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**FOR IMMEDIATE RELEASE**

**Rotech Healthcare Restates 1999 Through First-Quarter-2002 Results  
After Completion of Internal Investigation**

**-- Company Also Announces Second-Quarter-2002 Financial Results --**

**ORLANDO, Fla. – Sept. 12, 2002** – Rotech Healthcare Inc. today announced that it has restated its consolidated financial results for each of the years ended December 31, 1999, 2000 and 2001, and the three months ended March 31, 2002. The restatement reflects a net after-tax charge of \$14.1 million over a three-year period. This restatement is the result of the Company's recently concluded internal investigation reported in July that confirmed the existence of a pattern of falsified sales of equipment in bulk by an independent contractor who was a former Rotech employee, as well as certain improperly recorded revenues from non-bulk VA service contracts. The investigation uncovered no evidence of any participation by employees of Rotech or the VA.

"Our investigation was thorough and comprehensive. We are confident that the audited restatement of our historical financial results presents an accurate picture of the Company's financial performance," said Guy Sansone, president and co-chief executive officer of Rotech Healthcare. "The restated financial statements reflect that our fundamentals are sound. This process is complete and we can now get back to focusing on our business."

The total of the falsified sales was originally recorded to the Company's books and records as net revenue of \$30.4 million. Of this amount, \$14.8 million was recorded during the six-month period from October 1, 2001 to March 31, 2002. In addition, \$8.1 million of receivables associated with non-bulk VA service contracts have been written off.

\$ in 000's

	1999	2000	2001	Q1 2002	Total
<b>Net Revenues:</b>					
As previously reported	\$ 587,364	\$ 576,529	\$ 639,176	\$ 160,210	\$ 1,963,279
As restated	<u>586,809</u>	<u>568,704</u>	<u>614,487</u>	<u>154,750</u>	<u>1,924,750</u>
Adjustment	(555)	(7,825)	(24,689)	(5,460)	(38,529)
<b>EBITDA: (1)</b>					
As previously reported	141,623	115,615	181,021	46,809	485,068
As restated	<u>141,325</u>	<u>110,183</u>	<u>166,887</u>	<u>43,580</u>	<u>461,975</u>
Adjustment	(298)	(5,432)	(14,134)	(3,229)	(23,093)
<b>Net Earnings (Loss):</b>					
As previously reported	37,486	(5,346)	18,031	22,089	72,260
As restated	<u>37,291</u>	<u>(8,767)</u>	<u>9,706</u>	<u>19,896</u>	<u>58,126</u>
Adjustment	(195)	(3,421)	(8,325)	(2,193)	(14,134)

(1) EBITDA represents earnings before interest, taxes, depreciation, amortization, and non-recurring charges (provision for inventory losses, reorganization charges and extraordinary items).

In connection with the investigation, Rotech also retained special counsel Latham & Watkins and Navigant Consulting, the government contracts consulting firm, to perform a broad review of the Company's processes and procedures relating to non-core revenues, in particular, VA sales. Latham & Watkins validated the existence of all VA service contracts reflected in the Company's financial statements. Navigant has made recommendations to improve controls for Rotech's non-core business to supplement the Company's existing procedures for its core business. Rotech management is currently implementing Navigant's recommendations that include a stricter segregation of employee responsibilities, enhanced government contracts administration, and ongoing internal financial audits.

In confirming the results of their respective investigation and restatement audit, Latham & Watkins and KPMG together acknowledged that they had full and complete access to all necessary materials, records, and personnel.

In connection with the investigation, the Company has recovered approximately \$12.5 million of medical equipment inventory, virtually all of which is in resalable condition. The recovered inventory is reflected in Rotech's financial statements.

Once filed, Rotech's report of its second-quarter results will cure the technical default under its bank credit facility and 9-1/2% Senior Subordinated Notes caused by the delay in reporting. As of the end of the second quarter, Rotech was in compliance with all of the financial condition covenants in the Credit Agreement for its bank credit facility.

### **Second-Quarter-2002 Results**

Rotech Healthcare reported net revenues for the second quarter ended June 30, 2002 of \$155.0 million, a decrease of 0.4% over revenues of \$155.6 million for the same quarter in the previous year.

EBITDA totaled \$41.0 million for the second quarter of 2002, a decrease of 4.0% versus EBITDA of \$42.7 million in the year-ago period.

Net earnings for the second quarter of 2002 were \$7.4 million, versus net earnings of \$3.6 million for the second quarter of 2001.

