



PHC, Inc. Announces Fiscal 2004 Financial Results

September 2, 2004

- * RECORD FOURTH QUARTER EARNINGS OF \$532,454 OR \$0.03 PER SHARE
- * FOURTH QUARTER REVENUES INCREASED 20% TO \$7.6 MILLION
- * FISCAL 2004 REVENUES INCREASED 12% TO \$26.6 MILLION
- * 2004 NON-PATIENT OPERATIONS REVENUE INCREASED 63%
- * SHAREHOLDERS EQUITY INCREASED 177% TO \$5.4 MILLION ON JUNE 30th

PEABODY, Mass., Sept. 2 /PRNewswire-FirstCall/ -- PHC, Inc., d.b.a. Pioneer Behavioral Health (OTC Bulletin Board: [PIHC - News](#)), a leading provider of inpatient and outpatient behavioral health services, today announced its fourth quarter and year end financial results for fiscal 2004, which ended June 30, 2004.

Revenues for the fourth quarter increased 20 percent to \$7.6 million from the \$6.3 million reported in the fiscal fourth quarter of 2003, due to increases in revenue from all three of the Company's operating segments. Net income from ongoing operations for the quarter increased 183.8 percent to \$533,083, a record for the 4th quarter compared to the year ago period. Net income applicable to common shareholders for the three months was \$532,454, or \$0.03 per diluted share, up from \$179,786, or \$0.01 per diluted share for the fourth quarter of fiscal 2003. This was the Company's 14th consecutive quarter of operating profitability, with the exception of the previously reported litigation settlement and related legal costs.

Revenues for the fiscal year ended June 30, 2004 increased 12 percent to \$26.6 million from the \$23.8 million reported in fiscal 2003. Non-patient operations revenue, which includes pharmaceutical studies and contract support services, increased 63.3 percent to \$4.2 million versus \$2.6 million last year. Revenue from the Company's Wellplace division nearly doubled to \$3.0 million in 2004 from \$1.6 million in 2003, an increase of 80.9 percent, and revenue for the Company's Research Division, operating under the Pivotal Research name, increased 32.4 percent to \$1.2 million from \$940,772 last year. This increase included two months revenue of \$699,341 from Pivotal, which was recently acquired.

The Company's results were impacted by \$1.03 million in one-time expenses related to the Company's settlement of a malpractice lawsuit against a subsidiary. After the full effect of these one-time expenses, the net loss applicable to common shareholders was \$257,003 compared to net income of \$977,742 for 2003. The Company reported a fully diluted loss per share for 2004 of \$(0.02) versus earnings per share of \$0.07 on fewer shares outstanding last year. The number of diluted shares outstanding increased to 17,337,923 for the quarter June 30, 2004 from 14,774,203 for the quarter June 30, 2003. Exclusive of the one-time expenses, the Company's earnings would have been \$772,997.

Bruce A. Shear, Chairman and Chief Executive Officer, commented, "Strong increases in each of our three operating segments, Wellplace, Pivotal Research and Behavioral Health Services, produced strong revenue growth and lead to record profitability levels for the fourth quarter, validating our business strategy and providing momentum and optimism for fiscal 2005. We achieved our stated goal of double-digit revenue growth for fiscal 2004, with a 12 percent increase, which we expect will accelerate in 2005. We continue to strengthen our balance sheet, by reducing debt and increasing cash and shareholders' equity, and we expect these positive trends to continue in 2005."

Other operational highlights include:

- * The acquisition of Pivotal has been completed and integrated with the Company's pharmaceutical research operations consolidated under the Pivotal name and management. In the two months following the closing of the acquisition, Pivotal contributed more than \$699,000 in revenue. The Company currently has over eighty (80) active studies.
- * As part of the acquisition, the Company completed a private placement of its Common Stock in two stages. In March, the Company issued 684,999 shares of Class A Common Stock for \$753,500 and warrants to purchase 171,248 additional shares of Class A Common Stock. As a result of second stage of this offering, in April 2004, the Company issued 1,918,196 shares of Class A Common Stock for \$2,110,016 and warrants to purchase 479,549 additional shares of Class A Common Stock.
- * The expansion at the Detroit Medical Center is scheduled for mid-September, with the opening of the first 30-bed unit. Further anticipated expansion will result in a total of 114 acute and long-term psychiatric beds at this leased facility.

