

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

	<i>Three Months Ended</i>			<i>Nine Months Ended</i>		
	<i>September 30, 2011</i>			<i>September 30, 2011</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	\$196,346		\$196,346	\$565,615		\$565,615
Expense:						
Cost of services (exclusive of facility rent and depreciation and amortization shown separately below)	155,725	(158) ⁽¹⁾	155,567	444,517	(362) ⁽¹⁾	444,155
Facility rent—cost of services	3,331		3,331	10,380		10,380
General and administrative expense	7,195		7,195	22,188		22,188
Depreciation and amortization	6,179	(249) ⁽²⁾	5,930	16,784	(808) ⁽²⁾	15,976
Total expenses	172,430	(407)	172,023	493,869	(1,170)	492,699
Income from operations	23,916	407	24,323	71,746	1,170	72,916
Other income (expense):						
Interest expense	(5,323)	2,542 ⁽³⁾	(2,781)	(10,789)	2,542 ⁽³⁾	(8,247)
Interest income	68		68	198		198
Other expense, net	(5,255)	2,542	(2,713)	(10,591)	2,542	(8,049)
Income before provision for income taxes	18,661	2,949	21,610	61,155	3,712	64,867
Provision for income taxes	7,063	1,116 ⁽⁴⁾	8,179	23,835	1,447 ⁽⁴⁾	25,282
Net income	<u>\$11,598</u>	<u>1,833</u>	<u>\$13,431</u>	<u>\$ 37,320</u>	<u>2,265</u>	<u>\$39,585</u>
Net income per share:						
Basic	<u>\$0.55</u>		<u>\$0.64</u>	<u>\$1.78</u>		<u>\$1.89</u>
Diluted	<u>\$0.54</u>		<u>\$0.62</u>	<u>\$1.73</u>		<u>\$1.84</u>
Weighted average common shares outstanding:						
Basic	<u>20,995</u>		<u>20,995</u>	<u>20,920</u>		<u>20,920</u>
Diluted	<u>21,570</u>		<u>21,570</u>	<u>21,571</u>		<u>21,571</u>

(1) Represents acquisition-related costs expenses.

(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 loss on extinguishment and amortization of remaining deferred financing costs in connection with the Senior Credit Facility entered into by the Company on July 15, 2011.

(4) Represents the tax impact of acquisition costs and patient base non-GAAP adjustments represented in entries (1) and (2).