

**THE ENSIGN GROUP, INC.**  
**GAAP and ADJUSTED CONSOLIDATED STATEMENTS OF INCOME**  
(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	\$ 211,101	(79) <sup>(9)</sup>	\$ 211,022	\$ 824,719	(79) <sup>(9)</sup>	\$ 824,640
Expense:						
Cost of services (exclusive of facility rent, general and administrative and depreciation and amortization expense shown separately below)	171,765	(3,077) <sup>(1)(2)(5)(9)</sup>	168,688	660,070	(6,641) <sup>(1)(2)(3)(5)(9)</sup>	653,429
Charge related to U.S. Government inquiry	15,000	(15,000) <sup>(4)</sup>	-	15,000	(15,000) <sup>(4)</sup>	-
Facility rent—cost of services	3,256	(272) <sup>(6)(9)</sup>	2,984	13,319	(860) <sup>(6)(9)</sup>	12,459
General and administrative expense	7,886	(503) <sup>(7)</sup>	7,383	31,819	(1,945) <sup>(7)</sup>	29,874
Depreciation and amortization	7,319	(50) <sup>(8)(9)</sup>	7,269	28,464	(501) <sup>(8)(9)</sup>	27,963
Total expenses	205,226	(18,902)	186,324	748,672	(24,947)	723,725
Income from operations	5,875	18,823	24,698	76,047	24,868	100,915
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	2,860	18,823	21,683	64,073	24,868	88,941
Tax Effect on Non-GAAP Adjustments		7,134 <sup>(10)</sup>			9,425 <sup>(10)</sup>	
Tax True-up for Effective Tax Rate		(110) <sup>(11)</sup>				
Provision for income taxes	1,195	7,024	8,219	24,265	9,425	33,690
Net income	\$ 1,665	11,799	\$ 13,464	\$ 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	11,573	\$ 13,510	\$ 40,591	15,089	\$ 55,680
Net income per share attributable to The Ensign Group, Inc.:						
Basic	\$ 0.09		\$ 0.63	\$ 1.89		\$ 2.60
Diluted	\$ 0.09		\$ 0.61	\$ 1.85		\$ 2.54
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 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 period ended June 30, 2012.

(4) Represents the Company's estimated liability 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 impairment charges of \$2,225 recorded at our urgent care franchising operations, which we attribute to a decline in the estimated fair value of redeemable noncontrolling interests

(6) 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 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 the Department 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) – (8) at our current year effective tax rate of 37.9%.

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