

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

	<i>Three Months Ended</i>			<i>Year Ended</i>		
	<i>December 31, 2010</i>			<i>December 31, 2010</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	\$ 172,757		\$ 172,757	\$ 649,532		\$ 649,532
Expense:						
Cost of services (exclusive of facility rent and depreciation and amortization shown separately below)	136,217	(54) ⁽¹⁾	136,163	516,668	(150) ⁽¹⁾	516,518
Facility rent—cost of services	3,656		3,656	14,478		14,478
General and administrative expense	7,205		7,205	26,099		26,099
Depreciation and amortization	4,395	(27) ⁽²⁾	4,368	16,633	(481) ⁽²⁾	16,152
Total expenses	151,473	(81)	151,392	573,878	(631)	573,247
Income from operations	21,284	81	21,365	75,654	631	76,285
Other income (expense):						
Interest expense	(2,252)		(2,252)	(9,123)		(9,123)
Interest income	60		60	248		248
Other expense, net	(2,192)		(2,192)	(8,875)		(8,875)
Income before provision for income taxes	19,092	81	19,173	66,779	631	67,410
Provision for income taxes	7,420	32 ⁽³⁾	7,452	26,253	248 ⁽³⁾	26,501
Net income	\$ 11,672	49	\$ 11,721	\$ 40,526	383	\$ 40,909
Net income per share:						
Basic	\$ 0.56		\$ 0.56	\$ 1.95		\$ 1.97
Diluted	\$ 0.55		\$ 0.55	\$ 1.92		\$ 1.93
Weighted average common shares outstanding:						
Basic	20,791		20,791	20,744		20,744
Diluted	21,275		21,275	21,159		21,159

(1) Represents acquisition-related costs.

(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).