

FOR IMMEDIATE RELEASE



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HEALTH FITNESS ANNOUNCES SECOND QUARTER 2006 FINANCIAL RESULTS

MINNEAPOLIS, MN — August 8, 2006 — Health Fitness Corporation (OTC BB: HFIT) today announced financial results for the second quarter and six months ended June 30, 2006.

For the second quarter 2006, revenue grew 13.9% to \$15,575,130, from \$13,678,615 for the same period last year. Gross profit during the quarter increased 20.6% to \$4,160,014, from \$3,450,616 for the same period last year. Operating income fell 22.1% to \$686,773, from \$881,669 for the same period last year. Net earnings applicable to common shareholders increased 46.0% to \$727,474, from \$498,183 for the same period last year. Net earnings per diluted share fell to \$0.02, from \$0.03 for the same period last year.

For the six months ended June 30, 2006, revenue grew 11.0% to \$30,142,391, from \$27,143,716 for the same period last year. Gross profit increased 12.7% to \$7,764,494, from \$6,892,418 for the same period last year. Operating income fell 46.0% to \$1,067,716, from \$1,979,099 for the same period last year. Net earnings applicable to common shareholders increased 14.6% to \$1,290,737, from \$1,126,117 for the same period last year. Net earnings per diluted share fell to \$0.03, from \$0.07 for the same period last year.

“Our second quarter progress reflects the success of our continued focus on executing the Company’s business plan,” said Jerry Noyce, Health Fitness Corporation CEO and President. “The new business we’ve won, combined with new revenue from our December 2005 acquisition of HealthCalc, is contributing toward our important goal of consistent, double-digit revenue growth. Our second quarter revenue grew 13.9%, up from 8.2% for our first quarter of 2006. Of the 11.0% growth we achieved for our first six months, 7.4% was a result of organic growth and 3.6% a result of revenues from the integration of HealthCalc, which has solidified our health management business model and improved our competitive position. Our gross margins, as a percent of revenue, have increased over last year due to the addition of new, more profitable health management business. Finally, our balance sheet continues to strengthen, with cash of \$1.3 million, no long-term debt, working capital of \$5.6 million and stockholders’ equity of \$21.9 million. As a result of our strong balance sheet, we are able to continue the investments necessary to complete the implementation of our strategies.”

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Financial Highlights for Three and Six Months Ended June 30, 2006

- For the second quarter, our Health Management revenue grew 41.0% to \$4,958,073, from \$3,515,714 for the same period last year. Fitness Management revenue grew 4.5% to \$10,617,057, from \$10,162,901 for the same period last year. For the first six months of 2006, Health Management revenue grew 32.1% to \$9,224,507, from \$6,981,967 for the same period last year. Fitness Management revenue grew 3.8% to \$20,917,884, from \$20,161,749 for the same period last year.

For the second quarter of 2006, the \$1,896,515 revenue growth over 2005 is attributed to revenue growth of \$385,612 from HealthCalc, in addition to revenue growth of \$1,510,903 from new contracts and incremental business from existing contracts as discussed below. For the first six months of 2006, the \$2,998,675 revenue growth over 2005 is attributed to revenue growth of \$976,476 from HealthCalc, in addition to revenue growth of \$2,022,199 from new contracts and incremental business from existing contracts as discussed below.

- During the first six months of 2006, we have won a number of new contracts, as well as expanded our services at existing contracts, within our Health Management and Fitness Management business areas. In Health Management, we have won twenty-six new contracts, and expanded five existing contracts, which may realize annualized incremental revenue of approximately \$6.4 million. In Fitness Management, we have won seven new contracts, and expanded one existing contract, which may realize annualized incremental revenue of \$2.7 million. The value of our new and expanded contracts is a forward looking statement, is based upon an estimate of the anticipated annualized incremental revenue, and should be used only as an indication of the sales activity we have recently experienced in our two business areas. These estimates should not be considered an indication of the total incremental revenue growth we expect to generate in 2006, or in any year, as actual growth may differ from these estimates due to actual staffing levels, participation rates and contract duration, in addition to other revenue we may lose due to contract termination.
- As a result of our new and expanded business opportunities, our total revenue of \$15,575,130 for the second quarter represents a 6.9% increase over our total revenue of \$14,567,261 for our first quarter ended March 31, 2006.
- For the second quarter, gross profit as a percent of revenue increased to 26.7%, from 25.2% for the same period last year. For the first six months, gross profit as a percent of revenue increased to 25.8%, from 25.4% for the same period last year. These increases are due primarily to the increase in health management revenue discussed above.