Mr. Shear concluded, "The attention on the importance of mental health is increasing, as both Presidential candidates have discussed plans for

increasing funding and providing legislation to enhance American's ability to receive high-quality mental health care. Pioneer remains well-positioned to benefit from this trend going forward, and we look forward to meeting this increasing demand to assist those in need."

The Company's balance sheet continues to strengthen with a current ratio of 1.03:1 on June 30, 2004. Included in short-term liabilities is approximately \$1.5 million mortgage debt held by GE Healthcare Financial Services, Inc. which matures in November 2004. The company is negotiating a renewal or replacement of this debt and is confident that it will be successful. The Company's auditors have indicated preliminarily that they may qualify their opinion if this debt is not replaced or a binding commitment is not secured prior to September 28, 2004. If this debt was classified as long term the current ratio would have been 1.29:1.

Shareholders' equity increased 177 percent to \$5.4 million on June 30, 2004 from \$1.9 million on June 30, 2003. Cash and equivalents also increased substantially to \$594,823 on June 30, 2004, from \$494,991 on June 30, 2003, an increase of 20 percent. Interest expense during fiscal 2004 decreased to \$531,564 from the \$542,269 paid during fiscal 2003.

Conference Call

Management will host a conference call to discuss these results on Thursday, September 2, 2004, at 4:15 p.m. Eastern Time. Interested parties can access the call by dialing 800-510-0178 from within the US or 617-614-3450 for international callers. Please use passcode 69998429. A replay of the call will also be available until September 9, 2004 at 888-286-8010 US and 617-801-6888 international. Please use passcode 97259096 for the replay. A webcast of the call can be accessed at PHC, Inc.'s web site at www.phc-inc.com.

About Pioneer Behavioral Health

Pioneer Behavioral Health's core business provides inpatient and outpatient behavioral healthcare services. The company contracts with national insurance companies, major transportation and gaming companies to provide behavioral health services. Pioneer's Pivotal Research division provides clinical research for leading pharmaceutical manufacturers. Pioneer also owns and operates Wellplace.com, a leading Internet-based provider of behavioral health services to consumers and professionals. For more information, please visit our web site at www.phc-inc.com or www.haydenir.com.

This press release may include forward-looking statements that are subject to risks and uncertainties. Forward-looking statements include information about possible or assumed future results of the operations or the performance of the company and its future plans and objectives. Various future events or factors may cause the actual results to vary materially from those expressed in any forward-looking statements made in this press release (or during this conference call). These factors and risks are discussed in the company's annual report on Form 10-KSB for the years ended June 30, 2002 and 2003, copies of which were filed with the Securities and Exchange Commission, and in our quarterly reports on Form 10-QSB filed with the Securities and Exchange Commission since October 2003.

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PHC, INC. CONSOLIDATED CONDENSED STATEMENTS OF INCOME

	FOR THE THREE MONTHS ENDED		FOR THE TWELVE MONTHS ENDED	
	06/30/04	06/30/03	06/30/04	06/30/03
Total Revenue	\$7,584,662	\$6,313,932	\$26,648,845	\$23,833,323
Net Income (Loss) from Ongoing Operations Before Dividends	533,083	192,066	(225,110)	1,002,516
Net Loss Attributable to Closed Operations	(629)	(12,280)	(31,893)	(24,774)
Net Income (Loss)	532,454	179,786	(257,003)	977,742
Basic Earnings (Loss) Per Share	0.03	0.01	(0.02)	0.07
Diluted Earnings (Loss) Per Share	0.03	0.01	(0.02)	0.07
Basic Shares				

Outstanding	16,551,383	14,066,254	14,731,395	13,944,047
Diluted Shares				
Outstanding	17,337,923	14,774,203	14,731,935	14,564,078

BALANCE SHEET HIGHLIGHTS

As of June 30

	2004	2003	2002
Cash	\$ 594,823	\$ 494,991	\$ 281,848
Total Current Assets	7,631,516	6,145,489	6,014,356
Net Property and Equipment	1,353,975	1,295,113	1,306,108
Total Assets	\$13,311,569	\$ 9,411,723	\$ 9,373,838
Total Current Liabilities	\$ 7,390,661	\$ 5,409,312	\$ 5,722,920
Total Long Term Debt	553,871	2,030,285	1,819,026
Total Liabilities	\$ 7,944,532	\$ 7,476,466	\$ 7,580,160
Shareholders' Equity	\$ 5,367,037	\$ 1,935,257	\$ 1,793,678
Total Liabilities and Equity	\$ 13,311,569	\$ 9,411,723	\$ 9,373,838