

**CONTINUOCARE CORPORATION REPORTS  
FINANCIAL RESULTS FOR  
SECOND QUARTER OF FISCAL 2005  
AND ANNOUNCES SHARE REPURCHASE PROGRAM**

- Second Fiscal Quarter Revenue Increases 13% -*
- Second Fiscal Quarter Income From Operations Increases 271% -*
- Second Fiscal Quarter EPS Improves to \$0.05 From Loss of \$0.01 -*
- Two Million Share Repurchase Authorized -*

Miami, FL, February 10, 2005 – Continucare Corporation (AMEX: CNU) today reported financial results for its second quarter of fiscal 2005 and the six-months ended December 31, 2004.

**Second Quarter Results**

For the second quarter of fiscal 2005, total revenue was \$27.5 million compared to \$24.4 million for the second quarter of fiscal 2004. Income from operations during the second quarter of fiscal 2005 was \$2.7 million compared to \$0.7 million for the same period one year ago. Income from continuing operations in the second quarter of fiscal 2005 was \$2.5 million compared to \$0.5 million in the year-ago period. There was no income or loss from discontinued operations during the second quarter of fiscal 2005 compared to a loss of \$0.8 million in the year-ago period. Net income for the second quarter of fiscal 2005 was \$2.5 million, or \$0.05 per diluted share, compared to a net loss of \$0.4 million, or \$0.01 per diluted share, one year ago.

**Six-Month Results**

For the six-months ended December 31, 2004, total revenue was \$54.3 million compared to \$49.4 million for the six-month period one year ago. Income from operations during the six-month period was \$4.5 million compared to \$1.6 million for the same period one year ago. Income from continuing operations during the six-month period was \$4.0 million compared to \$3.3 million in the year-ago period, but the amount for the fiscal 2004 six-month period included \$2.2 million of other income that related to the previously disclosed settlement of an alleged Medicare obligation. There was no income or loss from discontinued operations during the six-month period compared to a loss of \$1.2 million in the year-ago period. Net income for the six-month period was \$4.0 million, or \$0.08 per diluted share, compared to net income of \$2.1 million, or \$0.04 per diluted share, one year ago.

The discontinued operations reflected in Continucare's financial results for the fiscal 2004 period relate to its former home health operations which were disposed of in a series of transactions completed in the third fiscal quarter of fiscal 2004 and a group of independent physician contracts terminated effective January 1, 2003.

Commenting on the financial results, Richard C. Pfenniger, Jr., Continucare's Chief Executive Officer, said, "Our second fiscal quarter results demonstrate the progress our business has made. Our results were meaningfully better than one year ago, and with continued and increasing profitability, our cash flow has increased and our financial position continues to strengthen. This improvement continues to be

driven by our managed care activities associated with Medicare Advantage patients which is the central focus of our business.”

## **Share Repurchase Program**

Continucare also announced that its board of directors has approved a share repurchase program authorizing the purchase of up to two million shares or approximately 4% of its outstanding shares. The program authorizes management, in its discretion, to repurchase shares from time to time on the open market or in privately negotiated transactions subject to market conditions and other factors.

Continucare Corporation ([www.continucare.com](http://www.continucare.com)), headquartered in Miami, Florida, is a holding company with subsidiaries engaged in the business of providing outpatient physician care services through managed care, Medicare direct and fee for service arrangements.

