

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

	<i>Three Months Ended March 31, 2013</i>		
	<i>As Reported</i>	<i>Non-GAAP Adj.</i>	<i>As Adjusted</i>
Revenue	\$ 218,201	(773) <sup>(6)(7)</sup>	\$ 217,428
Expense:			
Cost of services (exclusive of facility rent, general and administrative and depreciation and amortization expense shown separately below)	176,061	(3,281) <sup>(1)(2)(6)(7)</sup>	172,780
U.S. Government inquiry settlement	33,000	(33,000) <sup>(3)</sup>	-
Facility rent—cost of services	3,314	(255) <sup>(4)(6)</sup>	3,059
General and administrative expense	8,848	(807) <sup>(5)</sup>	8,041
Depreciation and amortization	7,732	(265) <sup>(6)(8)</sup>	7,467
Total expenses	228,955	(37,608)	191,347
(Loss) income from operations	(10,754)	36,835	26,081
Other income (expense):			
Interest expense	(3,115)		(3,115)
Interest income	93		93
Other expense, net	(3,022)		(3,022)
(Loss) income before provision for income taxes	(13,776)	36,835	23,059
Tax Effect on Non-GAAP Adjustments		14,181 <sup>(9)</sup>	
Tax True-up for Effective Tax Rate		(2,290) <sup>(10)</sup>	
(Benefit) provision for income taxes	(3,013)	11,891	8,878
(Loss) income from continuing operations	(10,763)	24,944	14,181
Loss from discontinued operations, net of income tax benefit	(1,748)		(1,748)
Net (loss) income	(12,511)	24,944	12,433
Less: net loss attributable to noncontrolling interests	(364)		(364)
Net (loss) income attributable to The Ensign Group, Inc.	\$ (12,147)	24,944	\$ 12,797
Attributable to The Ensign Group, Inc.			
Net (loss) income attributable to The Ensign Group, Inc.	(12,147)	24,944	12,797
Loss from discontinued operations, net of income tax benefit	(1,748)		(1,748)
(Loss) income from continuing operations attributable to The Ensign Group, Inc.	\$ (10,399)	24,944	\$ 14,545
Net (loss) income per share:			
Basic:			
Net (loss) income attributable to The Ensign Group, Inc.	(0.56)		0.59
Loss from discontinued operations, net of income tax benefit	(0.08)		(0.08)
Income from continuing operations attributable to The Ensign Group, Inc.	\$ (0.48)		\$ 0.67
Diluted:			
Net (loss) income attributable to The Ensign Group, Inc.	(0.56)		0.58
Loss from discontinued operations, net of income tax benefit	(0.08)		(0.07)
(Loss) income from continuing operations attributable to The Ensign Group, Inc.	\$ (0.48)		\$ 0.65
Weighted average common shares outstanding:			
Basic	21,768	-	21,768
Diluted	21,768	442 <sup>(11)</sup>	22,210

(1) Represents acquisition-related costs of \$79 for the three months ended March 31, 2013.

(2) Represents costs of \$49 for the three months ended March 31, 2013, incurred to recognize income tax credits which contributed to decrease in effective tax rate.

(3) Represents the Company's estimated U.S. Department of Justice (DOJ) inquiry settlement reserve.

(4) Represents straight-line rent amortization for one newly constructed facility which began operations during the first quarter of 2013

(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 DOJ.

(6) 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 (8) below

(7) 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 (4) above.

(8) 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 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 the tax impact of non-GAAP adjustments noted in (1) – (8) at the Company's year to date effective tax rate of 38.5% for the three months ended March 31, 2013.

(10) 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, 2013.

(11) Represents options outstanding that were excluded from the calculation of diluted EPS, as their effect would have been anti-dilutive based on the application of the treasury stock method.

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

	<i>Three Months Ended March 31, 2012</i>		
	<i>As Reported</i>	<i>Non-GAAP Adj.</i>	<i>As Adjusted</i>
Revenue	\$ 202,040		\$ 202,040
Expense:			
Cost of services (exclusive of facility rent, general and administrative and depreciation and amortization expense shown separately below)	160,627	(315) <sup>(1)(2)</sup>	160,312
Facility rent—cost of services	3,320	(171) <sup>(3)</sup>	3,149
General and administrative expense	7,697	(256) <sup>(4)</sup>	7,441
Depreciation and amortization	6,914	(184) <sup>(5)</sup>	6,730
Total expenses	178,558	(926)	177,632
Income from operations	23,482	926	24,408
Other income (expense):			
Interest expense	(2,925)		(2,925)
Interest income	51		51
Other expense, net	(2,874)		(2,874)
Income before provision for income taxes	20,608	926	21,534
Tax impact of non-GAAP adjustments		361 <sup>(6)</sup>	
Tax true-up for effective tax rate		323 <sup>(7)</sup>	
Provision for income taxes	7,714	684	8,398
Income from continuing operations	12,894	242	13,136
Loss from discontinued operations, net of income tax benefit	(66)		(66)
Net income	12,828	242	13,070
Less: net loss attributable to noncontrolling interests	(76)		(76)
Net income attributable to The Ensign Group, Inc.	\$ 12,904	242	\$ 13,146
Attributable to The Ensign Group, Inc.			
Net (loss) income attributable to The Ensign Group, Inc.	12,904	242	13,146
Loss from discontinued operations, net of income tax benefit	(66)		(66)
Income from continuing operations attributable to The Ensign Group, Inc.	\$ 12,970	242	\$ 13,212
Net income per share			
Basic:			
Net income attributable to The Ensign Group, Inc.	0.61		0.62
Loss from discontinued operations, net of income tax benefit	-		-
Income from continuing operations attributable to The Ensign Group, Inc.	\$ 0.61		\$ 0.62
Diluted:			
Net income attributable to The Ensign Group, Inc.	0.59		0.60
Loss from discontinued operations, net of income tax benefit	(0.01)		(0.01)
Income from continuing operations attributable to The Ensign Group, Inc.	\$ 0.60		\$ 0.61
Weighted average common shares outstanding:			
Basic	21,251		21,251
Diluted	21,796		21,796

(1) Represents acquisition-related costs of \$74 for the three months ended March 31, 2012.

(2) Represents costs of \$241 for the three months ended March 31, 2012, incurred to recognize income tax credits which contributed to decrease in effective tax rate.

(3) Represents straight-line rent expense for a leased facility which the Company had begun construction activities, but had not commenced skilled nursing operations as of March 31, 2012.

(4) 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).

(5) 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.

(6) Represents the tax impact of non-GAAP adjustments noted in (1) - (5) at a normalized tax rate of 39%.

(7) In FY 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 the effective tax rate to 39%.