

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

	<i>Three Months Ended</i>			<i>Year Ended</i>		
	<i>December 31, 2011</i>			<i>December 31, 2011</i>		
	<i>As Reported</i>	<i>Non-GAAP Adj.</i>	<i>As Adjusted</i>	<i>As Reported</i>	<i>Non-GAAP Adj.</i>	<i>As Adjusted</i>
Revenue	\$ 192,662		\$ 192,662	\$ 758,277		\$ 758,277
Expense:						
Cost of services (exclusive of facility rent and depreciation and amortization shown separately below)	156,287	(91) ⁽¹⁾	156,196	600,804	(452) ⁽¹⁾	600,352
Facility rent—cost of services	3,345		3,345	13,725		13,725
General and administrative expense	7,578	(780) ⁽²⁾	6,798	29,766	(1,544) ⁽²⁾	28,222
Depreciation and amortization	6,502	(213) ⁽³⁾	6,289	23,286	(1,021) ⁽³⁾	22,265
Total expenses	173,712	(1,084)	172,628	667,581	(3,017)	664,564
Income from operations	18,950	1,084	20,034	90,696	3,017	93,713
Other income (expense):						
Interest expense	(2,989)		(2,989)	(13,778)	2,542 ⁽⁴⁾	(11,236)
Interest income	51		51	249		249
Other expense, net	(2,938)		(2,938)	(13,529)	2,542	(10,987)
Income before provision for income taxes	16,012	1,084	17,096	77,167	5,559	82,726
Tax impact of non-GAAP adjustments		422 ⁽⁶⁾			2,162 ⁽⁶⁾	
Adjustment to reflect 38.9% tax rate		571 ⁽⁵⁾			526 ⁽⁵⁾	
Provision for income taxes	5,657	993	6,650	29,492	2,688	32,180
Net income	\$ 10,355	91	\$ 10,446	\$ 47,675	2,871	\$ 50,546
Net income per share:						
Basic	\$ 0.49		\$ 0.49	\$ 2.27		\$ 2.41
Diluted	\$ 0.48		\$ 0.48	\$ 2.21		\$ 2.34
Weighted average common shares outstanding:						
Basic	21,109		21,109	20,967		20,967
Diluted	21,621		21,621	21,583		21,583

(1) Represents Acquisition related costs.

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

(3) 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.

(4) Represents the loss on extinguishment and amortization of remaining deferred financing costs in connection with the Senior Credit Facility entered into by the Company on July 15, 2011.

(5) 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 year annual rate to 38.9%.

(6) Represents the tax impact of non-GAAP adjustments noted in (1) – (4) at a normalized rate of 38.9%.