

**LHC GROUP, INC. AND SUBSIDIARIES,
CONDENSED CONSOLIDATED BALANCE SHEETS**
(Amounts in thousands, except share data)

	June 30, 2018	Dec. 31, 2017
	(Unaudited)	
ASSETS		
Current assets:		
Cash	\$ 15,370	\$ 2,849
Receivables:		
Patient accounts receivable	280,490	161,898
Other receivables	7,647	3,163
Amounts due from governmental entities	830	830
Total receivables	<u>288,967</u>	<u>165,891</u>
Prepaid income taxes	5,086	7,006
Prepaid expenses	23,713	13,042
Other current assets	17,300	12,177
Total current assets	<u>350,436</u>	<u>200,965</u>
Property, building and equipment, net of accumulated depreciation of \$49,173 and \$43,565, respectively	64,898	46,453
Goodwill	1,118,777	392,601
Intangible assets, net of accumulated amortization of \$14,094 and \$13,041, respectively	325,137	134,610
Assets held for sale	2,850	—
Other assets	19,572	19,073
Total assets	<u>\$ 1,881,670</u>	<u>\$ 793,702</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 76,800	\$ 39,750
Salaries, wages, and benefits payable	99,881	44,747
Self-insurance reserve	26,332	12,450
Current portion of long-term debt	12,617	286
Amounts due to governmental entities	4,375	5,019
Total current liabilities	<u>220,005</u>	<u>102,252</u>
Deferred income taxes	34,022	27,466
Income taxes payable	3,851	—
Revolving credit facility	242,000	144,000
Long term notes payable	265	—
Total liabilities	<u>500,143</u>	<u>273,718</u>
Noncontrolling interest – redeemable	17,032	13,393
Stockholders' equity:		
LHC Group, Inc. stockholders' equity:		
Preferred stock – \$0.01 par value; 5,000,000 shares authorized; none issued or outstanding	—	—
Common stock – \$0.01 par value; 60,000,000 and 40,000,000 shares authorized in 2018 and 2017, respectively; 35,592,424 and 22,640,046 shares issued in 2018 and 2017, respectively	355	226
Treasury stock – 4,953,665 and 4,890,504 shares at cost, respectively	(46,344)	(42,249)
Additional paid-in capital	923,655	126,490
Retained earnings	386,193	364,401
Total LHC Group, Inc. stockholders' equity	<u>1,263,859</u>	<u>448,868</u>
Noncontrolling interest – non-redeemable	100,636	57,723
Total equity	<u>1,364,495</u>	<u>506,591</u>
Total liabilities and equity	<u>\$ 1,881,670</u>	<u>\$ 793,702</u>

LHC GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except share and per share data)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Net service revenue	\$ 502,024	\$ 257,535	\$ 793,078	\$ 501,784
Cost of service revenue	329,646	161,158	518,264	315,528
Gross margin	172,378	96,377	274,814	186,256
General and administrative expenses	141,350	73,552	233,381	145,563
Operating income	31,028	22,825	41,433	40,693
Interest expense	(3,202)	(840)	(4,652)	(1,620)
Income before income taxes and noncontrolling interest	27,826	21,985	36,781	39,073
Income tax expense	7,170	7,792	8,147	12,965
Net income	20,656	14,193	28,634	26,108
Less net income attributable to noncontrolling interests	3,859	2,889	6,842	5,337
Net income attributable to LHC Group, Inc.'s common stockholders	<u>\$ 16,797</u>	<u>\$ 11,304</u>	<u>\$ 21,792</u>	<u>\$ 20,771</u>
Earnings per share attributable to LHC Group, Inc.'s common stockholders:				
Basic	<u>\$ 0.55</u>	<u>\$ 0.64</u>	<u>\$ 0.90</u>	<u>\$ 1.17</u>
Diluted	<u>\$ 0.55</u>	<u>\$ 0.63</u>	<u>\$ 0.89</u>	<u>\$ 1.16</u>
Weighted average shares outstanding:				
Basic	30,497,501	17,728,567	24,178,781	17,686,134
Diluted	30,742,293	17,964,387	24,403,310	17,911,723

LHC GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(Unaudited)

