



**FINANCIAL AND STATISTICAL REPORT**  
**December 31, 2017**  
**(UNAUDITED)**

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**NOVANT HEALTH, INC.**  
**COMBINED STATEMENTS OF REVENUES AND EXPENSES**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2017 AND 2016**  
**(UNAUDITED)**

(in thousands of dollars)

	December 31, 2017				December 31, 2016			
	Combined Group	Unrestricted Affiliates	Eliminations	Total	Combined Group	Unrestricted Affiliates	Eliminations	Total
<b>Operating revenues</b>								
Patient service revenues (net of contractual allowances and discounts)	\$ 1,094,228	\$ 125,341	\$ -	\$ 1,219,569	\$ 1,040,487	\$ 120,531	\$ -	\$ 1,161,018
Provision for bad debts	(53,229)	(8,923)	-	(62,152)	(40,716)	(6,413)	-	(47,129)
Net patient service revenues less provision for bad debts	1,040,999	116,418	-	1,157,417	999,771	114,118	-	1,113,889
Other revenue	44,344	43,755	(4,998)	83,101	40,114	20,071	(6,373)	53,812
Total operating revenues	1,085,343	160,173	(4,998)	1,240,518	1,039,885	134,189	(6,373)	1,167,701
<b>Operating expenses</b>								
Salaries and employee benefits	595,480	70,893	(1,731)	664,642	522,234	68,000	(10,060)	580,174
Supplies and other	323,969	85,669	(4,557)	405,081	320,135	55,510	3,754	379,399
Total operating expenses	919,449	156,562	(6,288)	1,069,723	842,369	123,510	(6,306)	959,573
Operating cash flow	165,894	3,611	1,290	170,795	197,516	10,679	(67)	208,128
Depreciation and amortization	52,176	10,343	-	62,519	49,926	10,083	83	60,092
Impairment charge	-	-	-	-	-	11,850	-	11,850
Interest	14,344	2,190	-	16,534	12,676	3,402	-	16,078
Operating income (loss)	99,374	(8,922)	1,290	91,742	134,914	(14,656)	(150)	120,108
<b>Non-operating income (expense)</b>								
Investment income	73,841	11,577	367	85,785	19,886	1,597	196	21,679
Income tax benefit (expense)	(476)	3,357	-	2,881	(224)	(596)	-	(820)
Other net periodic pension (costs) credits	(2,079)	2,060	-	(19)	33,435	2,663	-	36,098
Gain on extinguishment of debt	-	-	-	-	6,304	-	-	6,304
<b>Excess (deficit) of revenues over expenses</b>	<b>\$ 170,660</b>	<b>\$ 8,072</b>	<b>\$ 1,657</b>	<b>\$ 180,389</b>	<b>\$ 194,315</b>	<b>\$ (10,992)</b>	<b>\$ 46</b>	<b>\$ 183,369</b>

\*Certain prior year amounts have been adjusted to reflect the adoption of ASU 2017-07, *Compensation Benefits (Topic 715), Improving the Presentation of Net Periodic Costs and Net Periodic Postretirement Benefit Costs*, and the adoption of mark-to-market accounting. The impact of these adjustments on the quarter ended December 31, 2016 was a decrease of \$6,302 in salaries and benefits offset by an increase of \$6,302 in other net periodic pension costs. In addition, \$42,400 was recorded as other net periodic pension credits as a result of the adoption of mark-to-market accounting. These adjustments have no net impact on Novant Health's combining balance sheets or statements of cash flows.

**NOVANT HEALTH, INC.**  
**COMBINED STATEMENTS OF REVENUES AND EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(UNAUDITED)**

(in thousands of dollars)

