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

	Three Months Ended December 31, 2013			*Year Ended December 31, 2013*		
	As Reported	*Non-GAAP Adj.*	*As Adjusted*	*As Reported*	*Non-GAAP Adj.*	*As Adjusted*
Revenue	$ 237,008	(1,524) (9)(10)	$ 235,484	$ 904,556	(5,688) (9)(10)	$ 898,868
Expense:						
Cost of services (exclusive of facility rent, general and administrative and depreciation and amortization expense shown separately below)	187,843	(2,478) (1)(2)(9)(10)	185,365	725,989	(11,235) (1)(2)(9)(10)	714,754
U.S. Government inquiry settlement	-	- (4)	-	33,000	(33,000) (4)	-
Facility rent—cost of services	3,557	(321) (5)(6)	3,236	13,613	(1,009) (5)(6)	12,604
General and administrative expense	11,782	(2,180) (3)(7)(8)	9,602	40,103	(5,148) (3)(7)(8)	34,955
Depreciation and amortization	8,711	(210) (11)(12)	8,501	33,909	(1,386) (11)(12)	32,523
Total expenses	211,893	(5,189)	206,704	846,614	(51,778)	794,836
Income from operations	25,115	3,665	28,780	57,942	46,090	104,032
Other income (expense):						
Interest expense	(3,346)		(3,346)	(12,787)		(12,787)
Interest income	143		143	506		506
Other expense, net	(3,203)		(3,203)	(12,281)		(12,281)
Income before provision for income taxes	21,912	3,665	25,577	45,661	46,090	91,751
Tax Effect on Non-GAAP Adjustments		1,411 (13)			17,745 (13)	
Tax True-up for Effective Tax Rate		(127) (14)			(2,422) (14)	
Provision for income taxes	8,563	1,284	9,847	20,003	15,323	35,326
Income from continuing operations	13,349	2,381	15,730	25,658	30,767	56,425
Loss from discontinued operations, net of income tax benefit	-		-	(1,804)		(1,804)
Net income (loss)	13,349	2,381	15,730	23,854	30,767	54,621
Less: net loss attributable to noncontrolling interests	(7)		(7)	(186)		(186)
Net income attributable to The Ensign Group, Inc.	$ 13,356	2,381	$ 15,737	$ 24,040	30,767	$ 54,807
Attributable to The Ensign Group, Inc.						
Net income attributable to The Ensign Group, Inc.	13,356	2,381	15,737	24,040	30,767	54,807
Loss from discontinued operations, net of income tax benefit	-		-	(1,804)		(1,804)
Income from continuing operations attributable to The Ensign Group, Inc.	$ 13,356	2,381	$ 15,737	$ 25,844	30,767	$ 56,611
Net income (loss) per share:						
Basic:						
Net income attributable to The Ensign Group, Inc.	$ 0.61		$ 0.71	$ 1.10		$ 2.50
Loss from discontinued operations, net of income tax benefit	—		—	(0.08)		(0.08)
Income from continuing operations attributable to The Ensign Group, Inc.	$ 0.61		$ 0.71	$ 1.18		$ 2.58
Diluted:						
Net income attributable to The Ensign Group, Inc.	$ 0.59		$ 0.70	$ 1.07		$ 2.45
Loss from discontinued operations, net of income tax benefit	—		—	(0.09)		(0.08)
Income from continuing operations attributable to The Ensign Group, Inc.	$ 0.59		$ 0.70	$ 1.16		$ 2.53
Weighted average common shares outstanding:						
Basic	22,028		22,028	21,900		21,900
Diluted	22,507		22,507	22,364		22,364

(1) Represents acquisition-related costs of $10 and $288 for the three and year ended December 31, 2013.

(2) Represents costs of $42 and $145 for the three and year ended December 31, 2013, incurred to recognize income tax credits.

(3) Represents additional costs incurred related to a class action lawsuit settlement of $0 and $1,524 for the three and year ended December 31, 2013.

(4) Charges related to our efforts to achieve a global, company-wide, resolution of any claims connected to the U.S. Department of Justice (DOJ) investigation

(5) Represents straight-line rent amortization for the first six months of 2013 for one newly constructed facility which began operations during the first quarter of 2013. This facility began operating at full capacity during the third quarter and therefore, third and fourth quarter results were not included in the three or year ended periods above.

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

(7) 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.

(8) 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).

(9) Represents revenues and expenses incurred at newly opened urgent care centers, less rent expense recognized in note (6) above and depreciation expense recognized in note (11) below

(10) Represents revenues and expenses for the first six months of 2013 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 (12) below. This facility began operating at full capacity during the third quarter and therefore, third and fourth quarter results were not included in the three or year ended periods above.

(11) 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 acquired. Patient base intangible assets are amortized ov 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.

(12) Represents depreciation expense for the first six months of 2013 at one newly constructed facility which began operations during the first quarter of 2013. This facility began operating at full capacity during the third quarter and therefore, third quarter results were not included in the three or nine month periods above.

