

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

	<i>Three Months Ended December 31, 2015</i>			<i>Year Ended December 31, 2015</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	\$ 373,155	\$ (8,059) ⁽⁵⁾	\$ 365,096	1,341,826	\$ (28,066) ⁽⁵⁾	\$ 1,313,760
Expense:						
Cost of services (exclusive of rent, general and administrative and depreciation and amortization expense shown separately below)	297,401	(11,322) ⁽¹⁾⁽³⁾⁽⁵⁾⁽⁸⁾	286,079	1,067,694	(35,321) ⁽¹⁾⁽³⁾⁽⁵⁾⁽⁸⁾	1,032,373
Rent—cost of services	26,245	(1,190) ⁽⁶⁾⁽⁸⁾	25,055	88,776	(2,746) ⁽⁶⁾⁽⁸⁾	86,030
General and administrative expense	17,246	(1,360) ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁹⁾	15,886	64,163	(4,249) ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁹⁾	59,914
Depreciation and amortization	7,926	(585) ⁽⁷⁾	7,341	28,111	(2,279) ⁽⁷⁾	25,832
Total expenses	348,818	(14,457)	334,361	1,248,744	(44,595)	1,204,149
Income from operations	24,337	6,398	30,735	93,082	16,529	109,611
Other income (expense):						
Interest expense	(793)	46	(747)	(2,828)	184	(2,644)
Interest income	242	-	242	845	-	845
Other expense, net	(551)	46	(505)	(1,983)	184	(1,799)
Income before provision for income taxes	23,786	6,444	30,230	91,099	16,713	107,812
Tax Effect on Non-GAAP Adjustments		2,481			6,434	
Tax True-up for Effective Tax Rate		(191)			(109)	
Provision for income taxes	9,349	2,290 ⁽¹⁰⁾	11,639	35,182	6,325 ⁽¹⁰⁾	41,507
Net income	14,437	4,154	18,591	55,917	10,388	66,305
Less: net (loss) income attributable to noncontrolling interests	836	(784)	52	485	(290)	195
Net income attributable to The Ensign Group, Inc.	\$ 13,601	4,938	\$ 18,539	\$ 55,432	10,678	\$ 66,110
Net income per share:						
Basic:	\$ 0.27		\$ 0.36	\$ 1.10		\$ 1.31
Diluted	\$ 0.26		\$ 0.35	\$ 1.06		\$ 1.27
Weighted average common shares outstanding:						
Basic	51,308		51,308	50,316		50,316
Diluted	53,193		53,193	52,210		52,210

(1) Represents acquisition-related costs of \$604 and \$1,397 for the three months and year ended December 31, 2015, respectively.

(2) Represents costs of \$131 and \$267 for the three months and year ended December 31, 2015, respectively, incurred to recognize income tax credits and effect the stock-split in Q4 2015.

(3) Represents stock-based compensation expense of \$1,729 and \$6,677 for the three months and year ended December 31, 2015, respectively.

(4) Represents costs of \$567 and \$2,550 for the three months and year ended December 31, 2015, respectively, incurred related to new systems implementation.

(5) Represents revenues and expenses incurred at urgent care centers, excluding rent expense recognized in note (6) below and depreciation expense recognized in note (7) below.

(6) Represents straight-line rent amortization for urgent care centers included in Note (5) and Note (8).

(7) Represents depreciation expense at urgent care centers, facilities currently being constructed and start-up operations and amortization costs related to patient base intangible assets at skilled nursing and assisted living facilities.

(8) Represents costs incurred for facilities currently being constructed and start-up operations during the three months and year ended December 31, 2015.

(9) Represents breakup fee, net of costs, received in connection with a public auction in which we were the priority bidder.

(10) Represents the adjustment to provision for income tax to our historical year to date effective tax rate of 38.5% for the three months ended and year ended December 31, 2015.

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(In thousands, except per share data)

	<i>Three Months Ended December 31, 2014</i>			<i>Year Ended December 31, 2014</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	\$ 276,869	(4,409) ⁽⁴⁾⁽⁵⁾	\$ 272,460	\$ 1,027,406	(14,505) ⁽⁴⁾⁽⁵⁾	\$ 1,012,901
Expense:						
Cost of services (exclusive of rent, general and administrative and depreciation and amortization expense shown separately below)	221,137	(5,060) ⁽¹⁾⁽⁴⁾⁽⁵⁾	216,077	822,669	(16,966) ⁽¹⁾⁽⁴⁾⁽⁵⁾	805,703
Rent—cost of services	18,480	(402) ⁽⁶⁾	18,078	48,488	(1,941) ⁽⁶⁾	46,547
General and administrative expense	12,525	(200) ⁽²⁾⁽³⁾⁽⁴⁾	12,325	56,895	(9,234) ⁽²⁾⁽³⁾⁽⁴⁾	47,661
Depreciation and amortization	5,087	(371) ⁽⁷⁾	4,716	26,430	(1,265) ⁽⁷⁾	25,165
Total expenses	257,229	(6,033)	251,196	954,482	(29,406)	925,076
Income from operations	19,640	1,624	21,264	72,924	14,901	87,825
Other income (expense):						
Interest expense	(486)	46	(440)	(12,976)	6,517	(6,459)
Interest income	159	-	159	594	-	594
Other expense, net	(327)	46	(281)	(12,382)	6,517	(5,865)
Income before provision for income taxes	19,313	1,670	20,983	60,542	21,418	81,960
Tax Effect on Non-GAAP Adjustments		643			8,246	
Tax True-up for Effective Tax Rate		(1,082)			(3,492)	
Provision for income taxes	8,517	(439) ⁽⁸⁾	8,078	26,801	4,754 ⁽⁸⁾	31,555
Net income	10,796	2,109	12,905	33,741	16,664	50,405
Less: net (loss) income attributable to noncontrolling interests	(715)	807	92	(2,209)	2,370	161
Net income attributable to The Ensign Group, Inc.	\$ 11,511	1,302	\$ 12,813	\$ 35,950	14,294	\$ 50,244
Net income per share						
Basic:	\$ 0.26		\$ 0.28	\$ 0.80		\$ 1.12
Diluted:	\$ 0.25		\$ 0.27	\$ 0.78		\$ 1.09
Weighted average common shares outstanding:						
Basic	45,038		45,038	44,682		44,682
Diluted	46,756		46,756	46,190		46,190

(1) Represents acquisition-related costs of \$453 and \$672 for the three months and year ended ended December 31, 2014, respectively.

(2) Represents costs of \$45 and \$138 for the three months and year ended December 31, 2014, respectively, incurred to recognize income tax credits.

(3) Represents costs of \$155 and \$9,026 for the three months and year ended December 31, 2014, incurred related to the Company's spin-off of real estate assets to CareTrust REIT (CTRE) (the Spin-Off).

(4) Represents revenues and expenses incurred at the three independent living operations transferred to CTRE on June 1, 2014 in connection with the Spin Off, excluding rent expense recognized in note (6) below.

(5) Represents revenues and expenses incurred at newly opened urgent care centers, excluding rent expense recognized in note (6) below and depreciation expense recognized in note (7) below.

(6) Represents straight-line rent amortization for newly opened urgent care centers and the three independent living operations transferred to CTRE included in Note (4).

(7) Represents depreciation expense at newly opened urgent care centers and amortization costs related to patient base intangible assets at skilled nursing and assisted living facilities.

(8) Represents the adjustment to provision for income tax to our historical year to date effective tax rate of 38.6% for the three months ended and year ended December 31, 2014.