	December 31, 2017				December 31, 2016 *			
	Combined Group	Unrestricted Affiliates	Eliminations	Total	Combined Group	Unrestricted Affiliates	Eliminations	Total
<b>Operating revenues</b>								
Patient service revenues (net of contractual allowances and discounts)	\$ 4,050,722	\$ 481,466	\$ -	\$ 4,532,188	\$ 3,838,129	\$ 470,864	\$ -	\$ 4,308,993
Provision for bad debts	(180,624)	(32,250)	-	(212,874)	(180,110)	(24,425)	-	(204,535)
Net patient service revenues less provision for bad debts	3,870,098	449,216	-	4,319,314	3,658,019	446,439	-	4,104,458
Other revenue	150,419	144,945	(19,286)	276,078	184,251	78,018	(26,604)	235,665
Total operating revenues	4,020,517	594,161	(19,286)	4,595,392	3,842,270	524,457	(26,604)	4,340,123
<b>Operating expenses</b>								
Salaries and employee benefits	2,276,240	273,890	(7,093)	2,543,037	2,041,824	276,108	(39,300)	2,278,632
Supplies and other	1,266,287	312,235	(10,286)	1,568,236	1,233,763	209,086	13,552	1,456,401
Total operating expenses	3,542,527	586,125	(17,379)	4,111,273	3,275,587	485,194	(25,748)	3,735,033
Operating cash flow	477,990	8,036	(1,907)	484,119	566,683	39,263	(856)	605,090
Depreciation and amortization	200,057	40,904	-	240,961	199,297	41,008	83	240,388
Impairment charge	-	-	-	-	-	11,850	-	11,850
Interest	59,598	9,121	-	68,719	66,792	15,040	-	81,832
Operating income (loss)	218,335	(41,989)	(1,907)	174,439	300,594	(28,635)	(939)	271,020
<b>Non-operating income (expense)</b>								
Investment income	268,987	37,353	1,507	307,847	132,401	17,592	1,104	151,097
Income tax (expense) income	(5,112)	2,084	-	(3,028)	(1,090)	(2,281)	-	(3,371)
Other net periodic pension (costs) credits	(2,793)	1,405	-	(1,388)	28,257	1,898	-	30,155
Gain on extinguishment of debt	-	-	-	-	6,304	-	-	6,304
<b>Excess (deficit) of revenues over expenses</b>	<b>\$ 479,417</b>	<b>\$ (1,147)</b>	<b>\$ (400)</b>	<b>\$ 477,870</b>	<b>\$ 466,466</b>	<b>\$ (11,426)</b>	<b>\$ 165</b>	<b>\$ 455,205</b>

\*Certain prior year amounts have been adjusted to reflect the adoption of ASU 2017-07, *Compensation Benefits (Topic 715), Improving the Presentation of Net Periodic Costs and Net Periodic Postretirement Benefit Costs*, and the adoption of mark-to-market accounting. The impact of these adjustments on the year ended December 31, 2016 was a decrease of \$12,245 in salaries and benefits offset by an increase of \$12,245 in other net periodic pension costs. In addition, \$42,400 was recorded as other net periodic pension credits as a result of the adoption of mark-to-market accounting. These adjustments have no net impact on Novant Health's combining balance sheets or statements of cash flows.