*Except for historical matters contained herein, statements made in this press release are forward-looking and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors and others are cautioned that forward-looking statements are subject to risks and uncertainties which may affect our business and prospects and cause our actual results to differ materially from those set forth in the forward-looking statements. These factors include, without limitation, the risk that the current trend in revenue or income growth may not continue or may be less than anticipated, the risk that the impact of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 and the Medicare Risk Adjustment on payments we receive for our managed care operations may not continue to be positive for us, risks relating to the level of payment we receive from governmental programs and third party payors, including any changes that may result from the continuing impact of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 and the Medicare Risk Adjustment, uncertainties relating to changes in our revenue mix or claims loss ratio, the risk that future legislation, changes in governmental regulations, including possible changes in Medicare programs, could impact reimbursements to health care providers and insurers, the risk that we may not conduct repurchases of our common stock in the full amount authorized under our repurchase program or at all, and the risk that any repurchases of our common stock that we effect may adversely impact our future liquidity or capital resources. In addition to the risks set forth above, the forward-looking statements in this press release may also be adversely impacted by our ability to achieve expected levels of patient volumes and control the costs of providing services, pricing pressures exerted on us by managed care organizations, our ability to enter into and renew managed care provider arrangements on acceptable terms, our current dependence on two HMOs for substantially all of our revenues, our current dependence on the information systems of our affiliated HMOs for certain information regarding our revenues and expenses, our ability to attract and retain qualified medical professionals, technological and pharmaceutical improvements that increase the cost of providing, or reduce the demand for, health care, delays in receiving payments, increases in the cost of our insurance coverage, including our stop-loss coverage, the possible loss of our insurance coverage, the collectibility of uninsured accounts and deductible and co-pay amounts, our ability to accurately estimate our liability for medical claims incurred but not reported, Federal and state investigations, litigation for medical malpractice and the outcome of any such litigation; changes in estimates and judgments associated with our critical accounting policies, impairment charges that could be required in future periods, our ability to satisfy our liabilities and respond to our capital needs, general economic conditions and uncertainties generally associated with the health care business. These and other applicable risks, cautionary statements and factors that could cause actual results to differ from our forward-looking statements are included in our annual report on Form 10-K for the fiscal year ended June 30, 2004 and other filings with the SEC. We undertake no obligation to update or revise these forward-looking statements to reflect events or circumstances after the date hereof except as required by law.*

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**CONTINUCARE CORPORATION**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

|   | (Unaudited)         |                     | (Unaudited)         |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | Three-Months Ended  |                     | Six-Months Ended    |                     |
|   | <u>12/31/04</u>     | <u>12/31/03</u>     | <u>12/31/04</u>     | <u>12/31/03</u>     |
| <b>Revenue:</b>   |                     |                     |                     |                     |
| Medical services revenue, net.....                      | \$ 27,107,151       | \$24,173,674        | \$ 53,717,702       | \$ 49,107,176       |
| Management fee revenue and other income.....            | 420,063             | 194,562             | 600,658             | 324,459             |
| Total revenue.....                                      | <u>27,527,214</u>   | <u>24,368,236</u>   | <u>54,318,360</u>   | <u>49,431,635</u>   |
| <b>Operating expenses:</b>                              |                     |                     |                     |                     |
| Medical services:                                       |                     |                     |                     |                     |
| Medical claims .....                                    | 18,600,734          | 18,141,504          | 37,616,515          | 36,948,229          |
| Other direct costs.....                                 | 3,621,073           | 2,890,296           | 6,697,326           | 5,751,879           |
| Total medical services .....                            | <u>22,221,807</u>   | <u>21,031,800</u>   | <u>44,313,841</u>   | <u>42,700,108</u>   |
| Administrative payroll and employee benefits.....       | 1,383,096           | 993,101             | 2,667,156           | 1,886,316           |
| General and administrative.....                         | 1,743,731           | 1,971,804           | 3,338,039           | 3,580,735           |
| Gain on extinguishment of debt .....                    | (500,000)           | (350,000)           | (500,000)           | (350,000)           |
| Total operating expenses.....                           | <u>24,848,634</u>   | <u>23,646,705</u>   | <u>49,819,036</u>   | <u>47,817,159</u>   |
| Income from operations .....                            | 2,678,580           | 721,531             | 4,499,324           | 1,614,476           |
| <b>Other income (expense):</b>                          |                     |                     |                     |                     |
| Interest income.....                                    | 18,192              | 1,421               | 21,311              | 2,076               |
| Interest expense.....                                   | (227,544)           | (243,712)           | (475,960)           | (488,601)           |
| Medicare settlement related to terminated operations... | -                   | -                   | -                   | 2,218,278           |
| Income from continuing operations .....                 | 2,469,228           | 479,240             | 4,044,675           | 3,346,229           |
| <b>Income (loss) from discontinued operations:</b>      |                     |                     |                     |                     |
| Home health operations .....                            | -                   | (834,048)           | -                   | (1,272,778)         |
| Terminated IPA.....                                     | -                   | -                   | -                   | 73,091              |
| Loss from discontinued operations.....                  | <u>-</u>            | <u>(834,048)</u>    | <u>-</u>            | <u>(1,199,687)</u>  |
| Net income (loss) .....                                 | <u>\$ 2,469,228</u> | <u>\$ (354,808)</u> | <u>\$ 4,044,675</u> | <u>\$ 2,146,542</u> |
| <b>Basic net income (loss) per common share:</b>        |                     |                     |                     |                     |
| Income from continuing operations.....                  | \$ .05              | \$ .01              | \$ .08              | \$ .08              |
| Loss from discontinued operations .....                 | -                   | (.02)               | -                   | (.03)               |
| Net income (loss) per common share .....                | <u>\$ .05</u>       | <u>\$ (.01)</u>     | <u>\$ .08</u>       | <u>\$ .05</u>       |
| <b>Diluted net income (loss) per common share:</b>      |                     |                     |                     |                     |
| Income from continuing operations.....                  | \$ .05              | \$ .01              | \$ .08              | \$ .07              |
| Loss from discontinued operations .....                 | -                   | (.02)               | -                   | (.03)               |
| Net income (loss) per common share .....                | <u>\$ .05</u>       | <u>\$ (.01)</u>     | <u>\$ .08</u>       | <u>\$ .04</u>       |
| Basic weighted average common shares outstanding .....  | <u>50,311,780</u>   | <u>42,379,001</u>   | <u>50,305,983</u>   | <u>42,379,001</u>   |
| Diluted weighted average common shares outstanding..... | <u>51,887,604</u>   | <u>48,191,924</u>   | <u>51,786,472</u>   | <u>47,755,168</u>   |

