

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

	<i>Three Months Ended September 30, 2015</i>			<i>Nine Months Ended September 30, 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	\$ 351,086	\$ (6,366) ⁽⁵⁾	\$ 344,720	968,671	\$ (20,007) ⁽⁵⁾	\$ 948,664
Expense:						
Cost of services (exclusive of facility rent, general and administrative and depreciation and amortization expense shown separately below)	280,545	(8,481) ⁽¹⁾⁽³⁾⁽⁵⁾ ₍₈₎	272,064	770,293	(23,998) ⁽¹⁾⁽³⁾⁽⁵⁾ ₍₈₎	746,295
Rent—cost of services	24,500	(540) ⁽⁶⁾	23,960	62,531	(1,556) ⁽⁶⁾	60,975
General and administrative expense	17,165	(1,565) ⁽²⁾⁽³⁾⁽⁴⁾ ₍₉₎	15,600	46,917	(2,888) ⁽²⁾⁽³⁾⁽⁴⁾ ₍₉₎	44,029
Depreciation and amortization	7,288	(521) ⁽⁷⁾	6,767	20,185	(1,694) ⁽⁷⁾	18,491
Total expenses	329,498	(11,107)	318,391	899,926	(30,136)	869,790
Income from operations	21,588	4,741	26,329	68,745	10,129	78,874
Other income (expense):						
Interest expense	(802)	46	(756)	(2,035)	138	(1,897)
Interest income	242	-	242	603	-	603
Other expense, net	(560)	46	(514)	(1,432)	138	(1,294)
Income before provision for income taxes	21,028	4,787	25,815	67,313	10,267	77,580
Tax Effect on Non-GAAP Adjustments		1,844			3,953	
Tax True-up for Effective Tax Rate		226			82	
Provision for income taxes	7,869	2,070	9,939	25,833	4,035	29,868
Net income	13,159	2,717 ⁽¹⁰⁾	15,876	41,480	6,232 ⁽¹⁰⁾	47,712
Less: net (loss) income attributable to noncontrolling interests	(313)	335	22	(351)	494	143
Net income attributable to The Ensign Group, Inc.	\$ 13,472	2,382	\$ 15,854	\$ 41,831	5,738	\$ 47,569
Net income per share:						
Basic:	\$ 0.53		\$ 0.62	\$ 1.67		\$ 1.90
Diluted	\$ 0.51		\$ 0.60	\$ 1.61		\$ 1.83
Weighted average common shares outstanding:						
Basic	25,572		25,572	24,991		24,991
Diluted	26,535		26,535	25,940		25,940

(1) Represents acquisition-related costs of \$203 and \$793 for the three and nine months ended September 30, 2015, respectively.

(2) Represents costs of \$84 and \$136 for the three and nine months ended September 30, 2015, respectively, incurred to recognize income tax credits.

(3) Represents stock-based compensation expense of \$1,722 and \$4,948 for the three and nine months ended September 30, 2015, respectively.

(4) Represents costs of \$836 and \$1,983 for the three and nine months ended September 30, 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).

(7) Represents depreciation expense at urgent care centers 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 newly-built operations during the three and nine months ended September 30, 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 and nine months ended September 30, 2015.

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

	<i>Three Months Ended September 30, 2014</i>			<i>Nine Months Ended September 30, 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	\$ 260,841	(3,617) ⁽⁴⁾⁽⁵⁾	\$ 257,224	\$ 750,537	(10,094) ⁽⁴⁾⁽⁵⁾	\$ 740,443
Expense:						
Cost of services (exclusive of facility rent, general and administrative and depreciation and amortization expense shown separately below)	209,737	(4,256) ⁽¹⁾⁽⁴⁾⁽⁵⁾	205,481	601,532	(11,686) ⁽¹⁾⁽⁴⁾⁽⁵⁾	589,846
Rent—cost of services	18,176	(410) ⁽⁶⁾	17,766	30,008	(1,539) ⁽⁶⁾	28,469
General and administrative expense	12,956	(31) ⁽²⁾⁽³⁾⁽⁴⁾	12,925	44,370	(9,035) ⁽²⁾⁽³⁾⁽⁴⁾	35,335
Depreciation and amortization	4,677	(380) ⁽⁷⁾	4,297	21,343	(895) ⁽⁷⁾	20,448
Total expenses	245,546	(5,077)	240,469	697,253	(23,155)	674,098
Income from operations	15,295	1,460	16,755	53,284	13,061	66,345
Other income (expense):						
Interest expense	(407)	46	(361)	(12,490)	6,471	(6,019)
Interest income	142	-	142	435	-	435
Other expense, net	(265)	46	(219)	(12,055)	6,471	(5,584)
Income before provision for income taxes	15,030	1,506	16,536	41,229	19,532	60,761
Tax Effect on Non-GAAP Adjustments		581			7,520	
Tax True-up for Effective Tax Rate		(872)			(2,410)	
Provision for income taxes	6,659	(291)	6,368	18,284	5,110	23,394
Net income	8,371	1,797 ⁽⁸⁾	10,168	22,945	14,422 ⁽⁸⁾	37,367
Less: net (loss) income attributable to noncontrolling interests	(535)	523	(12)	(1,494)	1,563	69
Net income attributable to The Ensign Group, Inc.	\$ 8,906	1,274	\$ 10,180	\$ 24,439	12,859	\$ 37,298
Net income per share						
Basic:	\$ 0.40		\$ 0.45	\$ 1.10		\$ 1.67
Diluted:	\$ 0.38		\$ 0.44	\$ 1.06		\$ 1.62
Weighted average common shares outstanding:						
Basic	22,415		22,415	22,282		22,282
Diluted	23,186		23,186	23,014		23,014

(1) Represents acquisition-related costs of \$85 and \$219 for the three and nine months ended September 30, 2014, respectively.

(2) Represents costs of \$31 and \$93 for the three and nine months ended September 30, 2014, respectively, incurred to recognize income tax credits.

(3) Represents costs of \$8,871 for the nine months ended September 30, 2014, incurred related to the Company's spin-off of real estate assets to CareTrust REIT (CTRE) (the Spin-Off). As the Spin-Off was completed in the second quarter of 2014, there was no costs associated with the Spin-Off for the three months ended September 30, 2014.

(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 38.5% for the three and nine months ended September 30, 2014.