- For the second quarter, operating expenses increased \$904,294 to \$3,473,241, from \$2,568,947 for the same period last year. Of this increase, \$455,282 is attributed to salaries, operating expenses and asset depreciation related to our acquisition of HealthCalc, \$162,945 is attributed to stock option compensation expense from the adoption of SFAS 123R, with the remaining \$286,067 attributable to additional staff we hired during 2005 to execute our health management business plan.

For the first six months, operating expenses increased \$1,783,459 to \$6,696,778, from \$4,913,319 for the same period last year. Of this increase, \$882,598 is attributed to salaries, operating expenses and asset depreciation related to our acquisition of HealthCalc, \$238,404 is attributed to stock option compensation expense, with the remaining \$662,457 attributable to additional staff we hired during 2005 to execute our health management business plan. We will continue to incur these expenses on a quarterly basis.

- Operating margin was 4.4% for second quarter, down from 6.4% for the same period last year. Operating margin was 3.5% for the first six months, down from 7.3% for the same period last year. Excluding stock option compensation expense, operating margin was 5.5% and 4.3% for three and six months ended June 30, 2006.
- For the second quarter and six months ended June 30, 2006, we recorded \$406,694 and \$841,215 of non-cash income related to a change in fair value for 1,530,000 warrants we issued in connection with the sale of \$10.2 million of our Series B Convertible Preferred Stock in November 2005. At the time of this financing, the warrants were deemed a derivative liability, which required us to revalue these warrants on a quarterly basis, with the resulting change in value to be reflected as non-cash income or expense in our statement of operations. On June 15, 2006, we reached an agreement with the investors of this financing to amend the terms of the investment documents, which resulted in the warrants to be reflected as equity.

About The Company

Health Fitness Corporation is a leading provider of fitness and health management services to corporations, hospitals, and communities. Serving clients for over 30 years, HFC provides fitness and health management services to more than 400 on-site and remote locations across the U.S. and Canada. For more information about Health Fitness Corporation, go to www.hfit.com.

Forward-Looking Statements

Certain statements in this release, including, without limitation, those relating to management's belief that the integration of HealthCalc has solidified the Company's health management business model, and improved its competitive position, in addition to management's estimate of incremental annualized revenue from new sales activity, are forward-looking statements. Any statements that are not based upon historical facts, including the outcome of events that have not yet occurred and our expectations for future performance, are forward-looking statements. The words "believe," "estimate," "expect," "intend," "may," "could," "will," "plan," "anticipate," and similar words and expressions are intended to identify forward-looking statements. Such statements are based upon the current beliefs and expectations of our management. Actual results may vary materially from those contained in forward-looking statements based on a number of factors including, without limitation, our inability to deliver the health management services demanded by major corporations, our inability to successfully cross-sell health management services to our fitness management clients, and other factors disclosed from time to time in our filings with the U.S. Securities and Exchange Commission including our Form 10-K for 2005 as filed with the SEC. You should take such factors into account when making investment decisions and are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. We undertake no obligation to update any forward-looking statements.

Financial tables follow ...