**CONTINUCARE CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

|   | <b>December 31,<br/>2004</b> | <b>June 30, 2004</b> |
|---|------------------------------|----------------------|
| <b>ASSETS</b>   | <b>(Unaudited)</b>           |                      |
| Current assets:   |                              |                      |
| Cash and cash equivalents .....   | \$ 6,827,181                 | \$ 720,360           |
| Certificates of deposit, current .....  | -                            | 101,515              |
| Other receivables .....   | 143,939                      | 423,215              |
| Due from HMOs, net of a liability for incurred but not reported medical<br>claims expense of approximately \$10,460,000 and \$11,450,000,<br>respectively .....   | 3,710,829                    | 3,337,293            |
| Prepaid expenses and other current assets .....   | 819,470                      | 890,806              |
| Total current assets .....  | 11,501,419                   | 5,473,189            |
| Certificates of deposit .....   | 30,350                       | 30,000               |
| Equipment, furniture and leasehold improvements, net .....  | 599,481                      | 492,054              |
| Goodwill, net .....   | 14,342,510                   | 14,342,510           |
| Managed care contracts, net of accumulated amortization of approximately<br>\$2,245,000 and \$2,069,000, respectively .....   | 1,266,452                    | 1,442,858            |
| Deferred financing costs, net of accumulated amortization of \$665,000 and<br>\$222,500, respectively .....   | 220,002                      | 662,502              |
| Other assets, net .....   | 72,956                       | 100,483              |
| Total assets .....  | \$ 28,033,170                | \$ 22,543,596        |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                              |                      |
| Current liabilities:  |                              |                      |
| Accounts payable .....  | \$ 970,311                   | \$ 504,151           |
| Accrued expenses .....  | 1,737,698                    | 1,452,598            |
| Due to Medicare, net .....  | 24,446                       | 14,645               |
| Liabilities related to discontinued operations .....  | 150,002                      | 208,484              |
| Current portion of related party notes payable .....  | 121,743                      | 8,052                |
| Current portion of capital lease obligations .....  | 55,620                       | 81,163               |
| Note payable .....  | 1,040,000                    | -                    |
| Deferred revenue .....  | 2,500,000                    | 3,000,000            |
| Total current liabilities .....   | 6,599,820                    | 5,269,093            |
| Capital lease obligations, less current portion .....   | 88,066                       | 101,177              |
| Long term debt, less current portion .....  | 29,077                       | 29,077               |
| Related party note payable, less current portion .....  | -                            | 117,717              |
| Total liabilities .....   | 6,716,963                    | 5,517,064            |
| Commitments and contingencies   |                              |                      |
| Shareholders' equity:   |                              |                      |
| Common stock; \$0.0001 par value; 100,000,000 shares authorized,<br>53,323,045 shares issued and 50,326,852 shares outstanding at<br>December 31, 2004 and 53,296,379 shares issued and 50,300,186 shares<br>outstanding at June 30, 2004 ..... | 5,034                        | 5,031                |
| Additional paid-in capital .....  | 70,152,970                   | 69,907,973           |
| Accumulated deficit .....   | (43,417,096)                 | (47,461,771)         |
| Treasury stock (2,996,193 shares) .....   | (5,424,701)                  | (5,424,701)          |
| Total shareholders' equity .....  | 21,316,207                   | 17,026,532           |
| Total liabilities and shareholders' equity .....  | \$ 28,033,170                | \$ 22,543,596        |

