

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

	<i>Three Months Ended</i>			<i>Six Months Ended</i>		
	<i>June 30, 2010</i>			<i>June 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	\$ 157,948		\$ 157,948	\$312,122		\$ 312,122
Expense:						
Cost of services (exclusive of facility rent and depreciation and amortization shown separately below)	125,808	(37) ⁽¹⁾	125,771	248,991	(89) ⁽¹⁾	248,902
Facility rent—cost of services	3,616		3,616	7,191		7,191
General and administrative expense	6,407		6,407	12,181		12,181
Depreciation and amortization	4,023	(114) ⁽²⁾	3,909	7,978	(369) ⁽²⁾	7,609
Total expenses	139,854	(151)	139,703	276,341	(458)	275,883
Income from operations	18,094	151	18,245	35,781	458	36,239
Other income (expense):						
Interest expense	(2,308)		(2,308)	(4,588)		(4,588)
Interest income	63		63	130		130
Other expense, net	(2,245)		(2,245)	(4,458)		(4,458)
Income before provision for income taxes	15,849	151	16,000	31,323	458	31,781
Provision for income taxes	6,230	60 ⁽³⁾	6,290	12,356	181 ⁽³⁾	12,537
Net income	\$ 9,619	91	\$ 9,710	\$ 18,967	277	\$ 19,244
Net income per share:						
Basic	\$ 0.46		\$ 0.47	\$ 0.92		\$ 0.93
Diluted	\$ 0.46		\$ 0.46	\$ 0.90		\$ 0.91
Weighted average common shares outstanding:						
Basic	20,741		20,741	20,713		20,713
Diluted	21,126		21,126	21,103		21,103

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