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

	Three Months Ended March 31, 2012		
	As Reported	**Non-GAAP Adjust.**	**As Adjusted**
Revenue	$ 202,160		$ 202,160
Expense:			
Cost of services (exclusive of facility rent and depreciation and amortization shown separately below)	160,829	(315) (1)(2)	160,514
Facility rent - cost of services	3,321	(171) (3)	3,150
General and administrative expense	7,697	(256) (4)	7,441
Depreciation and amortization	6,924	(184) (5)	6,740
Total Expense	178,771	(926)	177,845
Income from operations	23,389	926	24,315
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	20,515	926	21,441
Tax effect on Non-GAAP adjustments		358 (6)	
Tax true-up for effective tax rate		252 (7)	
Provision for income taxes	7,687	610	8,297
Net Income	12,828	316	13,144
Less: net (loss) attributable to noncontrolling interest	(76)		(76)
Net income attributable to The Ensign Group, Inc.	12,904	316	13,220
Net income per share:			
Basic	$ 0.61		$ 0.62
Diluted	$ 0.59		$ 0.61
Weighted average common shares outstanding:			
Basic	21,251		21,251
Diluted	21,796		21,796

(1) Represents acquisition-related costs of $74.
(2) Represents costs of $241 incurred to recognize income tax credits which contributed to decrease in effective tax rate.
(3) Represents normalized rent for a facility under an operating lease which the Company has begun construction activities, but has not commenced skilled nursing operations.
(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.
(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 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 our current quarter effective rate to 39%.