

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

	Three Months Ended June 30, 2013			Six Months Ended June 30, 2013		
	As Reported	Non-GAAP Adj.	As Adjusted	As Reported	Non-GAAP Adj.	As Adjusted
Revenue	\$ 220,086	(2,126) <sup>(7)(8)</sup>	\$ 217,960	\$ 438,287	(2,899) <sup>(7)(8)</sup>	\$ 435,388
Expense:						
Cost of services (exclusive of facility rent, general and administrative and depreciation and amortization expense shown separately below)	175,913	(3,145) <sup>(7)(8)</sup>	172,768	351,974	(6,426) <sup>(7)(8)</sup>	345,548
U.S. Government inquiry settlement	-	-	-	33,000	(33,000) <sup>(4)</sup>	-
Facility rent—cost of services	3,338	(253) <sup>(5)</sup>	3,085	6,652	(508) <sup>(5)</sup>	6,144
General and administrative expense	8,872	(206) <sup>(6)</sup>	8,666	17,720	(1,013) <sup>(6)</sup>	16,707
Depreciation and amortization	8,671	(546) <sup>(9)</sup>	8,125	16,403	(811) <sup>(9)</sup>	15,592
Total expenses	196,794	(4,150)	192,644	425,749	(41,758)	383,991
Income from operations	23,292	2,024	25,316	12,538	38,859	51,397
Other income (expense):						
Interest expense	(3,145)		(3,145)	(6,260)		(6,260)
Interest income	129		129	222		222
Other expense, net	(3,016)		(3,016)	(6,038)		(6,038)
Income before provision for income taxes	20,276	2,024	22,300	6,500	38,859	45,359
Tax Effect on Non-GAAP Adjustments		780 <sup>(10)</sup>			14,961 <sup>(10)</sup>	
Tax True-up for Effective Tax Rate		(41) <sup>(11)</sup>			(2,331) <sup>(11)</sup>	
Provision for income taxes	7,846	739	8,585	4,833	12,630	17,463
Income from continuing operations	12,430	1,285	13,715	1,667	26,229	27,896
Loss from discontinued operations, net of income tax benefit	(26)		(26)	(1,774)		(1,774)
Net income (loss)	12,404	1,285	13,689	(107)	26,229	26,122
Less: net loss attributable to noncontrolling interests	37		37	(327)		(327)
Net income attributable to The Ensign Group, Inc.	\$ 12,367	1,285	\$ 13,652	\$ 220	26,229	\$ 26,449
Attributable to The Ensign Group, Inc.						
Net income attributable to The Ensign Group, Inc.	12,367	1,285	13,652	220	26,229	26,449
Loss from discontinued operations, net of income tax benefit	(26)		(26)	(1,774)		(1,774)
(Loss) income from continuing operations attributable to The Ensign Group, Inc.	\$ 12,393	1,285	\$ 13,678	\$ 1,994	26,229	\$ 28,223
Net income (loss) per share:						
Basic:						
Net income attributable to The Ensign Group, Inc.	\$ 0.57		\$ 0.62	\$ 0.01		\$ 1.21
Loss from discontinued operations, net of income tax benefit	—		(0.01)	(0.08)		(0.08)
Income from continuing operations attributable to The Ensign Group, Inc.	\$ 0.57		\$ 0.63	\$ 0.09		\$ 1.29
Diluted:						
Net income attributable to The Ensign Group, Inc.	\$ 0.55		\$ 0.61	\$ 0.01		\$ 1.19
Loss from discontinued operations, net of income tax benefit	—		—	(0.08)		(0.08)
Income from continuing operations attributable to The Ensign Group, Inc.	\$ 0.55		\$ 0.61	\$ 0.09		\$ 1.27
Weighted average common shares outstanding:						
Basic	21,859		21,859	21,814		21,814
Diluted	22,321		22,321	22,267		22,267

(1) Represents acquisition-related costs of \$147 and \$226 for the three and six months ended June 30, 2013.

(2) Represents costs of \$35 and \$84 for the three and six months ended June 30, 2013, incurred to recognize income tax credits.

(3) Represents additional costs incurred related to a class action lawsuit settlement of \$609 for both periods during the three and six months ended June 30, 2013.

(4) Represents the Company's estimated U.S. Department of Justice (DOJ) inquiry settlement reserve recorded in the first quarter of 2013.

(5) Represents straight-line rent amortization for one newly constructed facility which began operations during the first quarter of 2013 and newly opened urgent care centers.

(6) Represents legal costs incurred in connection with the ongoing investigation into the billing and reimbursement processes of some of our subsidiaries being conducted by the DOJ.

(7) Represents revenues and expenses incurred at newly opened urgent care centers, less rent expense recognized in note (5) above and depreciation expense recognized in note (9) below

(8) Represents revenues and expenses incurred at one newly constructed facility which began operations during the first quarter of 2013, less rent expense recognized in note (5) above and depreciation expense recognized in Note (9) below.

(9) Represents depreciation expense at newly opened urgent care centers and one facility which began operations in the first quarter of 2013, and amortization costs related to patient base intangible assets at skilled nursing and assisted living facilities 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.

