off of deferred financing fee associated with the amendment of credit revolver.

(i) Represent amortization of deferred financing fee related to the former revolver debt costs as part of the spin-off transaction.

(j) Represent costs incurred related to new systems implementation.

(k) Represent breakup fee, net of costs, received in connection with a public auction.

(l) Represent adjustment to provision for income tax to our historical year to date effective tax rate of 38.5%