

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

	<i>Three Months Ended</i>			<i>Six Months Ended</i>		
	<i>June 30, 2012</i>			<i>June 30, 2012</i>		
	<i>As</i>	<i>Non-</i>	<i>As</i>	<i>As</i>	<i>Non-</i>	<i>As</i>
	<i>Reported</i>	<i>GAAP Adj.</i>	<i>Adjusted</i>	<i>Reported</i>	<i>GAAP Adj.</i>	<i>Adjusted</i>
Revenue	\$204,308		\$204,308	\$406,468		\$406,468
Expense:						
Cost of services (exclusive of facility rent, general and administrative and depreciation and amortization expense shown separately below)	162,599	(2,642) ⁽¹⁾⁽³⁾	159,957	323,428	(2,957) ⁽¹⁾⁽²⁾⁽³⁾	320,471
Facility rent—cost of services	3,368	(121) ⁽⁴⁾	3,247	6,689	(292) ⁽⁴⁾	6,397
General and administrative expense	8,137	(593) ⁽⁵⁾	7,544	15,834	(848) ⁽⁵⁾	14,986
Depreciation and amortization	7,042	(123) ⁽⁶⁾	6,919	13,966	(307) ⁽⁶⁾	13,659
Total expenses	181,146	(3,479)	177,667	359,917	(4,404)	355,513
Income from operations	23,162	3,479	26,641	46,551	4,404	50,955
Other income (expense):						
Interest expense	(3,114)		(3,114)	(6,039)		(6,039)
Interest income	52		52	103		103
Other expense, net	(3,062)		(3,062)	(5,936)		(5,936)
Income before provision for income taxes	20,100	3,479	23,579	40,615	4,404	45,019
Tax Effect on Non-GAAP Adjustments		1,357 ⁽⁷⁾			1,718 ⁽⁷⁾	
Tax True-up for Effective Tax Rate		18 ⁽⁸⁾			331 ⁽⁸⁾	
Provision for income taxes	7,821	1,375	9,196	15,508	2,049	17,557
Net income	\$12,279	2,104	\$14,383	\$25,107	2,355	\$27,462
Less: net loss attributable to noncontrolling interests	(177)		(177)	(253)		(253)
Net income attributable to The Ensign Group, Inc.	\$12,456	2,104	\$14,560	\$25,360	2,355	\$27,715
Net income per share:						
Basic	\$0.58		\$0.68	\$1.19		\$1.30
Diluted	\$0.57		\$0.67	\$1.16		\$1.27
Weighted average common shares outstanding:						
Basic	21,368		21,368	21,309		21,309
Diluted	21,886		21,886	21,841		21,841

(1) Represents acquisition-related costs of \$46 and \$120 for the three and six months ended June 30, 2012, respectively.

(2) Represents costs of \$241 incurred in the first quarter 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 June 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%.