**CONTINUCARE CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

|   | <b>Six-Months Ended December 31,</b> |              |
|---|--------------------------------------|--------------|
|   | <b>2004</b>                          | <b>2003</b>  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                      |              |
| Net income .....  | \$ 4,044,675                         | \$ 2,146,542 |
| Loss from discontinued operations .....   | -                                    | 1,199,687    |
| Income from continuing operations .....   | 4,044,675                            | 3,346,229    |
| Adjustments to reconcile net income to net cash provided by operating activities:       |                                      |              |
| Depreciation and amortization, including amortization of deferred financing costs ..... | 727,759                              | 555,952      |
| Recognition of compensation expense related to issuance of stock options .....          | 254,000                              | -            |
| Gain on extinguishment of debt .....  | (500,000)                            | (350,000)    |
| Changes in operating assets and liabilities, excluding the effect of disposals:         |                                      |              |
| Prepaid expenses and other current assets .....   | 71,336                               | (76,117)     |
| Other receivables .....   | 279,276                              | 207,418      |
| Other assets .....  | 27,527                               | (1,445)      |
| Due from HMOs, net .....  | (373,536)                            | (570,518)    |
| Due to Medicare, net .....  | 9,801                                | (2,370,219)  |
| Accounts payable and accrued expenses .....   | 751,260                              | 556,785      |
| Net cash provided by continuing operations .....  | 5,292,098                            | 1,298,085    |
| Net cash used in discontinued operations .....  | (58,482)                             | (714,025)    |
| Net cash provided by operating activities .....   | 5,233,616                            | 584,060      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                                      |              |
| Proceeds from maturities of certificates of deposit .....                               | 101,165                              | 30,439       |
| Purchase of property and equipment .....  | (216,280)                            | (53,679)     |
| Net cash used in continuing operations .....  | (115,115)                            | (23,240)     |
| Net cash (used in) provided by discontinued operations .....                            | -                                    | (9,938)      |
| Net cash used in investing activities .....   | (115,115)                            | (33,178)     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                                      |              |
| Proceeds from note payable .....  | 1,040,000                            | -            |
| Payments on convertible subordinated notes .....  | (4,026)                              | (136,948)    |
| Payment of fees related to private placement transaction .....                          | (45,000)                             | -            |
| Payments on related party notes .....   | -                                    | (31,927)     |
| Principal repayments under capital lease obligation .....                               | (38,654)                             | (37,860)     |
| Proceeds from exercise of stock options .....   | 36,000                               | -            |
| Net decrease in credit facility .....   | -                                    | (109,089)    |
| Repayments to Medicare per agreement .....  | -                                    | (214,436)    |
| Net cash (used in) provided by continuing operations .....                              | 988,320                              | (530,260)    |
| Net cash (used in) provided by discontinued operations .....                            | -                                    | -            |
| Net cash (used in) provided by financing activities .....                               | 988,320                              | (530,260)    |
| Net increase in cash and cash equivalents .....   | 6,106,821                            | 20,622       |
| Cash and cash equivalents at beginning of fiscal year .....                             | 720,360                              | 160,743      |
| Cash and cash equivalents at end of fiscal year .....                                   | \$ 6,827,181                         | \$ 181,365   |