	Six Months Ended June 30,	
	2018	2017
Operating activities:		
Net income	\$ 28,634	\$ 26,108
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	7,548	6,348
Stock-based compensation expense	3,919	3,077
Deferred income taxes	1,714	2,522
(Loss) gain on disposal of assets	(126)	154
Impairment of intangibles	778	—
Changes in operating assets and liabilities, net of acquisitions:		
Receivables	(18,897)	(1,926)
Prepaid expenses and other assets	(6,521)	(2,329)
Prepaid income taxes	4,624	(3,296)
Accounts payable and accrued expenses	8,729	15,119
Income taxes payable	—	(3,499)
Net amounts due to/from governmental entities	(704)	498
Net cash provided by operating activities	29,698	42,776
Investing activities:		
Purchases of property, building and equipment	(13,760)	(5,341)
Cash acquired from business combination, net of cash paid	13,086	—
Advanced payments on acquisitions	—	(523)
Net cash used in investing activities	(674)	(28,568)
Financing activities:		
Proceeds from line of credit	270,084	19,000
Payments on line of credit	(278,884)	(22,000)
Proceeds from employee stock purchase plan	634	469
Payments on debt	135	(129)
Payment on deferred financing fees	(1,881)	—
Noncontrolling interest distributions	(5,763)	(5,167)
Withholding taxes paid on stock-based compensation	(4,095)	(2,744)
Purchase of additional controlling interest	(55)	(184)
Sale of noncontrolling interest	3,322	251
Net cash used in financing activities	(16,503)	(10,504)
Change in cash	12,521	3,704
Cash at beginning of period	2,849	3,264
Cash at end of period	\$ 15,370	\$ 6,968
Supplemental disclosures of cash flow information:		
Interest paid	\$ 3,112	\$ 1,762
Income taxes paid	\$ 2,139	\$ 17,320

LHC GROUP, INC. AND SUBSIDIARIES
SEGMENT INFORMATION

(Amounts in thousands)

(Unaudited)

	Three Months Ended June 30, 2018					
	Home Health Services	Hospice Services	Home and Community- Based Services	Facility- Based Services	HCI	Total
Net service revenue	\$ 360,276	\$ 50,554	\$ 52,753	\$ 28,304	\$ 10,137	\$ 502,024
Cost of service revenue	230,293	33,493	40,349	19,307	6,204	329,646
General and administrative expenses	99,162	14,613	11,777	11,088	4,710	141,350
Operating income	30,821	2,448	627	(2,091)	(777)	31,028
Interest expense	(2,256)	(473)	(158)	(159)	(156)	(3,202)
Income (loss) before income taxes and noncontrolling interests	28,565	1,975	469	(2,250)	(933)	27,826
Income tax expense (benefit)	7,091	483	139	(313)	(230)	7,170
Net income (loss)	21,474	1,492	330	(1,937)	(703)	20,656
Less net income attributable to noncontrolling interests	3,810	412	(90)	(207)	(66)	3,859
Net income (loss) attributable to LHC Group, Inc.'s common stockholders	<u>\$ 17,664</u>	<u>\$ 1,080</u>	<u>\$ 420</u>	<u>\$ (1,730)</u>	<u>\$ (637)</u>	<u>\$ 16,797</u>
Total assets	<u>\$ 1,306,773</u>	<u>\$ 189,447</u>	<u>\$ 255,456</u>	<u>\$ 66,665</u>	<u>\$ 63,329</u>	<u>\$ 1,881,670</u>
	Three Months Ended June 30, 2017					
	Home Health Services	Hospice Services	Home and Community- Based Services	Facility- Based Services	HCI	Total
Net service revenue	\$ 192,409	\$ 37,851	\$ 10,746	\$ 16,529	\$ —	\$ 257,535
Cost of service revenue	117,606	24,473	7,986	11,093	—	161,158
General and administrative expenses	55,268	10,743	2,261	5,280	—	73,552
Operating income	19,535	2,635	499	156	—	22,825
Interest expense	(630)	(126)	(42)	(42)	—	(840)
Income from continuing operations before income taxes and noncontrolling interests	18,905	2,509	457	114	—	21,985
Income tax expense	6,757	849	180	6	—	7,792
Net income	12,148	1,660	277	108	—	14,193
Less net income attributable to noncontrolling interests	2,266	480	5	138	—	2,889
Net income (loss) attributable to LHC Group, Inc.'s common stockholders	<u>\$ 9,882</u>	<u>\$ 1,180</u>	<u>\$ 272</u>	<u>\$ (30)</u>	<u>\$ —</u>	<u>\$ 11,304</u>
Total assets	<u>\$ 466,308</u>	<u>\$ 138,519</u>	<u>\$ 33,292</u>	<u>\$ 34,547</u>	<u>\$ —</u>	<u>\$ 672,666</u>

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LHC GROUP, INC. AND SUBSIDIARIES
SEGMENT INFORMATION (Continued)

(Amounts in thousands)

(Unaudited)

