

## United American Healthcare Corporation Reports Fiscal 2005 Second Quarter Financial Results

### Net Income Increases 45% Over Prior Fiscal Second Quarter

DETROIT, Jan 27, 2005 /PRNewswire-FirstCall via COMTEX/ -- United American Healthcare Corporation (Nasdaq: UAHC), a pioneer in healthcare services for Medicaid recipients, announced today its financial results for its fiscal 2005 second quarter ended December 31, 2004.

Total revenues for the fiscal second quarter ended December 31, 2004 were \$5.4 million, compared to revenues of \$5.4 million for the prior fiscal quarter, and \$5.5 million for the fiscal second quarter of last year. The decrease in revenues year over year was due primarily to a September 2002 contractual risk amendment for fiscal 2002 claims with TennCare, the State of Tennessee healthcare program, for which revenues are recognized as such claims are processed. Net earnings increased 45% to \$1.9 million, or \$0.26 per diluted common share, for the three months ended December 31, 2004, compared to net earnings of \$1.3 million, or \$0.19 per diluted common share, for the three months ended December 31, 2003. Such increase in net earnings is principally due to a decrease in marketing, general and administrative expenses and a lower effective tax rate for the period. The Company recognized no gain or loss from discontinued operations for the three months ended December 31, 2004 and December 31, 2003.

For the six months ended December 31, 2004, revenues were \$10.8 million, compared to \$11.2 million for the comparable period in the prior year, again primarily due to the amended TennCare agreement. For the six months ended December 31, 2004, net earnings were \$3.4 million, or \$0.45 per diluted share, compared to \$2.2 million, or \$0.31 per diluted share, for the six months ended December 31, 2003. The Company recognized a loss of \$0.1 million from discontinued operations for the six months ended December 31, 2004, due to a contingent liability relating to a sublease agreement with a company previously managed by United American Healthcare; this was partially offset by the release of certain liabilities related to a patient care software system which is no longer in use.

"We are again pleased to report another strong quarter," commented William C. Brooks, President, CEO and Chairman of United American Healthcare. "We now expect that the ASO arrangement will be extended through our June 30, 2005 fiscal year end. We are pleased that a long anticipated TennCare reform plan was proposed by the Governor of Tennessee this month and will be submitted for Federal approval. We look forward to the reform plan being approved and adopted, as we believe it will lead to opportunities for UAHC to grow its net membership in Tennessee. As we look to the remainder of our fiscal year, we will continue to focus on membership expansion, profitability and top line revenue growth."

Total expenses decreased 15% to \$3.5 million in the second fiscal quarter ended December 31, 2004, compared to \$4.1 million in the comparable quarter last year.

At December 31, 2004, the Company had cash and cash equivalents and short-term marketable securities of \$10.2 million, an increase of \$1.4 million from the \$8.8 million reported for the quarter ended June 30, 2004.

### Fiscal Year 2005 Guidance

The following statements are based on the Company's current expectations. These statements are forward-looking, and actual results may differ materially. Except as expressly set forth below, these statements do not include the potential impact of any mergers, acquisitions or other business combinations that may be closed or entered into after December 31, 2004.

UAHC reiterates its FY 2005 revenue guidance range of \$21 - \$23 million and earnings per common basic share in the range of \$0.85 - \$0.90.

### Corporate Conference Call

The Company will host a conference call today at 4:30 p.m. EST (1:30 p.m. PST) to review the fiscal second quarter financial results and other corporate matters. William Brooks, UAHC's President and CEO, and Stephen Harris, UAHC's CFO, will be on-line to discuss these results and take part in a Q&A session.

To access the live conference call, dial 800-374-0565, and give the Company name, "United American Healthcare." Participants are asked to call the assigned number approximately 10 minutes before the conference call begins.

For those unable to participate in the conference call, a replay of the call will be available two hours after the call for the following five business days by dialing 800-642-1687 within the U.S. or by dialing 706-645-9291 internationally and entering the following pass code: 3300351. Also, an instant replay of the conference call will be available over the Internet at <http://www.uahc.com> in the Investor Relations area of the site or by going to <http://www.mkr-group.com>.

