

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

Three Months Ended
March 31, 2011

	<i>As Reported</i>	<i>Non- GAAP Adj.</i>	<i>As Adjusted</i>
Revenue	\$ 182,943		\$ 182,943
Expense:			
Cost of services (exclusive of facility rent and depreciation and amortization shown separately below)	143,155	(71) ⁽¹⁾	143,084
Facility rent—cost of services	3,616		3,616
General and administrative expense	7,401		7,401
Depreciation and amortization	5,059	(220) ⁽²⁾	4,839
Total expenses	159,231	(291)	158,940
Income from operations	23,712	291	24,003
Other income (expense):			
Interest expense	(2,727)		(2,727)
Interest income	55		55
Other expense, net	(2,672)		(2,672)
Income before provision for income taxes	21,040	291	21,331
Provision for income taxes	8,294	115 ⁽³⁾	8,409
Net income	<u>\$ 12,746</u>	<u>176</u>	<u>\$ 12,922</u>
Net income per share:			
Basic	<u>\$ 0.61</u>		<u>\$ 0.62</u>
Diluted	<u>\$ 0.59</u>		<u>\$ 0.60</u>
Weighted average common shares outstanding:			
Basic	<u>20,854</u>		<u>20,854</u>
Diluted	<u>21,516</u>		<u>21,516</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 tax impact of acquisition costs and patient base non-GAAP adjustments represented in entries (1) and (2).