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HEALTH FITNESS CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS

	Three Months Ended		(Unaudited) Six Months Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
REVENUE	\$15,575,130	\$13,678,615	\$30,142,391	\$27,143,716
COSTS OF REVENUE	11,415,116	10,227,999	22,377,897	20,251,298
GROSS PROFIT	4,160,014	3,450,616	7,764,494	6,892,418
OPERATING EXPENSES				
Salaries	1,805,533	1,406,562	3,484,367	2,794,485
Other selling, general and administrative	1,560,098	942,631	2,996,339	1,679,497
Amortization of acquired intangible assets	107,610	219,754	216,072	439,337
Total operating expenses	3,473,241	2,568,947	6,696,778	4,913,319
OPERATING INCOME	686,773	881,669	1,067,716	1,979,099
OTHER INCOME (EXPENSE)				
Interest expense	(2,470)	(16,326)	(4,150)	(28,249)
Change in fair value of warrants	406,694	-	841,215	-
Other, net	14,071	(340)	10,061	(1,990)
EARNINGS BEFORE INCOME TAXES	1,105,068	865,003	1,914,842	1,948,860
INCOME TAX EXPENSE	377,594	345,220	527,695	779,543
NET EARNINGS	727,474	519,783	1,387,147	1,169,317
Dividend to preferred shareholders	-	21,600	96,410	43,200
NET EARNINGS APPLICABLE TO COMMON SHAREHOLDERS	\$ 727,474	\$ 498,183	\$ 1,290,737	\$ 1,126,117
NET EARNINGS PER SHARE:				
Basic	\$ 0.04	\$ 0.04	\$ 0.08	\$ 0.09
Diluted	0.02	0.03	0.03	0.07
WEIGHTED AVERAGE COMMON SHARES:				
Basic	18,931,169	12,652,370	17,005,769	12,636,465
Diluted	20,310,830	16,618,997	20,305,674	16,617,853

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HEALTH FITNESS CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS

	(Unaudited)	
	June 30, 2006	December 31, 2005
	<u> </u>	<u> </u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,295,045	\$ 1,471,505
Trade and other accounts receivable, less allowances of \$183,300 and \$200,700	9,270,835	8,839,046
Prepaid expenses and other	644,506	509,273
Deferred tax assets	347,701	337,800
Total current assets	<u>11,558,087</u>	<u>11,157,624</u>
PROPERTY AND EQUIPMENT, net	413,122	347,820
OTHER ASSETS		
Goodwill	13,005,498	12,919,689
Software, less accumulated amortization of \$176,200 and \$0	1,749,531	1,762,000
Customer contracts, less accumulated amortization of \$1,746,500 and \$1,626,100	68,472	188,889
Trademark, less accumulated amortization of \$196,700 and \$147,000	296,432	346,057
Other intangible assets, less accumulated amortization of \$129,700 and \$88,000	399,414	441,086
Deferred tax assets	366,300	374,500
Other	35,434	47,105
	<u>\$ 27,892,290</u>	<u>\$ 27,584,770</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade accounts payable	\$ 565,423	\$ 687,125
Accrued salaries, wages, and payroll taxes	2,922,422	2,693,927
Other accrued liabilities	370,396	763,115
Accrued self funded insurance	344,297	250,000
Deferred revenue	1,752,863	1,868,446
Total current liabilities	<u>5,955,401</u>	<u>6,262,613</u>
LONG-TERM OBLIGATIONS	-	-
COMMITMENTS AND CONTINGENCIES	-	-
WARRANT OBLIGATION	-	2,210,889
PREFERRED STOCK, \$0.01 par value, 10,000,000 shares authorized, 0 and 1,000 issued and outstanding	-	8,623,546
STOCKHOLDERS' EQUITY		
Common stock, \$0.01 par value; 50,000,000 shares authorized; 18,931,718 and 13,787,349 shares issued and outstanding	189,317	137,874
Additional paid-in capital	25,733,284	15,625,425
Accumulated comprehensive income	372	1,245
Accumulated deficit	<u>(3,986,084)</u>	<u>(5,276,822)</u>
	<u>\$ 27,936,889</u>	<u>10,487,722</u>
	<u>\$ 27,892,290</u>	<u>\$ 27,584,770</u>