

in anticipation of the MMA reimbursement reductions that began in 2005. Net income in the fourth quarter of 2004 reflected the favorable impact of these operating expense reductions prior to the commencement of the negative impact of the MMA reimbursement reductions.

Revenues and net income in the fourth quarter and the current year have been negatively impacted by the 2005 reimbursement changes associated with the MMA. These reimbursement changes reduced net income for the fourth quarter by approximately \$4.3 million, comprised of \$3.0 million in reimbursement reductions and \$1.3 million in increased cost of sales. The reimbursement reductions of \$3.0 million include reductions in inhalation drugs of \$0.5 million, reductions in certain items of durable medical equipment of \$0.6 million, and reductions in oxygen of \$1.9 million.

For the year ended December 31, 2005, reimbursement changes associated with the MMA reduced net income by approximately \$17.1 million, comprised of \$12.6 million in reimbursement reductions and \$4.5 million in increased cost of sales. The reimbursement reductions of \$12.6 million include reductions in inhalation drugs of \$4.5 million, reductions in certain items of durable medical equipment of \$2.1 million, and reductions in oxygen of \$6.0 million.

Net income was positively impacted in the year ended December 31, 2005 by reductions in operating expenses compared to 2004. For the year, operating expenses decreased approximately \$8.4 million, or 5.0%. The reductions in operating expenses are a direct result of the Company's initiatives to improve productivity and reduce costs in its branches and billing centers.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) is a non-GAAP financial measurement that is calculated as net income excluding interest, taxes, depreciation and amortization. EBITDA for the fourth quarter of 2005 was \$13.4 million compared to \$19.3 million for the same period last year. For the twelve months of 2005, EBITDA was \$53.2 million compared to \$58.5 million for 2004. Adjusted EBITDA (calculated as EBITDA excluding reorganization items) for the fourth quarter of 2005 was \$13.4 million, or 16.0% of revenues, compared to \$19.4 million, or 23.0% of revenues, for the fourth quarter of 2004. For the year ended December 31, 2005, adjusted EBITDA was \$53.5 million, or 16.3% of revenues,

compared to \$59.2 million, or 17.6% of revenues, for 2004. The 2005 reimbursement reductions, as discussed above, reduced EBITDA and adjusted EBITDA by \$4.3 million in the fourth quarter of 2005 and by \$17.1 million in the year ended December 31, 2005.

American HomePatient, Inc. is one of the nation's largest home health care providers with 263 centers in 34 states. Its product and service offerings include respiratory services, infusion therapy, parenteral and enteral nutrition, and medical equipment for patients in their home. American HomePatient, Inc.'s common stock is currently traded in the over-the-counter market or, on application by broker-dealers, in the NASD's Electronic Bulletin Board under the symbol AHOM or AHOM.OB.

American HomePatient, Inc. prepares its financial statements in accordance with U.S. generally accepted accounting principles (GAAP). American HomePatient, Inc. also provides information related to non-GAAP financial measurements such as, EBITDA, adjusted EBITDA and, from time to time, other non-GAAP financial measurements that adjust for certain items outside of the ordinary course of its business. To enable interested parties to reconcile non-GAAP measures to the Company's GAAP financial statements, the Company clearly defines EBITDA and adjusted EBITDA, and quantifies all other adjustments to GAAP measurements (see Schedule B). The Company provides EBITDA information, a widely used non-GAAP financial measurement, as a performance measure to assist in analyzing the Company's operations and in comparing the Company to its competitors. The Company provides other non-GAAP financial measurements, such as adjusted EBITDA, that adjust for certain items outside of the ordinary course of business in order to assist in comparing the Company's current operating performance to its historical performance. These adjustments typically reflect non-recurring items but sometimes reflect items, such as dispositions of assets and restructuring charges that are not technically non-recurring but are outside of the ordinary course of operations. Investors should note that such measures may not be comparable to similarly titled measures used by other companies, and investors are encouraged to use this information only in connection with the information contained in the Company's GAAP financial statements.

