

**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, 2010</i>			<i>September 30, 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	\$ 164,653		\$ 164,653	\$ 476,775		\$ 476,775
Expense:						
Cost of services (exclusive of facility rent and depreciation and amortization shown separately below) .....	131,460	(7) <sup>(1)</sup>	131,453	380,451	(96) <sup>(1)</sup>	380,355
Facility rent—cost of services	3,631		3,631	10,822		10,822
General and administrative expense	6,713		6,713	18,894		18,894
Depreciation and amortization	4,260	(84) <sup>(2)</sup>	4,176	12,238	(453) <sup>(2)</sup>	11,785
Total expenses	146,064	(91)	145,973	422,405	(549)	421,856
Income from operations	18,589	91	18,680	54,370	549	54,919
Other income (expense):						
Interest expense	(2,283)		(2,283)	(6,871)		(6,871)
Interest income	58		58	188		188
Other expense, net	(2,225)		(2,225)	(6,683)		(6,683)
Income before provision for income taxes	16,364	91	16,455	47,687	549	48,236
Provision for income taxes	6,477	36 <sup>(3)</sup>	6,513	18,833	217 <sup>(3)</sup>	19,050
Net income	<u>\$ 9,887</u>	<u>55</u>	<u>\$ 9,942</u>	<u>\$ 28,854</u>	<u>332</u>	<u>\$ 29,186</u>
Net income per share:						
Basic	<u>\$ 0.48</u>		<u>\$ 0.48</u>	<u>\$ 1.39</u>		<u>\$ 1.41</u>
Diluted	<u>\$ 0.47</u>		<u>\$ 0.47</u>	<u>\$ 1.37</u>		<u>\$ 1.38</u>
Weighted average common shares outstanding:						
Basic	<u>20,756</u>		<u>20,756</u>	<u>20,728</u>		<u>20,728</u>
Diluted	<u>21,147</u>		<u>21,147</u>	<u>21,123</u>		<u>21,123</u>

(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).