

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

	Three Months Ended June 30, 2015			Six Months Ended June 30, 2015		
	As Reported	Non-GAAP Adj.	As Adjusted	As Reported	Non-GAAP Adj.	As Adjusted
Revenue	\$ 311,056	\$ (6,974) ⁽⁵⁾	\$ 304,082	\$ 617,585	\$ (13,641) ⁽⁵⁾	\$ 603,944
Expense:						
Cost of services (exclusive of facility rent, general and administrative and depreciation and amortization expense shown separately below)	248,292	(8,370) ⁽¹⁾⁽³⁾⁽⁵⁾ ⁽⁸⁾	239,922	489,748	(15,515) ⁽¹⁾⁽³⁾⁽⁵⁾ ⁽⁸⁾	474,233
Rent—cost of services	19,066	(527) ⁽⁶⁾	18,539	38,031	(1,016) ⁽⁶⁾	37,015
General and administrative expense	15,335	(1,499) ⁽²⁾⁽³⁾⁽⁴⁾	13,836	29,751	(1,323) ⁽²⁾⁽³⁾⁽⁴⁾ ⁽⁹⁾	28,428
Depreciation and amortization	6,379	(607) ⁽⁷⁾	5,772	12,896	(1,173) ⁽⁷⁾	11,723
Total expenses	289,072	(11,003)	278,069	570,426	(19,027)	551,399
Income from operations	21,984	4,029	26,013	47,159	5,386	52,545
Other income (expense):						
Interest expense	(567)	46	(521)	(1,233)	92	(1,141)
Interest income	195	-	195	361	-	361
Other expense, net	(372)	46	(326)	(872)	92	(780)
Income before provision for income taxes	21,612	4,075	25,687	46,287	5,478	51,765
Tax Effect on Non-GAAP Adjustments		1,569			2,109	
Tax True-up for Effective Tax Rate		(59) ⁽¹⁰⁾			(143) ⁽¹⁰⁾	
Provision for income taxes	8,379	1,510 ⁽¹¹⁾	9,889	17,964	1,966 ⁽¹¹⁾	19,930
Net income	13,233	2,565	15,798	28,323	3,512	31,835
Less: net income (loss) attributable to noncontrolling interests	45	2	47	(37)	159	122
Net income attributable to The Ensign Group, Inc.	\$ 13,188	2,563	\$ 15,751	\$ 28,360	3,353	\$ 31,713
Net income per share:						
Basic:	\$ 0.52		\$ 0.62	\$ 1.15		\$ 1.28
Diluted	\$ 0.50		\$ 0.60	\$ 1.11		\$ 1.24
Weighted average common shares outstanding:						
Basic	25,474		25,474	24,695		24,695
Diluted	26,433		26,433	25,636		25,636

- (1) Represents acquisition-related costs of \$438 and \$590 for the three and six months ended June 30, 2015, respectively.
- (2) Represents costs of \$26 and \$53 for the three and six months ended June 30, 2015, respectively, incurred to recognize income tax credits.
- (3) Represents stock-based compensation expense of \$1,733 and \$3,226 for the three and six months ended June 30, 2015, respectively.
- (4) Represents costs of \$858 and \$1,145 for the three and six months ended June 30, 2015, respectively, 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) Represents costs incurred for facilities currently being constructed during the three and six months ended June 30, 2015.
- (9) Represents breakup fee, net of costs, received in connection with a public auction in which we were the priority bidder.
- (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 and six months ended June 30, 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 and six months ended June 30, 2015.

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

	<i>Three Months Ended June 30, 2014</i>			<i>Six Months Ended June 30, 2014</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	\$ 250,043	(3,515) ⁽⁴⁾⁽⁵⁾	\$ 246,528	\$ 489,696	(6,478) ⁽⁴⁾⁽⁵⁾	\$ 483,218
Expense:						
Cost of services (exclusive of facility rent, general and administrative and depreciation and amortization expense shown separately below)	202,057	(4,061) ⁽¹⁾⁽⁴⁾⁽⁵⁾	197,996	391,795	(7,429) ⁽¹⁾⁽⁴⁾⁽⁵⁾	384,366
Rent—cost of services	8,283	(525) ⁽⁶⁾	7,758	11,832	(1,129) ⁽⁶⁾	10,703
General and administrative expense	18,257	(7,333) ⁽²⁾⁽³⁾⁽⁴⁾	10,924	31,414	(9,003) ⁽²⁾⁽³⁾⁽⁴⁾	22,411
Depreciation and amortization	7,804	(332) ⁽⁷⁾	7,472	16,666	(515) ⁽⁷⁾	16,151
Total expenses	236,401	(12,251)	224,150	451,707	(18,076)	433,631
Income from operations	13,642	8,737	22,379	37,989	11,598	49,587
Other income (expense):						
Interest expense	(8,720)	6,363	(2,357)	(12,083)	6,425	(5,658)
Interest income	134	-	134	293	-	293
Other expense, net	(8,586)	6,363	(2,223)	(11,790)	6,425	(5,365)
Income before provision for income taxes	5,056	15,100	20,156	26,199	18,023	44,222
Tax Effect on Non-GAAP Adjustments		5,814 ⁽⁸⁾			6,940 ⁽⁸⁾	
Tax True-up for Effective Tax Rate		(1,577) ⁽⁹⁾			(1,539) ⁽⁹⁾	
Provision for income taxes	3,523	4,237	7,760	11,625	5,401	17,026
Net income	1,533	10,863	12,396	14,574	12,622	27,196
Less: net (loss) income attributable to noncontrolling interests	(474)	513	39	(959)	1,039	80
Net income attributable to The Ensign Group, Inc.	\$ 2,007	10,350	\$ 12,357	\$ 15,533	11,584	\$ 27,116
Net income per share						
Basic:	0.09		0.56	0.70		1.22
Diluted:	0.09		0.54	0.68		1.18
Weighted average common shares outstanding:						
Basic	22,259		22,259	22,214		22,214
Diluted	22,960		22,960	22,915		22,915

(1) Represents acquisition-related costs of \$90 and \$134 for the three and six months ended June 30, 2014, respectively.

(2) Represents costs of \$29 and \$62 for the three and six months ended June 30, 2014, respectively, incurred to recognize income tax credits.

(3) Represents costs of \$7,281 and \$8,871 for the three and six months ended June 30, 2014, incurred related to the Company's spin-off of real estate assets to CareTrust REIT(CTRE) (the Spin-Off).

(4) Represents revenues and expenses incurred at the three independent living operations transferred to CTRE on June 1, 2014 in connection with the Spin-Off, excluding rent expense recognized in note (6) below.

(5) Represents revenues and expenses incurred at newly opened 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 newly opened urgent care centers and the three independent living operations transferred to CareTrust REIT included in Note (4).

(7) 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.

(8) Represents the tax impact of non-GAAP adjustments noted in (1) - (7) at the Company's year to date effective tax rate of 38.5% for the three and six months ended June 30, 2014.

(9) Represents an adjustments to the provision for income taxes to our current year to date effective rate to 38.5% for the three and six months ended June 30, 2014.