

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, 2011</i>			<i>June 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	\$186,326		\$186,326	\$369,269		\$369,269
Expense:						
Cost of services (exclusive of facility rent and depreciation and amortization shown separately below).....	145,637	(133) ⁽¹⁾	145,504	288,792	(204) ⁽¹⁾	288,588
Facility rent—cost of services	3,433		3,433	7,049		7,049
General and administrative expense	7,592		7,592	14,993		14,993
Depreciation and amortization	5,546	(339) ⁽²⁾	5,207	10,605	(559) ⁽²⁾	10,046
Total expenses	162,208	(472)	161,736	321,439	(763)	320,676
Income from operations	24,118	472	24,590	47,830	763	48,593
Other income (expense):						
Interest expense	(2,739)		(2,739)	(5,466)		(5,466)
Interest income	75		75	130		130
Other expense, net	(2,664)		(2,664)	(5,336)		(5,336)
Income before provision for income taxes	21,454	472	21,926	42,494	763	43,257
Provision for income taxes	8,478	187 ⁽³⁾	8,665	16,772	302 ⁽³⁾	17,074
Net income	<u>\$12,976</u>	<u>285</u>	<u>\$13,261</u>	<u>\$ 25,722</u>	<u>461</u>	<u>\$26,183</u>
Net income per share:						
Basic	<u>\$0.62</u>		<u>\$0.63</u>	<u>\$1.23</u>		<u>\$1.25</u>
Diluted	<u>\$0.60</u>		<u>\$0.61</u>	<u>\$1.19</u>		<u>\$1.22</u>
Weighted average common shares outstanding:						
Basic	<u>20,909</u>		<u>20,909</u>	<u>20,881</u>		<u>20,881</u>
Diluted	<u>21,579</u>		<u>21,579</u>	<u>21,535</u>		<u>21,535</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).