

HMS HOLDINGS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)

	<u>Three months ended December 31,</u>		<u>Year ended December 31,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenue	\$ 128,514	\$ 112,161	\$ 474,216	\$ 443,225
Cost of services:				
Compensation	46,694	45,391	178,272	181,273
Data processing	10,409	10,438	40,915	39,661
Occupancy	3,764	3,835	15,766	16,950
Direct project expenses	14,776	9,937	51,527	36,866
Other operating expenses	8,453	6,373	28,895	24,588
Amortization of acquisition related software and intangible assets	7,013	7,132	28,148	28,612
Total cost of services	91,109	83,106	343,523	327,950
Selling, general and administrative expenses	22,582	29,146	83,121	81,071
Total operating expenses	113,691	112,252	426,644	409,021
Operating income	14,823	(91)	47,572	34,204
Interest expense	(1,970)	(1,952)	(7,812)	(7,931)
Interest income	15	10	49	57
Income before income taxes	12,868	(2,033)	39,809	26,330
Income taxes	4,143	361	15,282	12,383
Net income	<u>\$ 8,725</u>	<u>\$ (2,394)</u>	<u>\$ 24,527</u>	<u>\$ 13,947</u>
Basic income per common share:				
Net income per common share -- basic	<u>\$ 0.10</u>	<u>\$ (0.03)</u>	<u>\$ 0.28</u>	<u>\$ 0.16</u>
Diluted income per common share:				
Net income per common share -- diluted	<u>\$ 0.10</u>	<u>\$ (0.03)</u>	<u>\$ 0.28</u>	<u>\$ 0.16</u>
Weighted average shares:				
Basic	<u>86,625</u>	<u>87,839</u>	<u>87,881</u>	<u>87,673</u>
Diluted	<u>87,110</u>	<u>87,839</u>	<u>88,361</u>	<u>88,164</u>

Certain reclassifications were made to prior period amounts to conform to current period presentations.

Note: This Consolidated Statements of Income for the three months ended December 31, 2014 and the three months ended December 31, 2015 is a supplement to and should be read in conjunction with the text and financial statements included in the Company's Fourth Quarter and Full Year 2015 Earnings Release dated February 26, 2016. All information is presented on a basis prepared in accordance with U.S. generally accepted accounting principles (GAAP), unless otherwise indicated.