## About United American Healthcare

United American Healthcare is a full-service healthcare management company, pioneering the delivery of healthcare services to the Medicaid population since 1985. The Company owns and manages OmniCare in western Tennessee, including Memphis. UAHC currently serves 133,000 enrollees in Tennessee. For more information on the Company, please visit the Company website at [www.uahc.com](http://www.uahc.com).

Forward-looking statements by United American Healthcare Corporation, including those in this announcement, involve known and unknown risks, which may cause actual results and corporate developments to differ materially from those expected. Factors that could cause results and developments to differ materially from expectations include, without limitation, the effects of state and federal regulations, the effects of acquisitions and divestitures, and other risks described from time to time in each of United American Healthcare's SEC reports, including quarterly reports on Form 10-Q, annual reports on Form 10-K, and reports on Form 8-K.

## United American Healthcare Corporation and Subsidiaries CONDENSED CONSOLIDATED BALANCE SHEETS (in thousands, except share data)

	December 31, 2004	June 30, 2004
	(Unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$6,644	\$7,767
Marketable securities	3,605	1,000
Accounts receivable - State of Tennessee	1,253	1,230
Other receivables	1,668	1,206
Prepaid expenses and other	170	147
Deferred income taxes	2,227	1,939
Total current assets	15,567	13,289
Assets held for sale	--	100
Property and equipment, net	224	323
Goodwill	3,452	3,452
Marketable securities	2,347	2,331
Other assets	586	586
Total assets	\$22,176	\$20,081
Liabilities and Shareholders' Equity		
Current liabilities		
Current portion of long-term debt	\$125	\$847
Medical claims payable	337	406
Accounts payable and accrued expenses	309	1,140
Accrued compensation and related benefits	508	582
Accrued rent	1,223	837
Other current liabilities	1,290	1,384
Total current liabilities	3,792	5,196
Total liabilities	3,792	5,196
Shareholders' equity		
Preferred stock, 5,000,000 shares authorized; none issued	--	--
Common stock, no par, 15,000,000 shares authorized; 7,442,557 and 7,418,519 shares issued and outstanding at December 31, 2004 and June 30, 2004, respectively	12,314	12,226
Retained earnings	6,098	2,702
Accumulated other comprehensive loss, net of income taxes	(28)	(43)

Total shareholders' equity	18,384	14,885
	\$22,176	\$20,081

United American Healthcare Corporation and Subsidiaries  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)  
(in thousands, except per share data)

	Three months ended		Six months ended	
	December 31, 2004	2003	December 31, 2004	2003
<b>Revenues</b>				
Fixed administrative fees	\$5,253	\$5,092	\$10,381	\$10,166
Medical premiums	2	77	21	446
Interest and other income	144	310	405	595
Total revenues	5,399	5,479	10,807	11,207
<b>Expenses</b>				
Medical services	3	77	22	446
Marketing, general and administrative	3,421	3,915	7,158	7,830
Depreciation and amortization	45	57	94	120
Interest expense	--	18	8	38
Total expenses	3,469	4,067	7,282	8,434
<b>Earnings from continuing operations before income taxes</b>				
	1,930	1,412	3,525	2,773
Income tax expense	--	83	--	532
Earnings from continuing operations	1,930	1,329	3,525	2,241
<b>Discontinued operations</b>				
Loss from discontinued operations	--	--	129	--
Net earnings	\$1,930	\$1,329	\$3,396	\$2,241
<b>Net earnings per common share - basic</b>				
Earnings from continuing operations	\$0.26	\$0.19	\$0.48	\$0.31
Discontinued operations	0.00	--	(0.02)	--
Net earnings per common share	\$0.26	\$0.19	\$0.46	\$0.31
<b>Weighted average shares outstanding</b>				
	7,409	7,168	7,400	7,127
<b>Net earnings per common share - diluted</b>				
Earnings from continuing operations	\$0.26	\$0.19	\$0.47	\$0.31
Discontinued operations	0.00	--	(0.02)	--
Net earnings per common share	\$0.26	\$0.19	\$0.45	\$0.31
<b>Weighted average shares outstanding</b>				
	7,486	7,220	7,476	7,180

See Notes to the Unaudited Condensed Consolidated Financial Statements.

**SOURCE** United American Healthcare Corporation

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