(13) Represents the tax impact of non-GAAP adjustments noted in (1) – (12) at the Company’s year to date effective tax rate of 38.5% for the three and year ended December 31, 2013.

(14) Represents an adjustment to the provision for income taxes to our current year to date effective rate to 40.9% and 37.9% for the three and year ended December 31, 2013.

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

	Three Months Ended December 31, 2012			*Year Ended December 31, 2012*		
	As Reported	*Non-GAAP Adj.*	*As Adjusted*	*As Reported*	*Non-GAAP Adj.*	*As Adjusted*
Revenue	$ 210,505	(79) (9)	$ 210,426	$ 823,155	(79) (9)	$ 823,076
Expense:						
Cost of services (exclusive of facility rent, general and administrative and depreciation and amortization expense shown separately below)	169,133	(3,077) (1)(2)(5)(9)	166,056	656,424	(6,641) (1)(2)(3)(5)(9)	649,783
Charges related to U.S. Government inquiries	15,000	(15,000) (4)	-	15,000	(15,000) (4)	
Facility rent—cost of services	3,247	(272) (6)(9)	2,975	13,281	(860) (6)(9)	12,421
General and administrative expense	7,886	(503) (7)	7,383	31,819	(1,945) (7)	29,874
Depreciation and amortization	7,287	(50) (8)(9)	7,237	28,358	(501) (8)(9)	27,857
Total expenses	202,553	(18,902)	183,651	744,882	(24,947)	719,935
Income from operations	7,952	18,823	26,775	78,273	24,868	103,141
Other income (expense):						
Interest expense	(3,098)		(3,098)	(12,229)		(12,229)
Interest income	83		83	255		255
Other expense, net	(3,015)		(3,015)	(11,974)		(11,974)
Income before provision for income taxes	4,937	18,823	23,760	66,299	24,868	91,167
Tax impact of non-GAAP adjustments		7,134 (10)			9,425 (10)	
Adjustments to reflect 38.9% tax rate		(149) (11)				
Provision for income taxes	2,020	6,985	9,005	25,134	9,425	34,559
Income from continuing operations	2,917	11,838	14,755	41,165	15,443	56,608
Income (loss) from discontinued operations, net of income tax benefit	(1,252)		(1,252)	(1,357)		(1,357)
Net income	1,665	11,838	13,503	39,808	15,443	55,251
Less: net loss attributable to noncontrolling interests	(272)	226	(46)	(783)	354	(429)
Net income attributable to The Ensign Group, Inc.	$ 1,937	11,612	$ 13,549	$ 40,591	15,089	$ 55,680
Attributable to The Ensign Group, Inc.						
Net income attributable to The Ensign Group, Inc.	1,937	11,612	13,549	40,591	15,089	55,680
Loss from discontinued operations, net of income tax benefit	(1,252)		(1,252)	(1,357)		(1,357)
Income from continuing operations attributable to The Ensign Group, Inc.	$ 3,189	11,612	$ 14,801	$ 41,948	15,089	$ 57,037
Net income per share						
Basic:						
Net income attributable to The Ensign Group, Inc.	0.09		0.63	1.89		2.60
Loss from discontinued operations, net of income tax benefit	(0.06)		(0.06)	(0.07)		(0.06)
Income from continuing operations attributable to The Ensign Group, Inc.	$ 0.15		$ 0.69	$ 1.96		$ 2.66
Diluted:						
Net income attributable to The Ensign Group, Inc.	0.09		0.61	1.85		2.54
Loss from discontinued operations, net of income tax benefit	(0.05)		(0.06)	(0.06)		(0.06)
Income from continuing operations attributable to The Ensign Group, Inc.	$ 0.14		$ 0.67	$ 1.91		$ 2.60
Weighted average common shares outstanding:						
Basic	21,605		21,605	21,429		21,429
Diluted	22,075		22,075	21,942		21,942

(1) Represents acquisition-related costs of $20 and $250 for the three and twelve months ended December 31, 2012, respectively.

(2) Represents costs of $152 and $591 for the three and twelve months ended December 31, 2012, respectively, incurred to recognize income tax credits which contributed to the decrease in the Company's effective tax rate

(3) Represents the settlement of a class action lawsuit regarding minimum staffing requirements in the state of California of $2,596 during the period ended June 30, 2012.

(4) Represents the Company's estimated liability related to its efforts to achieve a global, company-wide resolution of any claims connected to the U.S. Department of Justice(DOJ) investigation

(5) Represents impairment charges of $2,225 recorded at our urgent care franchising operations, which we attribute to a decline in the estimated fair value of redeemablenoncontrolling interests.

(6) Represents straight-line rent amortization for a facility which the Company has begun construction activities, but had not commenced operations of a skilled nursing facilityas of December 31, 2012.

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

(8) 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

(9) Represents revenues and expenses incurred at newly opened urgent care centers

(10) Represents the tax impact of non-GAAP adjustments noted in (1) - (9) above in our effective tax rate of 37.9%.

(11) Represents an adjustment to the provision for income taxes to our effective tax rate of 37.9%.