**NOVANT HEALTH, INC.**  
**COMBINING BALANCE SHEETS**

	December 31, 2017 (Unaudited)				December 31, 2016			
	Combined Group	Unrestricted Affiliates	Eliminations	Total	Combined Group	Unrestricted Affiliates	Eliminations	Total
<i>(in thousands of dollars)</i>								
<b>Assets</b>								
<b>Current assets</b>								
Cash and cash equivalents	\$ 335,358	\$ 73,340	\$ -	\$ 408,698	\$ 210,738	\$ 50,250	\$ -	\$ 260,988
Accounts receivable, net	459,011	59,491	-	518,502	460,672	50,977	-	511,649
Short-term investments	299,912	159	-	300,071	260,261	58	-	260,319
Current portion of assets limited as to use	6,484	12,229	-	18,713	6,496	12,090	-	18,586
Deferred tax asset	-	2,190	-	2,190	-	-	-	-
Current assets held for sale	-	-	-	-	-	14,173	-	14,173
Receivable for settlement with third-party payors	17,881	3,351	-	21,232	9,734	4,163	-	13,897
Other current assets	172,113	25,869	(934)	197,048	166,382	15,456	(88)	181,750
Total current assets	<u>1,290,759</u>	<u>176,629</u>	<u>(934)</u>	<u>1,466,454</u>	<u>1,114,283</u>	<u>147,167</u>	<u>(88)</u>	<u>1,261,362</u>
Assets limited as to use	137,527	43,613	-	181,140	105,207	41,917	-	147,124
Long-term assets held for sale	-	-	-	-	-	57,193	-	57,193
Long-term investments	2,003,142	311,542	-	2,314,684	1,750,494	264,194	-	2,014,688
Property and equipment, net	1,678,436	338,152	-	2,016,588	1,653,746	287,146	(250)	1,940,642
Intangible assets and goodwill, net	244,337	83,899	-	328,236	246,015	41,814	(363)	287,466
Investments in affiliates	75,278	23,678	(55,480)	43,476	68,272	19,118	(55,344)	32,046
Deferred tax asset	-	1,246	-	1,246	-	-	-	-
Other assets	84,612	26,477	-	111,089	82,592	24,419	-	107,011
Total assets	<u>\$ 5,514,091</u>	<u>\$ 1,005,236</u>	<u>\$ (56,414)</u>	<u>\$ 6,462,913</u>	<u>\$ 5,020,609</u>	<u>\$ 882,968</u>	<u>\$ (56,045)</u>	<u>\$ 5,847,532</u>
<b>Liabilities and Net Assets</b>								
<b>Current liabilities</b>								
Current portion of long-term debt	\$ 62,880	\$ 4,729	\$ -	\$ 67,609	\$ 64,735	\$ 1,889	\$ -	\$ 66,624
Short-term borrowings	88,041	8	-	88,049	83,528	99	-	83,627
Accounts payable	173,299	21,439	-	194,738	142,429	17,763	-	160,192
Accrued liabilities	362,595	52,035	(535)	414,095	320,334	38,439	(88)	358,685
Current liabilities held for sale	-	-	-	-	-	13,498	-	13,498
Estimated third-party payor settlements	35,554	4,408	-	39,962	28,462	4,834	-	33,296
Due to (from) related organizations	(247,053)	247,053	-	-	(146,500)	146,500	-	-
Total current liabilities	<u>475,316</u>	<u>329,672</u>	<u>(535)</u>	<u>804,453</u>	<u>492,988</u>	<u>223,022</u>	<u>(88)</u>	<u>715,922</u>
Long-term debt, net of current portion	1,316,794	26,882	-	1,343,676	1,294,663	31,147	-	1,325,810
Long-term liabilities held for sale	-	-	-	-	-	1,682	-	1,682
Derivative financial instruments	44,832	-	-	44,832	50,305	-	-	50,305
Employee benefits and other liabilities	281,729	58,345	-	340,074	248,052	57,424	-	305,476
Total liabilities	<u>2,118,671</u>	<u>414,899</u>	<u>(535)</u>	<u>2,533,035</u>	<u>2,086,008</u>	<u>313,275</u>	<u>(88)</u>	<u>2,399,195</u>
<b>Net assets</b>								
Unrestricted- attributable to Novant Health	3,393,231	503,772	(118,749)	3,778,254	2,931,737	479,258	(119,326)	3,291,669
Unrestricted - noncontrolling interests	-	14,769	62,870	77,639	675	32,576	63,369	96,620
Total unrestricted net assets	<u>3,393,231</u>	<u>518,541</u>	<u>(55,879)</u>	<u>3,855,893</u>	<u>2,932,412</u>	<u>511,834</u>	<u>(55,957)</u>	<u>3,388,289</u>
Temporarily restricted	2,189	60,164	-	62,353	2,189	46,578	-	48,767
Permanently restricted	-	11,632	-	11,632	-	11,281	-	11,281
Total net assets	<u>3,395,420</u>	<u>590,337</u>	<u>(55,879)</u>	<u>3,929,878</u>	<u>2,934,601</u>	<u>569,693</u>	<u>(55,957)</u>	<u>3,448,337</u>
Total liabilities and net assets	<u>\$ 5,514,091</u>	<u>\$ 1,005,236</u>	<u>\$ (56,414)</u>	<u>\$ 6,462,913</u>	<u>\$ 5,020,609</u>	<u>\$ 882,968</u>	<u>\$ (56,045)</u>	<u>\$ 5,847,532</u>