(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, 2013.

(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, 2013.

**THE ENSIGN GROUP, INC.**  
**GAAP and ADJUSTED CONDENSED CONSOLIDATED STATEMENT OF INCOME**  
**Including Adjustments for Discontinued Operations**  
**(In thousands, except per share data)**

	<i>Three Months Ended</i> <i>June 30, 2012</i>			<i>Six Months Ended</i> <i>June 30, 2012</i>		
	<i>As Reported</i> <i>Incl. Disc. Ops.</i>	<i>Non-GAAP</i> <i>Adj.</i>	<i>As Adjusted</i>	<i>As Reported</i> <i>Incl. Disc. Ops.</i>	<i>Non-GAAP</i> <i>Adj.</i>	<i>As Adjusted</i>
Revenue	\$ 203,919		\$ 203,919	\$ 405,959		\$ 405,959
Expense:						
Cost of services (exclusive of facility rent, general and administrative and depreciation and amortization expense shown separately below)	162,085	(2,696) <sup>(1)(3)</sup>	159,389	322,712	(3,011) <sup>(1)(2)(3)</sup>	319,701
Facility rent—cost of services	3,355	(181) <sup>(4)</sup>	3,174	6,675	(352) <sup>(4)</sup>	6,323
General and administrative expense	8,137	(593) <sup>(5)</sup>	7,544	15,834	(848) <sup>(5)</sup>	14,986
Depreciation and amortization	7,010	(123) <sup>(6)</sup>	6,887	13,924	(307) <sup>(6)</sup>	13,617
Total expenses	180,587	(3,593)	176,994	359,145	(4,518)	354,627
Income from operations	23,332	3,593	26,925	46,814	4,518	51,332
Other income (expense):						
Interest expense	(3,114)		(3,114)	(6,039)		(6,039)
Interest income	52		52	103		103
Other expense, net	(3,062)		(3,062)	(5,936)		(5,936)
Income before provision for income taxes	20,270	3,593	23,863	40,878	4,518	45,396
Tax impact of non-GAAP adjustments		1,401 <sup>(7)</sup>			1,762 <sup>(7)</sup>	
Adjustments to reflect 38.9% tax rate		34 <sup>(8)</sup>			356 <sup>(8)</sup>	
Provision for income taxes	7,872	1,435	9,307	15,586	2,118	17,704
Income from continuing operations	12,398	2,158	14,556	25,292	2,400	27,692
Loss from discontinued operations, net of income tax benefit	(119)		(119)	(185)		(185)
Net income	12,279	2,158	14,437	25,107	2,400	27,507
Less: net loss attributable to noncontrolling interests	(177)	34	(143)	(253)	34	(219)
Net income attributable to The Ensign Group, Inc.	\$ 12,456	2,124	\$ 14,580	\$ 25,360	2,366	\$ 27,726
Attributable to The Ensign Group, Inc.						
Net (loss) income attributable to The Ensign Group, Inc.	12,456	2,124	14,580	25,360	2,366	27,726
Loss from discontinued operations, net of income tax benefit	(119)		(119)	(185)		(185)
Income from continuing operations attributable to The Ensign Group, Inc.	\$ 12,575	2,124	\$ 14,699	\$ 25,545	2,366	\$ 27,911
Net income per share						
Basic:						
Net income attributable to The Ensign Group, Inc.	0.58		0.68	1.19		1.30
Loss from discontinued operations, net of income tax benefit	(0.01)		(0.01)	(0.01)		(0.01)
Income from continuing operations attributable to The Ensign Group, Inc.	\$ 0.59		\$ 0.69	\$ 1.20		\$ 1.31
Diluted:						
Net income attributable to The Ensign Group, Inc.	0.57		0.67	1.16		1.27
Loss from discontinued operations, net of income tax benefit	-		-	(0.01)		(0.01)
Group, Inc.	\$ 0.57		\$ 0.67	\$ 1.17		\$ 1.28
Weighted average common shares outstanding:						
Basic	21,368		21,368	21,309		21,309
Diluted	21,886		21,886	21,841		21,841

(1) Represents acquisition-related costs of \$46 and \$120 for the three and six months ended June 30, 2012.

(2) Represents costs of \$241 incurred in the first quarter to recognize income tax credits which contributed to decrease in the Company's effective tax rate.

(3) Represents costs incurred related to a class action lawsuit settlement of \$2,596 during the three months ended June 30, 2012.

(4) Represents straight-line rent amortization for a facility which the Company had begun construction activities, but had not commenced operations of a skilled nursing facility as of June 30, 2012.

(5) Represents legal costs incurred in connection with the ongoing investigation into the billing and reimbursement processes of some of our subsidiaries being conducted by the Department of Justice (DOJ).

(6) 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.

(7) Represents the tax impact of non-GAAP adjustments noted in (1) - (7) at a normalized tax rate of 39.0%.

(8) In 2011 and 2010, the Company's effective tax rate was 38.3% and 39.3%, respectively. Therefore, this represents an adjustment to the provision for income taxes to normalize our current quarter effective tax rate to 39.0%.