	Six Months Ended June 30, 2018					
	Home Health Services	Hospice Services	Home and Community- Based Services	Facility- Based Services	HCI	Total
Net service revenue	\$ 564,463	\$ 93,180	\$ 66,844	\$ 58,454	\$ 10,137	\$ 793,078
Cost of service revenue	360,453	61,512	51,139	38,956	6,204	518,264
General and administrative expenses	165,452	27,910	15,075	20,234	4,710	233,381
Operating income	38,558	3,758	630	(736)	(777)	41,433
Interest expense	(3,343)	(690)	(230)	(232)	(157)	(4,652)
Income (loss) before income taxes and noncontrolling interest	35,215	3,068	400	(968)	(934)	36,781
Income tax expense (benefit)	7,813	594	124	(154)	(230)	8,147
Net income (loss)	27,402	2,474	276	(814)	(704)	28,634
Less net income attributable to noncontrolling interests	6,047	829	(70)	102	(66)	6,842
Net income (loss) attributable to LHC Group, Inc.'s common stockholders	<u>\$ 21,355</u>	<u>\$ 1,645</u>	<u>\$ 346</u>	<u>\$ (916)</u>	<u>\$ (638)</u>	<u>\$ 21,792</u>
	Six Months Ended June 30, 2017					
	Home Health Services	Hospice Services	Home and Community- Based Services	Facility- Based Services	HCI	Total
Net service revenue	\$ 373,067	\$ 73,799	\$ 21,287	\$ 33,631	\$ —	\$ 501,784
Cost of service revenue	229,692	47,746	15,934	22,156	—	315,528
General and administrative expenses	109,190	21,149	4,572	10,652	—	145,563
Operating income	34,185	4,904	781	823	—	40,693
Interest expense	(1,215)	(243)	(81)	(81)	—	(1,620)
Income from continuing operations before income taxes and noncontrolling interest	32,970	4,661	700	742	—	39,073
Income tax expense	11,010	1,508	263	184	—	12,965
Net income	21,960	3,153	437	558	—	26,108
Less net income attributable to noncontrolling interests	4,294	766	13	264	—	5,337
Net income attributable to LHC Group, Inc.'s common stockholders	<u>\$ 17,666</u>	<u>\$ 2,387</u>	<u>\$ 424</u>	<u>\$ 294</u>	<u>\$ —</u>	<u>\$ 20,771</u>

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LHC GROUP, INC. AND SUBSIDIARIES
SELECT CONSOLIDATED KEY STATISTICAL AND FINANCIAL DATA
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Key Data:				
Home-Health Services:				
Locations	568	315	568	315
Acquired	253	12	254	23
<i>De novo</i>	-	-	-	-
Divested/Consolidated	(4)	(2)	(5)	(3)
Total new admissions	93,905	47,436	147,028	94,721
Medicare new admissions	59,012	29,765	92,040	59,584
Average daily census	76,708	43,143	76,516	42,397
Average Medicare daily census	51,279	29,554	51,290	29,306
Medicare completed and billed episodes	96,370	53,238	150,690	104,999
Average Medicare case mix for completed and billed Medicare episodes	1.10	1.09	1.10	1.08
Average reimbursement per completed and billed Medicare episodes	\$ 2,975	\$ 2,787	\$ 2,925	\$ 2,753
Total visits	2,505,210	1,418,908	4,000,328	2,726,906
Total Medicare visits	1,703,373	980,033	2,712,798	1,900,591
Average visits per completed and billed Medicare episodes	17.7	18.4	18.0	18.4
Organic growth: ⁽¹⁾				
Net revenue	9.0%	11.9%	9.0%	9.9%
Net Medicare revenue	5.1%	6.4%	4.9%	5.6%
Total new admissions	7.9%	10.4%	7.2%	11.0%
Medicare new admissions	5.4%	6.4%	4.8%	7.0%
Average daily census	2.3%	4.9%	2.9%	4.5%
Average Medicare daily census	-1.0%	-0.1%	-0.8%	-0.6%
Medicare completed and billed episodes	2.4%	-0.8%	1.0%	0.3%
Home and Community-Based Services:				
Locations	80	11	80	11
Acquired	64	-	64	-
<i>De novo</i>	-	-	4	-
Divested/Consolidated	-	-	-	-
Average daily census	14,557	1,746	14,528	1,712
Billable hours	2,227,831	381,107	2,706,614	752,780
Revenue per billable hour	\$ 24.13	\$ 28.46	\$ 25.15	\$ 28.78
Hospice-Based Services:				
Locations	106	87	106	87
Acquired	15	13	15	21
<i>De novo</i>	-	-	-	-
Divested/Consolidated	-	-	-	-
Admissions	4,528	3,224	8,582	6,276
Average daily census	3,659	3,029	3,399	2,926
Patient days	332,978	275,630	615,198	529,548
Average revenue per patient day	\$ 154	\$ 140	\$ 154	\$ 142
Facility-Based Services:				
<u>Long-term Acute Care</u>				
Locations	12	8	12	8
Acquired	-	-	-	-
Divested/Consolidated	(2)	-	(2)	-
Patient days	19,983	13,075	41,037	26,807
Average revenue per patient day	\$ 1,386	\$ 1,083	\$ 1,361	\$ 1,085
Occupancy rate	69.7%	76.4%	70.2%	78.8%

⁽¹⁾ Organic growth is calculated as the sum of same store plus *de novo* for the period divided by total from the same period in the prior year.

