



FOR IMMEDIATE RELEASE

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HEALTH FITNESS CORPORATION ANNOUNCES SECOND QUARTER 2004 FINANCIAL RESULTS; YEAR-TO-DATE AND NET EARNINGS UP 69% OVER 2003

MINNEAPOLIS, August 2, 2004 — Health Fitness Corporation (OTC BB: HFIT) today announced financial results for the second quarter and six months ended June 30, 2004.

For the quarter ended June 30, 2004, revenue increased 69.8% to \$13,129,715 from \$7,732,626 for the same quarter last year. Gross profit increased 117.7% to \$3,442,358 from \$1,581,142 for the same quarter last year. As a percent of revenue, gross profit increased to 26.2% compared to 20.4% for the second quarter last year. Net earnings applicable to common shareholders increased 122.7% to \$483,954 from \$217,333 for the same quarter last year. Net earnings per diluted share of \$0.03 increased 50% from \$0.02 per diluted share for the same quarter last year.

For the six months ended June 30, 2004, revenue increased 69.1% to \$25,796,089 from \$15,250,831 for the same period last year. Gross profit increased 101.8% to \$6,529,295 from \$3,235,541 for the same period last year. As a percent of revenue, gross profit increased to 25.3% compared to 21.2% for the same period in 2003. Net earnings applicable to common shareholders increased 66.4% to \$807,461 from \$485,313 for the same period last year. Net earnings per diluted share of \$0.05 increased 25% from \$0.04 per diluted share for the same quarter last year.

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Jerry Noyce, HFC CEO and President, said the gains in revenue, gross profit and net earnings applicable to common shareholders is primarily attributed to HFC's December 2003 acquisition of the Health & Fitness Services Division of Johnson & Johnson Health Care Systems Inc (JJHCS). Also contributing to these gains was growth from HFC's Health Enhancement Program (HEP) services, where revenues increased to \$1,033,766 for the six months ended June 30, 2004 from \$388,228 for the same period in 2003.

"We are very pleased with our financial performance for the quarter and six months ended June 30, 2004. Our recent acquisition of the Health & Fitness Services Division of JJHCS business has clearly strengthened our financial position. We are also encouraged by the progress being made in selling HEP services at our managed fitness centers. As the leading provider of corporate health management services, our goal is to build upon our current success by helping companies address the issues of rising health care costs and enable them to establish work environments focused on employee health and productivity."

Health Fitness Corporation is the leading provider of results-oriented health improvement management services to corporations, hospitals, universities and communities. HFC has been serving clients since 1975 and manages more than 400 sites across the United States and Canada. For more information about Health Fitness Corporation, go to www.hfit.com

This press release contains forward-looking statements within the meaning of federal securities laws. These statements include statements regarding intent, belief, or current expectations of the Company and its management and specifically include the statement regarding the Company's goal to build upon current success. These forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties that may cause the Company's actual results to differ materially from the results discussed in these statements. These statements should be read in conjunction with the various factors affecting the Company's operations and financial condition discussed in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained within the Company's Annual Report on Form 10-K for the year ended December 31, 2003, as well as the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004. There is no assurance that the Company will be able to capitalize on any of these forward-looking statements.

Financial tables follow.

