

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

	<i>Three Months Ended March 31, 2015</i>		
	<i>As Reported</i>	<i>Non-GAAP Adj.</i>	<i>As Adjusted</i>
Revenue	\$ 306,529	\$ (6,667) ⁽⁵⁾	\$ 299,862
Expense:			
Cost of services (exclusive of rent, general and administrative and depreciation and amortization expense shown separately below)	241,456	(7,144) ⁽¹⁾⁽³⁾⁽⁵⁾⁽⁸⁾	234,312
Rent—cost of services	18,966	(489) ⁽⁶⁾	18,477
General and administrative expense	14,416	175 ⁽²⁾⁽³⁾⁽⁴⁾⁽⁹⁾	14,591
Depreciation and amortization	6,517	(566) ⁽⁷⁾	5,951
Total expenses	<u>281,355</u>	<u>(8,024)</u>	<u>273,331</u>
Income from operations	25,174	1,357	26,531
Other income (expense):			
Interest expense	(667)	46	(621)
Interest income	166	-	166
Other expense, net	(501)	46	(455)
Income before provision for income taxes	24,673	1,403	26,076
Tax Effect on Non-GAAP Adjustments		540	
Tax True-up for Effective Tax Rate		(86) ⁽¹⁰⁾	
Provision for income taxes	9,585	454 ⁽¹¹⁾	10,039
Net income	<u>15,088</u>	<u>949</u>	<u>16,037</u>
Less: net (loss) income attributable to noncontrolling interests	(82)	157	75
Net income attributable to The Ensign Group, Inc.	<u>\$ 15,170</u>	<u>792</u>	<u>\$ 15,962</u>
Net income per share:			
Basic:	<u>\$ 0.63</u>		<u>\$ 0.67</u>
Diluted	<u>\$ 0.61</u>		<u>\$ 0.64</u>
Weighted average common shares outstanding:			
Basic	<u>23,908</u>		<u>23,908</u>
Diluted	<u>24,826</u>		<u>24,826</u>

(1) Represents acquisition-related costs of \$152 for the three months ended March 31, 2015.

(2) Represents costs of \$26 for the three months ended March 31, 2015 incurred to recognize income tax credits.

(3) Represents stock-based compensation expense of \$1,493 for the three months ended March 31, 2015.

(4) Represents costs of \$287 for the three months ended March 31, 2015 incurred related to new systems implementation.

(5) Represents revenues and expenses incurred at urgent care centers, excluding rent expense recognized in note (6) below and depreciation expense recognized in note (7) below.

(6) Represents straight-line rent amortization for urgent care centers included in Note (5).

(7) Represents depreciation expense at urgent care centers and amortization costs related to patient base intangible assets at skilled nursing and assisted living facilities.

(8) Represent costs of \$146 for the three months ended March 31, 2015 incurred through the first quarter of 2015 at facilities currently being constructed.

(9) Represent breakup fee received, net of costs, of \$1,019 in connection with certain assets acquisition in public auction hearing.

(10) Represents the tax impact of non-GAAP adjustments noted in (1) – (9) at the Company's year to date effective tax rate of 38.5% for the three months ended March 31, 2015.

(11) Represents an adjustment to the provision for income taxes to our current year to date effective rate to 38.5% for the three months ended March 31, 2015.

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

	<i>Three Months Ended March 31, 2014</i>		
	<i>As Reported</i>	<i>Non-GAAP Adj.</i>	<i>As Adjusted</i>
Revenue	\$ 239,653	(2,187) ⁽⁵⁾	\$ 237,466
Expense:			
Cost of services (exclusive of rent, general and administrative and depreciation and amortization expense shown separately below)	189,738	(2,730) ⁽¹⁾⁽⁵⁾	187,008
Rent—cost of services	3,549	(334) ⁽⁴⁾	3,215
General and administrative expense	13,157	(1,623) ⁽²⁾⁽³⁾	11,534
Depreciation and amortization	8,862	(183) ⁽⁶⁾	8,679
Total expenses	215,306	(4,870)	210,436
Income from operations	24,347	2,683	27,030
Other income (expense):			
Interest expense	(3,363)		(3,363)
Interest income	159		159
Other expense, net	(3,204)		(3,204)
Income before provision for income taxes	21,143	2,683	23,826
Tax Effect on Non-GAAP Adjustments		1,033 ⁽⁷⁾	
Tax True-up for Effective Tax Rate		38 ⁽⁸⁾	
Provision for income taxes	8,102	1,071	9,173
Net income	13,041	1,612	14,653
Less: net (loss) income attributable to noncontrolling interests	(485)	527	42
Net income attributable to The Ensign Group, Inc.	\$ 13,526	1,085	\$ 14,611
Net income per share			
Basic:	0.61		0.66
Diluted:	0.60		0.65
Weighted average common shares outstanding:			
Basic	22,168		22,168
Diluted	22,582		22,582

(1) Represents acquisition-related costs of \$44 for the three months ended March 31, 2014.

(2) Represents costs of \$33 for the three months ended March 31, 2014, incurred to recognize income tax credits.

(3) Represents expenses incurred in connection with the Company's proposed spin-off of its real estate assets to a newly formed publicly traded real estate investment trust (REIT).

(4) Represents straight-line rent amortization for newly opened urgent care centers

(5) Represents revenues and expenses incurred at newly opened urgent care centers, less rent expense recognized in note (4) above and depreciation expense recognized in note (6) below.

(6) Represents depreciation expense at newly opened urgent care centers and amortization costs related to patient base intangible assets at skilled nursing and assisted living facilities.

(7) Represents the tax impact of non-GAAP adjustments noted in (1) – (6) at the Company's year to date effective tax rate of 38.5% for the three months ended March 31, 2014.

(8) Represents an adjustment to the provision for income taxes to our current year to date effective rate to 38.5% for the three months ended March 31, 2014.