Certain statements made in this press release may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on management's current expectations and include known and unknown risks, uncertainties and other factors, many of which the Company is unable to predict or control,

that may cause the Company's actual results or performance to materially differ from any future results or performance expressed or implied by such forward-looking statements. These statements involve risks and uncertainties, including, without limitation, risks and uncertainties regarding current and future reimbursement rates, as well as reimbursement reductions and the Company's ability to mitigate the impact of the reductions. These risks and uncertainties are in addition to risks, uncertainties, and other factors detailed from time to time in the Company's filings with the Securities and Exchange Commission. The Company cautions investors that any forward-looking statements made by the Company are not necessarily indicative of future performance. The Company is not responsible for updating the information contained in this press release beyond the published date, or for changes made to this document by wire services or Internet services.

American HomePatient, Inc.
Summary Financial Data

Schedule A

(In thousands, except per share data)

	Three Months Ended December 31,		Year Ended December 31,	
	2005	2004	2005	2004
	(unaudited)		(unaudited)	
Revenues, net	\$ 83,606	\$ 84,236	\$ 328,418	\$ 335,823
Cost of sales and related services	20,799	18,015	79,441	71,934
Cost of rentals and other revenues, including rental equipment depreciation	10,106	9,695	39,879	38,779
Operating expenses	39,943	39,372	158,851	167,285
Bad debt expense	2,360	1,484	9,438	10,671
General and administrative expenses	4,265	3,887	16,749	16,597
Depreciation, excluding rental equipment, and amortization	1,206	989	3,645	3,423
Interest expense, net	4,234	4,396	17,141	18,290
Other income, net	52	(222)	(365)	(344)
Earnings from unconsolidated joint ventures	(1,192)	(1,494)	(4,816)	(4,751)
Income from operations before reorganization items and income taxes	1,833	8,114	8,455	13,939
Reorganization items	51	138	384	658
Income from operations before income taxes	1,782	7,976	8,071	13,281
Provision for income taxes	57	(250)	327	50
Net income	\$ 1,725	\$ 8,226	\$ 7,744	\$ 13,231
<i>Basic income per common share</i>	\$ 0.10	\$ 0.49	\$ 0.45	\$ 0.80
<i>Diluted income per common share</i>	\$ 0.10	\$ 0.48	\$ 0.43	\$ 0.78

	December 31,	December 31,
	2005	2004
	(unaudited)	
Cash and cash equivalents	\$ 4,444	\$ 5,772
Restricted cash	650	650
Net patient receivables	55,222	50,851
Other receivables	1,242	1,666
Total receivables	56,464	52,517
Other current assets	22,871	22,308
Total current assets	84,429	81,247
Property and equipment, net	56,981	58,005
Goodwill	121,834	121,834
Other assets	24,390	21,978
Total Assets	\$ 287,634	\$ 283,064
Accounts payable	\$ 18,110	\$ 17,842
Current portion of long-term debt and capital leases	908	885
Other current liabilities	30,276	30,951
Total current liabilities	49,294	49,678
Long-term debt and capital leases, less current portion	250,111	251,033
Other noncurrent liabilities	50	2,548
Total liabilities	299,455	303,259
Minority interest	635	534
Total shareholders' deficit	(12,456)	(20,729)
Total Liabilities and Shareholders' Deficit	\$ 287,634	\$ 283,064

American HomePatient, Inc.

Schedule B

Reconciliation of Non-GAAP Financial Measurements to GAAP Financial Statements

(In thousands)

	<u>Three Months Ended December 31,</u>		<u>Year Ended December 31,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	<u>(unaudited)</u>		<u>(unaudited)</u>	
Net income	\$ 1,725	\$ 8,226	\$ 7,744	\$ 13,231
Add:				
Provision for income taxes	57	(250)	327	50
Interest expense, net	4,234	4,396	17,141	18,290
Rental equipment depreciation	6,135	5,902	24,307	23,502
Other depreciation and amortization	<u>1,206</u>	<u>989</u>	<u>3,645</u>	<u>3,423</u>
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	13,357	19,263	53,164	58,496
Add:				
Reorganization items	<u>51</u>	<u>138</u>	<u>384</u>	<u>658</u>
Adjusted EBITDA (EBITDA excluding reorganization items)	<u>\$ 13,408</u>	<u>\$ 19,401</u>	<u>\$ 53,548</u>	<u>\$ 59,154</u>