### **Conference Call Details**

Management will host a conference call to discuss the findings of the investigation, the restated results, and second-quarter earnings at 5:00 p.m. Eastern Daylight Time today. To listen to the call, please dial 703-871-3085 or 888-747-3510. A telephone replay of the call will be available for 14 days beginning at 8:30 p.m. Eastern Daylight Time, September 12, at 888-266-2081 (U.S. callers) or 703-925-2533 (international callers), using reservation #6197842.

### **About Rotech Healthcare**

Rotech Healthcare Inc. is a leading provider of home respiratory care and durable medical equipment and services to patients with breathing disorders such as chronic obstructive pulmonary diseases (COPD). The Company provides its equipment and services in 47 states through over 600 operating centers, located principally in non-urban markets. Rotech's local operating centers ensure that patients receive individualized care, while its nationwide coverage allows the Company to benefit from significant operating efficiencies. In 2001 the Company had revenues in excess of \$600 million.

Full financial statements will be available at the Company's web site at <http://www.rotech.com>.

### **Forward-Looking Statements**

*Statements contained in this press release may contain forward-looking statements as contemplated by the 1995 Private Securities Litigation Reform Act that are based on management's current expectations, estimates and projections. Words such as "expects," "anticipates," "intends," "plans," "believes," "estimates," variations of such words and similar expressions are intended to identify such forward-looking statements. Forward-looking statements are subject to known, and unknown risks and uncertainties, which could cause actual results to differ materially from those projected or implied in the forward-looking statements. Such risks and uncertainties, many of which are beyond the control of the Company, include but are not limited to, the risks, uncertainties and assumptions associated with: changes in reimbursement policies and other legislative initiatives aimed at reducing healthcare costs associated with Medicare and Medicaid; the collectibility of the Company's accounts receivable; changes in government regulation generally; compliance with various settlement agreements and corporate compliance programs established by the Company; the Company's emergence from bankruptcy and its spin-off from its former parent company; compliance with confidentiality requirements with respect to patient information; and other factors. Rotech Healthcare Inc. does not undertake any obligation to publicly release any revisions to any forward-looking statements to reflect events or circumstances after the date of this release or to reflect the occurrence of unanticipated events.*

### **Tables to Follow**

**Rotech Healthcare Inc.**

**Summary of Revenue Restatement**  
 Years ended December 31, 1999, 2000, 2001 and  
 Three Months Ended March 31, 2002  
 (dollars in thousands)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>3/31/02</u>	<u>Total</u>
Net revenue, as previously reported	\$ 587,364	\$ 576,529	\$ 639,176	\$ 160,210	\$ 1,963,279
Restatement adjustment	<u>555</u>	<u>7,825</u>	<u>24,689</u>	<u>5,460</u>	<u>38,529</u>
Net revenue, as restated	<u>\$ 586,809</u>	<u>\$ 568,704</u>	<u>\$ 614,487</u>	<u>\$ 154,750</u>	<u>\$ 1,924,750</u>

**Summary of Restatement Adjustments**  
 Years ended December 31, 1999, 2000, 2001 and  
 Three Months Ended March 31, 2002  
 (dollars in thousands)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>3/31/02</u>	<u>Total</u>
Total Revenue Reduction	\$ 555	\$ 7,825	\$ 24,689	\$ 5,460	\$ 38,529
Cost of Net Revenues Reduction	<u>257</u>	<u>2,393</u>	<u>10,257</u>	<u>2,230</u>	<u>15,137</u>
	298	5,432	14,432	3,230	23,392
Provision for Inventory Losses	<u>23</u>	<u>211</u>	<u>2,141</u>	<u>264</u>	<u>2,639</u>
	321	5,643	16,573	3,494	26,031
Incentive Bonuses Reduction	<u>-</u>	<u>-</u>	<u>1,855</u>	<u>-</u>	<u>1,855</u>
	321	5,643	14,718	3,494	24,176
Income Taxes Reduction	<u>126</u>	<u>2,222</u>	<u>6,393</u>	<u>1,301</u>	<u>10,042</u>
Net Earnings Reduction	<u>\$ 195</u>	<u>\$ 3,421</u>	<u>\$ 8,325</u>	<u>\$ 2,193</u>	<u>\$ 14,134</u>