LHC GROUP, INC. AND SUBSIDIARIES
RECONCILIATION OF REVENUE AFTER ADOPTION OF ASU 2014-09

(Amounts in thousands, Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net Service Revenue, pre-adoption	\$ 509,742	\$ 260,210	\$ 805,722	\$ 506,828
Less: Implicit price concession ⁽¹⁾	7,718	2,675	12,644	5,044
Net Service Revenue, post-adoption	<u>\$ 502,024</u>	<u>\$ 257,535</u>	<u>\$ 793,078</u>	<u>\$ 501,784</u>

RECONCILIATION OF ADJUSTED NET INCOME
ATTRIBUTABLE TO LHC GROUP, INC.

(Amounts in thousands, Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income attributable to LHC Group, Inc.'s common stockholders	\$ 16,797	\$ 11,304	\$ 21,792	\$ 20,771
Add (net of tax):				
AFAM merger/acquisition expenses ⁽²⁾	5,860	—	12,171	—
Closures/relocations ⁽³⁾	2,464	—	2,464	—
Income tax effect of adjustments to income ⁽⁴⁾	689	—	689	—
Adjusted net income attributable to LHC Group, Inc.'s common stockholders	<u>\$ 25,810</u>	<u>\$ 11,304</u>	<u>\$ 37,116</u>	<u>\$ 20,771</u>

RECONCILIATION OF ADJUSTED NET INCOME
ATTRIBUTABLE TO LHC GROUP, INC. PER DILUTED SHARE

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income attributable to LHC Group, Inc.'s common stockholders	\$ 0.55	\$ 0.63	\$ 0.89	\$ 1.16
Add (net of tax):				
AFAM merger/acquisition expenses ⁽²⁾	0.19	—	0.50	—
Closures/relocations ⁽³⁾	0.08	—	0.11	—
Income tax effect of adjustments to income ⁽⁴⁾	0.02	—	0.02	—
Adjusted net income attributable to LHC Group, Inc.'s common stockholders	<u>\$ 0.84</u>	<u>\$ 0.63</u>	<u>\$ 1.52</u>	<u>\$ 1.16</u>

(1) All amounts previously classified as provision for bad debts are now classified as implicit price concessions in determining the transaction price of the Company's net service revenue.

(2) Transaction expenses and transition costs associated with the merger between LHC Group and Almost Family (\$8.4 million pre-tax).

(3) Expenses associated with the closure, relocation or consolidation of four home health agencies and two long-term acute care hospitals. Costs include \$1.5 million for intangibles impairment and lease termination charges (\$3.5 million pre-tax).

(4) Effective tax rate increased to 29.9% due to certain deal and transaction costs that are not deductible related to the merger. We continue to anticipate a normalized effective tax rate of 28% to 29% and have used that rate in the presentation of adjusted net income attributable to LHC Group and adjusted net income attributable to LHC Group per diluted share.

We have included certain financial measures in this press release, including adjusted net income attributable to LHC Group and adjusted net income attributable to LHC Group per diluted share, which are "non-GAAP financial measures" as defined under the rules and regulations promulgated by the SEC. We define adjusted net income attributable to LHC Group as net income attributable to LHC Group adjusted for the AFAM merger/acquisition and other closure costs. We define adjusted net income attributable to LHC Group per diluted share as net income attributable to LHC Group adjusted for the AFAM merger/acquisition and other closure costs divided by weighted average diluted shares outstanding.

Adjusted net income attributable to LHC Group and adjusted net income attributable to LHC Group per diluted share are supplemental measures of our performance and are not required by, or presented in accordance with, generally accepted accounting principles in the United States ("GAAP"). Adjusted net income attributable to LHC Group and adjusted net income attributable to LHC Group per diluted share are not measures of our financial performance under GAAP and should not be considered as alternatives to net income attributable to LHC Group, net income attributable to LHC Group per diluted share or any other performance measures derived in accordance with GAAP. Our measurements of adjusted net income attributable to LHC Group and adjusted net income attributable to LHC Group per diluted share may not be comparable to similarly titled measures of other companies. We have included information concerning adjusted net income attributable to LHC Group and adjusted net income attributable to LHC Group per diluted share in this press release because we believe that such information is used by certain investors as measures of a company's historical performance. We believe these measures are frequently used by securities analysts, investors and other interested parties in the evaluation of issuers of equity securities, many of which present adjusted net income and adjusted net income per diluted share when reporting their results. Our presentation of adjusted net income attributable to LHC Group and adjusted net income attributable to LHC Group per diluted share should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items.

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