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HEALTH FITNESS CORPORATION
CONSOLIDATED STATEMENT OF EARNINGS
(unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|-------------------|------------------------------|-------------------|
| | <u>2004</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> |
| REVENUE | \$ 13,129,715 | \$ 7,732,626 | \$ 25,796,089 | \$ 15,250,831 |
| COST OF REVENUE | 9,687,357 | 6,151,484 | 19,266,794 | 12,015,290 |
| GROSS PROFIT | 3,442,358 | 1,581,142 | 6,529,295 | 3,235,541 |
| OPERATING EXPENSES | | | | |
| Salaries | 1,429,569 | 789,216 | 2,772,278 | 1,572,758 |
| Other selling, general, admin. | 823,504 | 421,605 | 1,653,610 | 830,919 |
| Amortization of acquired intangible assets | 219,583 | — | 439,167 | — |
| Total Operating Expenses | <u>2,472,656</u> | <u>1,210,821</u> | <u>4,865,055</u> | <u>2,403,677</u> |
| OPERATING INCOME | 969,702 | 370,321 | 1,664,240 | 831,864 |
| OTHER INCOME (EXPENSE) | | | | |
| Interest Expense | (128,344) | (13,451) | (262,596) | (23,956) |
| Other, net | 469 | (831) | 1,390 | (1,859) |
| EARNINGS BEFORE INCOME TAXES | 841,827 | 356,039 | 1,403,034 | 806,049 |
| Income Tax Expense (Benefit) | 342,873 | 138,706 | 552,373 | 320,736 |
| NET EARNINGS | 498,954 | 217,333 | 850,661 | 485,313 |
| Dividend to preferred shareholders | 28,200 | — | 43,200 | — |
| NET EARNINGS APPLICABLE TO COMMON SHAREHOLDERS | <u>\$ 470,754</u> | <u>\$ 217,333</u> | <u>\$ 807,461</u> | <u>\$ 485,313</u> |
| Basic | \$ 0.04 | \$ 0.02 | \$ 0.06 | \$ 0.04 |
| Diluted | 0.03 | 0.02 | 0.05 | 0.04 |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING | | | | |
| Basic | 12,483,979 | 12,322,908 | 12,447,374 | 12,315,655 |
| Diluted | 16,066,003 | 12,467,821 | 16,054,047 | 12,436,254 |

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HEALTH FITNESS CORPORATION
CONSOLIDATED BALANCE SHEETS
(unaudited)

| | June 30, 2004 | December 31, 2003 |
|--|------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ — | \$ 281,294 |
| Trade and other accounts receivable, less allowance for doubtful accounts of \$145,800 and \$131,000 | 7,374,545 | 5,218,224 |
| Prepaid expense and other | 348,538 | 187,347 |
| Deferred tax asset | 1,100,300 | 850,300 |
| Total current assets | 8,823,383 | 6,537,165 |
| PROPERTY AND EQUIPMENT, net | 178,187 | 177,217 |
| OTHER ASSETS | | |
| Goodwill | 8,919,140 | 8,725,574 |
| Customer contracts, less accumulated amortized of \$471,500 and \$67,400 | 1,258,472 | 1,662,639 |
| Trademark, less accumulated amortization of \$40,800 and \$5,800 | 309,166 | 344,166 |
| Other intangible assets, less accumulated amortization of \$19,300 and \$4,200 | 123,520 | 138,582 |
| Cash held in escrow | 473,738 | 471,999 |
| Deferred tax assets | 991,308 | 1,686,301 |
| Other | 44,610 | 64,458 |
| | \$ 21,121,524 | \$ 19,808,101 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Trade accounts payable | 347,042 | 569,730 |
| Accrued salaries, wages and payroll taxes | 1,854,136 | 1,607,157 |
| Other accrued liabilities | 438,857 | 450,255 |
| Accrued self-funded insurance | 646,784 | 228,084 |
| Deferred revenue | 1,433,533 | 1,427,057 |
| Total current liabilities | 4,720,352 | 4,282,283 |
| LONG-TERM OBLIGATIONS | 4,269,000 | 4,350,012 |
| COMMITMENTS AND CONTINGENCIES | — | — |
| CUMULATIVE CONVERTIBLE PREFERRED STOCK, 10,000,000 shares authorized, 1,033,751 and 1,003,833 issued and outstanding | 1,473,832 | 1,443,833 |
| STOCKHOLDERS' EQUITY | | |
| Common stock, \$0.01 par value; 50,000,000 shares authorized; 12,508,345 and 12,357,334 shares issued and outstanding | 125,083 | 123,573 |
| Additional paid-in capital | 17,779,151 | 17,671,536 |
| Accumulated comprehensive income | 2,288 | 5,707 |
| Accumulated deficit | (7,261,382) | (8,068,843) |
| | 10,645,140 | 9,731,973 |
| | \$ 21,121,524 | \$ 19,808,101 |

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