**Rotech Healthcare Inc.**  
**Condensed Consolidated Statement of Operations**  
(audited, dollars in thousands)

	<u>1999</u>	<u>2000</u>	<u>2001</u>
Net revenues:			
As previously reported	\$ 587,364	\$ 576,529	\$ 639,176
As restated	586,809	568,704	614,487
Adjustment	<u>(555)</u>	<u>(7,825)</u>	<u>(24,689)</u>
Cost of net revenues:			
As previously reported	126,349	118,456	107,424
As restated	126,092	116,063	97,167
Adjustment	<u>(257)</u>	<u>(2,393)</u>	<u>(10,257)</u>
Selling, general and administrative expenses:			
As previously reported	292,601	315,106	329,814
As restated	292,601	315,106	329,516
Adjustment	<u>--</u>	<u>--</u>	<u>(298)</u>
Provision for inventory losses:			
As previously reported	--	--	--
As restated	23	211	2,141
Adjustment	<u>(23)</u>	<u>(211)</u>	<u>(2,141)</u>
Earnings before reorganization items and income taxes:			
As previously reported	71,472	26,148	73,412
As restated	71,151	20,505	57,137
Adjustment	<u>(321)</u>	<u>(5,643)</u>	<u>(16,275)</u>
Reorganization items:			
As previously reported	--	17,191	18,664
As restated	--	17,191	17,107
Adjustment	<u>--</u>	<u>--</u>	<u>(1,557)</u>
Earnings before income taxes:			
As previously reported	71,472	8,957	54,748
As restated	71,151	3,314	40,030
Adjustment	<u>(321)</u>	<u>(5,643)</u>	<u>(14,718)</u>
Federal and state income taxes:			
As previously reported	33,986	14,303	36,717
As restated	33,860	12,081	30,324
Adjustment	<u>(126)</u>	<u>(2,222)</u>	<u>(6,393)</u>
Net earnings (loss):			
As previously reported	37,486	(5,346)	18,031
As restated	37,291	(8,767)	9,706
Adjustment	<u>(195)</u>	<u>(3,421)</u>	<u>(8,325)</u>

**Rotech Healthcare Inc.**  
**Condensed Consolidated Balance Sheets**  
(audited, dollars in thousands)

	December 31,	
	2000	2001
Cash and cash equivalents:		
As previously reported	\$ 15,111	\$ 8,658
As restated	15,111	4,970
Adjustment	--	(3,688)
Accounts receivable, net:		
As previously reported	117,896	146,786
As restated	109,516	117,405
Adjustment	(8,380)	(29,381)
Inventories, net:		
As previously reported	9,517	11,780
As restated	11,933	22,312
Adjustment	2,416	10,532
Deferred income tax assets:		
As previously reported	19,695	24,522
As restated	19,738	24,705
Adjustment	43	183
Total assets:		
As previously reported	1,244,564	1,251,050
As restated	1,238,643	1,228,696
Adjustment	(5,921)	(22,354)
Accrued expenses:		
As previously reported	13,579	20,710
As restated	13,579	18,855
Adjustment	--	(1,855)
Due to parent company:		
As previously reported	433,282	402,912
As restated	430,977	394,354
Adjustment	(2,305)	(8,558)
Retained earnings:		
As previously reported	116,112	134,143
As restated	112,496	122,202
Adjustment	(3,616)	(11,941)
Total shareholder's equity:		
As previously reported	682,006	700,037
As restated	678,390	688,096
Adjustment	(3,616)	(11,941)

**Rotech Healthcare Inc.**  
**Condensed Consolidated Statements of Operations**  
(unaudited, dollars in thousands)

	Predecessor Company			Successor Company
	Three Months Ended June 30, 2001	Six Months Ended June 30, 2001	Three Months Ended March 31, 2002	Three Months Ended June 30, 2002
Net revenues	\$ 155,590	\$ 303,590	\$ 154,750	\$ 154,993
Costs and expenses:				
Cost of net revenues	24,256	48,879	22,513	23,141
Provision for doubtful accounts	5,709	10,329	3,661	3,811
Selling, general and administrative	82,916	162,594	84,996	87,046
Depreciation and amortization	25,661	50,652	14,986	15,737
Interest expense (income)	(48)	(64)	(17)	11,723
Provision for inventory losses	283	717	264	—
Total costs and expenses	<u>138,777</u>	<u>273,107</u>	<u>126,403</u>	<u>141,458</u>
 Earnings before reorganization items, income taxes and extraordinary items	 16,813	 30,483	 28,347	 13,535
Reorganization items	<u>1,776</u>	<u>2,085</u>	<u>29,094</u>	<u>1,244</u>
Earnings (loss) before income taxes and extraordinary items	15,037	28,398	(747)	12,291
Federal and state income taxes (benefit)	<u>11,391</u>	<u>21,512</u>	<u>(203)</u>	<u>4,916</u>
Earnings (loss) before extraordinary items	3,646	6,886	(544)	7,375
Extraordinary gain on debt discharge	<u>—</u>	<u>—</u>	<u>20,441</u>	<u>—</u>
Net earnings	<u>\$ 3,646</u>	<u>\$ 6,886</u>	<u>\$ 19,897</u>	<u>\$ 7,375</u>