**NOVANT HEALTH, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(UNAUDITED)**

<i>(in thousands of dollars)</i>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
	<u>          </u>	<u>          </u>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 481,541	\$ 559,568
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation, amortization, and accretion	244,278	241,688
Gain on sale of real estate	(3,997)	(4,234)
Impairment charge	-	11,850
Gain on extinguishment of debt	-	(6,304)
Actuarial loss (gain) on pension and postretirement benefits	684	(42,400)
Change in funded status of defined benefit plans	739	(1,066)
Increase in unrestricted net assets related to consolidated affiliated entities	-	(92,927)
Share of earnings in affiliates, net of distributions	(1,688)	587
Net realized and unrealized gains on assets limited as to use and investments	(282,612)	(129,464)
Change in fair value of interest rate swap	(5,473)	(7,636)
Contributions restricted for capital	(10,288)	(2,314)
Provision for bad debts	212,874	204,535
Changes in operating assets and liabilities		
Accounts receivable	(245,463)	(320,730)
Accounts payable and accrued liabilities	74,560	(24,227)
Deferred taxes, net	(1,595)	1,627
Other assets and liabilities, net	(6,702)	6,542
Net cash provided by operating activities	<u>456,858</u>	<u>395,095</u>
<b>Cash flows from investing activities</b>		
Capital expenditures	(286,213)	(288,282)
Proceeds from sale of long-term investments	1,548,043	943,012
Purchase of long-term investments	(1,582,752)	(1,022,634)
Proceeds from sales of short-term investments	495,034	605,914
Purchase of short-term investments	(534,421)	(400,551)
Proceeds from sale of property and equipment	5,535	3,503
Investments in affiliates	(13,518)	-
Cash paid for consolidated entities	(9,800)	-
Cash acquired	-	13,198
Other investing activities	96	(1,182)
Net cash used in investing activities	<u>(377,996)</u>	<u>(147,022)</u>
<b>Cash flows from financing activities</b>		
Principal payments on long-term debt	(141,650)	(374,566)
Proceeds from issuance of bonds, net of deferred issuance costs	113,235	-
Proceeds from sale of accounts receivable, net	34,333	37,709
Cash receipts (payments) for repurchase agreements, net	4,513	(3,066)
Cash proceeds from (payments on) line of credit and other financing	58,417	(1,565)
Net cash provided by (used in) financing activities	<u>68,848</u>	<u>(341,488)</u>
Net increase (decrease) in cash and cash equivalents	<u>147,710</u>	<u>(93,415)</u>
<b>Cash and cash equivalents</b>		
Beginning of year	260,988	354,403
End of year	<u>\$ 408,698</u>	<u>\$ 260,988</u>

NOVANT HEALTH, INC.  
COMBINED GROUP STATISTICS  
FOR THE THREE MONTHS ENDED DECEMBER 31, 2017 AND 2016

	Novant Health Presbyterian Medical Center	Novant Health Matthews Medical Center	Novant Health Huntersville Medical Center	Novant Health Charlotte Orthopedic Hospital	Novant Health Forsyth Medical Center	Novant Health Medical Park Hospital	Novant Health Thomasville Medical Center	Novant Health Brunswick Medical Center	Novant Health Kernersville Medical Center	Novant Health Clemmons Medical Center	Novant Health Prince William Medical Center	Novant Health Haymarket Medical Center	Novant Health Medical Group	Three Months Ended	
														December 31, 2017	December 31, 2016
<b><u>INPATIENT STATISTICS</u></b>															
Average Daily Census	418	87	69	18	641	8	71	42	26	11	84	23	-	1,498	1,476
Discharges	6,853	2,732	1,935	798	9,902	239	1,240	1,101	750	498	1,787	727	-	28,562	28,203
Average Length of Stay	5.3	3.9	3.2	2.1	5.8	3.2	5.3	3.5	3.1	2.1	4.3	2.9	-	4.8	4.8
Patient Days	38,432	7,978	6,329	1,642	58,973	773	6,534	3,868	2,407	1,002	7,689	2,072	-	137,699	135,809
<b><u>ADJUSTED STATISTICS</u></b>															
Adjusted Patient Days	78,384	18,309	16,655	2,425	92,768	4,636	16,341	10,913	6,824	1,937	18,632	6,894	-	274,718	267,588
Adjusted Discharges	13,977	6,270	5,092	1,178	15,576	1,433	3,101	3,106	2,126	962	4,330	2,419	-	59,570	57,947
<b><u>OUTPATIENT STATISTICS</u></b>															
ED Visits	22,281	12,374	9,800	-	20,728	-	8,356	7,636	8,440	4,570	11,699	6,370	-	112,254	112,453
Encounters	-	-	-	-	-	-	-	-	-	-	-	-	1,203,386	1,203,386	1,116,245
Cases	49,697	24,663	18,706	3,102	37,371	4,075	15,435	16,876	12,443	6,500	24,861	16,599	-	230,328	224,283
<b><u>SURGERY STATISTICS</u></b>															
IP Surgical Cases	1,270	416	368	864	2,559	208	186	266	328	395	201	113	-	7,174	7,076
OP Surgical Cases	4,788	1,067	994	1,189	3,901	2,345	964	906	845	452	464	314	-	18,229	17,814
Total Surgical Cases	6,058	1,483	1,362	2,053	6,460	2,553	1,150	1,172	1,173	847	665	427	-	25,403	24,890
<b><u>OTHER STATISTICS</u></b>															
Total Births	1,423	551	454	-	1,634	-	151	115	-	-	265	261	-	4,854	4,743
Cath Lab Procedures	1,246	339	-	-	1,472	-	41	-	-	-	-	-	-	3,098	2,727
Open Heart Surgeries	103	-	-	-	165	-	-	-	-	-	-	-	-	268	228
Endoscopy Procedures	1,520	685	820	-	1,517	-	248	967	-	-	284	360	-	6,401	6,012
Radiology Procedures	40,047	25,563	17,297	3,894	60,148	1,242	13,842	13,057	13,544	6,702	24,146	15,685	-	235,167	231,328
Licensed Beds	592	157	91	80	885	22	146	74	50	36	130	60	-	2,323	2,317
Staffed Beds	473	104	85	19	722	20	82	55	34	13	84	23	-	1,714	1,674
Occupancy as % of Staffed Beds	88.3%	83.1%	81.4%	93.6%	88.7%	42.1%	87.0%	76.9%	77.8%	82.0%	99.5%	97.9%	-	87.4%	88.2%

