

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

	<i>Three Months Ended</i> <i>September 30, 2012</i>			<i>Nine Months Ended</i> <i>September 30, 2012</i>		
	<i>As</i>	<i>Non-</i>	<i>As</i>	<i>As</i>	<i>Non-</i>	<i>As</i>
	<u><i>Reported</i></u>	<u><i>GAAP</i></u> <u><i>Adjust.</i></u>	<u><i>Adjusted</i></u>	<u><i>Reported</i></u>	<u><i>GAAP</i></u> <u><i>Adjust.</i></u>	<u><i>Adjusted</i></u>
Revenue	\$ 207,150		\$ 207,150	\$ 613,618		\$ 613,618
Expense:						
Cost of services (exclusive of facility rent and depreciation and amortization shown separately below)	164,877	(307) <sup>(1)(2)</sup>	164,570	488,305	(3,265) <sup>(1)(2)(3)</sup>	485,040
Facility rent - cost of services	3,374	(153) <sup>(4)</sup>	3,221	10,063	(445) <sup>(4)</sup>	9,618
General and administrative expense	8,099	(594) <sup>(5)</sup>	7,505	23,933	(1,442) <sup>(5)</sup>	22,491
Depreciation and amortization	7,179	(127) <sup>(6)</sup>	7,052	21,145	(433) <sup>(6)</sup>	20,712
Total Expense	183,529	(1,181)	182,348	543,446	(5,585)	537,861
Income from operations	23,621	1,181	24,802	70,172	5,585	75,757
Other income (expense):						
Interest expense	(3,092)		(3,092)	(9,131)		(9,131)
Interest income	69		69	172		172
Other expense, net	(3,023)		(3,023)	(8,959)		(8,959)
Income before provision for income taxes	20,598	1,181	21,779	61,213	5,585	66,798
Tax Effect on Non-GAAP Adjustments		461 <sup>(7)</sup>			2,178 <sup>(7)</sup>	
Tax True-Up for Effective Tax Rate		471 <sup>(8)</sup>			803 <sup>(8)</sup>	
Provision for income taxes	7,562	932	8,494	23,070	2,981	26,051
Net Income	\$ 13,036	249	\$ 13,285	\$ 38,143	2,604	\$ 40,747
Less: net (loss) attributable to noncontrolling interest	(258)		(258)	(511)		(511)
Net income attributable to The Ensign Group, Inc.	13,294	249	13,543	38,654	2,604	41,258
Net income per share:						
Basic	\$ 0.62		\$ 0.63	\$ 1.81		\$ 1.93
Diluted	\$ 0.60		\$ 0.62	\$ 1.77		\$ 1.88
Weighted average common shares outstanding:						
Basic	21,488		21,488	21,369		21,369
Diluted	22,010		22,010	21,899		21,899

(1) Represents acquisition-related costs of \$110 and \$230 for the three and nine months ended September 30, 2012, respectively.

(2) Represents costs of \$197 and \$439 for the three and nine months ended September 30, 2012, respectively, incurred to recognize income tax credits which contributed to decrease in 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 three months ended June 30, 2012.

(4) Represents straight-line rent amortization for a facility which the Company has begun construction activities, but has not commenced operations of a skilled nursing facility as of September 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) – (6) at a normalized rate of 39.0%.

(8) 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 our current quarter effective rate to 39.0%.