**Rotech Healthcare Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(unaudited, dollars in thousands)

	Predecessor Company			Successor Company
	Three Months Ended June 30, 2001	Six Months Ended June 30, 2001	Three Months Ended March 31, 2002	Three Months Ended June 30, 2002
Net earnings	\$ 3,646	\$ 6,886	\$ 19,897	\$ 7,375
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Reorganization items	1,776	2,085	29,094	1,244
Depreciation and amortization	25,661	50,652	14,986	15,737
Deferred income taxes	—	—	—	(2,560)
Extraordinary gain on debt discharge	—	—	(20,441)	—
Net change in operating assets and liabilities	(6,921)	(23,009)	(10,198)	10,202
Net cash provided by operating activities	24,162	36,614	33,338	31,998
Net cash used by reorganization items	(776)	(1,085)	(8,848)	(1,244)
Net cash provided by operating activities and reorganization items	23,386	35,529	24,490	30,754
Cash flows from investing activities:				
Purchases of property and equipment	(22,379)	(40,827)	(15,299)	(16,340)
Business acquisitions	—	225	(100)	(1,375)
Decrease (increase) in other assets	(765)	1,889	10,131	(1,496)
Net cash used in investing activities	(23,144)	(38,713)	(5,268)	(19,211)
Cash flows from financing activities:				
Net proceeds from long term borrowings (payments)	—	—	483,040	(500)
Payments of liabilities subject to compromise	—	—	(27,932)	—
Net proceeds from sale/lease back of vehicles	—	—	10,191	—
Distributions to parent company, net	(3,172)	(5,651)	(487,804)	—
Net cash used in financing activities	(3,172)	(5,651)	(22,505)	(500)
Increase (decrease) in cash and cash equivalents	(2,930)	(8,835)	(3,283)	11,043
Cash and cash equivalents, beginning of period	9,206	15,111	4,970	1,687
Cash and cash equivalents, end of period	\$ 6,276	\$ 6,276	\$ 1,687	\$ 12,730

**Rotech Healthcare Inc.**  
**Condensed Consolidated Balance Sheets**

(Dollars in Thousands)

	<b>Predecessor Company</b>	<b>Successor Company</b>	
	<b>December 31, 2001</b>	<b>June 30, 2002</b>	<b>(unaudited)</b>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 4,970	\$ 12,730	
Accounts receivable, net	117,405	110,602	
Other accounts receivable	2,283	1,915	
Inventories, net	22,312	25,244	
Prepaid expenses	2,955	4,004	
Deferred income taxes	24,705	—	
<b>Total current assets</b>	<b>174,630</b>	<b>154,495</b>	
Property and equipment, net	257,338	217,404	
Intangible assets	783,429	1,183	
Reorganization value in excess of value of identifiable assets	—	668,169	
Other assets	13,299	21,581	
	<b>\$ 1,228,696</b>	<b>\$ 1,062,832</b>	
 <b>Liabilities and Stockholders' Equity</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 20,659	\$ 13,393	
Accrued expenses	18,855	15,967	
Accrued interest	—	7,985	
Income taxes payable	—	500	
Current portion of long term debt	—	2,000	
<b>Total current liabilities</b>	<b>39,514</b>	<b>39,845</b>	
Liabilities subject to compromise	48,373		
Due to parent company, net	394,354		
Deferred income taxes	58,359	4,112	
Priority tax claim	—	14,000	
Long term debt, less current portion	—	497,500	
Commitments and contingencies			
<b>Stockholders' equity:</b>			
Series A Convertible Preferred Stock	—	5,000	
Common stock	1	2	
Additional paid-in capital	565,893	494,998	
Retained earnings	122,202	7,375	
<b>Total stockholders' equity</b>	<b>688,096</b>	<b>507,375</b>	
	<b>\$ 1,228,696</b>	<b>\$ 1,062,832</b>	