**NOVANT HEALTH, INC.**  
**COMBINED GROUP STATISTICS**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017 AND 2016**

	Novant Health Presbyterian Medical Center	Novant Health Matthews Medical Center	Novant Health Huntersville Medical Center	Novant Health Charlotte Orthopedic Hospital	Novant Health Forsyth Medical Center	Novant Health Medical Park Hospital	Novant Health Thomasville Medical Center	Novant Health Brunswick Medical Center	Novant Health Kernersville Medical Center	Novant Health Clemmons Medical Center	Novant Health Prince William Medical Center	Novant Health Haymarket Medical Center	Novant Health Medical Group	Twelve Months Ended	
														December 31, 2017	December 31, 2016
<b><u>INPATIENT STATISTICS</u></b>															
Average Daily Census	399	100	68	21	640	8	71	41	27	10	81	21	-	1,487	1,468
Discharges	27,316	10,849	7,461	3,065	40,913	964	4,749	4,477	2,862	748	7,064	2,570	-	113,038	109,927
Average Length of Stay	5.2	3.6	3.3	2.5	5.7	3.1	5.5	3.4	3.4	2.0	4.2	3.0	-	4.8	4.9
Patient Days	145,593	36,486	24,879	7,807	233,515	3,045	25,876	15,141	9,715	1,490	29,652	7,614	-	540,813	537,116
<b><u>ADJUSTED STATISTICS</u></b>															
Adjusted Patient Days	295,493	84,690	66,140	11,512	363,594	15,944	65,244	44,276	26,936	2,973	73,717	28,388	-	1,078,907	1,060,494
Adjusted Discharges	55,440	25,182	19,835	4,520	63,704	5,048	11,974	13,092	7,935	1,492	17,562	9,582	-	235,366	226,445
<b><u>OUTPATIENT STATISTICS</u></b>															
ED Visits	90,968	49,304	39,227	-	85,225	-	33,875	32,758	33,590	17,860	47,110	24,975	-	454,892	456,012
Encounters	-	-	-	-	-	-	-	-	-	-	-	-	4,523,799	4,523,799	4,232,184
Cases	195,221	97,705	74,400	12,487	150,602	15,291	61,777	68,602	47,896	24,241	99,725	62,760	-	910,707	846,995
<b><u>SURGERY STATISTICS</u></b>															
IP Surgical Cases	5,025	1,546	1,358	3,192	10,651	913	824	1,101	1,259	588	810	377	-	27,644	27,003
OP Surgical Cases	17,972	4,073	3,729	4,157	14,849	8,831	3,819	3,524	3,145	1,435	1,848	1,190	-	68,572	67,999
Total Surgical Cases	22,997	5,619	5,087	7,349	25,500	9,744	4,643	4,625	4,404	2,023	2,658	1,567	-	96,216	95,002
<b><u>OTHER STATISTICS</u></b>															
Total Births	5,250	2,233	1,633	-	6,425	-	663	509	-	-	1,259	771	-	18,743	18,528
Cath Lab Procedures	4,786	1,372	-	-	6,153	-	159	-	-	-	-	-	-	12,470	11,897
Open Heart Surgeries	467	-	-	-	610	-	-	-	-	-	-	-	-	1,077	1,003
Endoscopy Procedures	5,939	2,593	3,222	-	6,171	-	1,003	3,757	-	-	1,109	1,356	-	25,150	24,045
Radiology Procedures	160,443	102,923	76,339	16,279	238,983	5,003	54,789	53,069	52,403	23,117	97,238	62,240	-	942,826	919,397
Licensed Beds	592	157	91	80	885	22	146	74	50	36	130	60	-	2,323	2,317
Staffed Beds	453	119	83	23	719	20	81	54	34	12	81	21	-	1,700	1,666
Occupancy as % of Staffed Beds	88.0%	84.0%	81.7%	91.3%	89.0%	42.4%	87.6%	76.8%	78.4%	81.6%	99.8%	98.9%	-	87.5%	88.1%