LEGACY HEALTH
MANAGEMENT'S COMMENTS
QUARTER ENDED SEPTEMBER, 2026 (UNAUDITED)

INTRODUCTION

The discussion set forth below should be read in conjunction with the attached Legacy Health ("Legacy") unaudited consolidated financial statements. Information contained in this document has not been updated past the date of the financial statements. Legacy does not intend to update this information other than in reports filed in future quarterly disclosure documents. Complete footnote disclosure can be found in Legacy's most recent March 31 (Legacy's fiscal year end) audited consolidated financial statements posted at www.emma.msrb.org.

SUMMARY OF QUARTERLY OPERATIONS

Legacy reported a loss from operations of -$7.1 million for the quarter ending September 30, 2026 (-0.8% operating margin) as compared to operating loss of -$28.0 million (-3.5% operating margin) for the same quarter of the prior fiscal year. Legacy realized an excess margin of 5.9% as compared to 1.5% for the prior year's quarter.

Legacy operates in an environment characterized by ongoing reimbursement and cost pressures affecting healthcare providers nationwide, with providers in the Pacific Northwest experiencing additional pressure from higher labor costs and state regulatory requirements. Approximately 70% of Legacy's patient volume is covered by governmental payors, including Medicare and Medicaid, where reimbursement growth has lagged healthcare cost inflation. The organization also continues to experience increases in labor costs, employee benefits, purchased and contract services, and other operating expenses, including impacts associated with Oregon's healthcare staffing requirements under HB 2697 and a rapid increase in unionization over the last two years. In addition, changes to ACA marketplace subsidies effective January 1, 2026 have contributed to a decline in commercial coverage among some patients, resulting in modest unfavorable payor mix trends across the industry.

Despite these headwinds, Legacy continues to make progress through focused initiatives related to labor productivity, patient throughput, revenue cycle optimization, and expense management. These efforts have contributed to reductions in contract labor utilization and average length of stay to their lowest levels in five years, reflecting continued improvement in operational efficiency. Legacy also continues to manage the impacts of Oregon House Bill 3320, including presumptive charity care requirements, which have increased uncompensated care levels across the state.

The following table presents selected statistical indicators of Legacy's patient activity for the periods indicated below:

	Quarter Ended September 30,		
	2026	2025	Change
Discharges	15,418	14,722	4.7%
Adjusted discharges	37,044	34,326	7.9%
Patient days	76,677	77,587	-1.2%
Observations	2,377	2,425	-2.0%
Emergency room visits	89,255	85,275	4.7%
Surgical cases	11,869	11,923	-0.5%
Clinic visits	492,434	443,892	10.9%

Legacy experienced increases in discharges at most facilities, particularly at Legacy Mount Hood Medical Center and Legacy Silverton Medical Center. Additionally, most facilities saw a decrease in length of stay. Inpatient surgeries decreased by -4.9% and outpatient surgeries increased by 1.3% compared with the same quarter of the prior fiscal year. Visits to Legacy Medical Group providers increased by 10.9%.

OPERATING REVENUE

As compared to the same quarter in the prior fiscal year, net patient service revenue increased by 7.8% ($57.7 million) due largely to favorable volumes, higher acuity, reimbursement, and outpatient revenue, partially offset by a decline in commercial payor mix.

Other operating revenue increased by $18.6 million this quarter. This is primarily due to a $9.5 million increase in retail pharmacy sales, a $6.7 million increase in bonuses from payors, and a $2.5 million increase related to the Cancer Collaborative with Oregon Health & Science University.

OPERATING EXPENSE

Total operating expenses increased by $55.3 million compared to the same quarter last year. Wages, salaries, and benefits increased $28.3 million due to higher volumes, rate increases, and higher benefit costs. Supplies increased by $15.1 million, primarily due to higher pharmaceutical costs ($11.4 million), as well as increases in volumes, cardiac-related supplies, and inflation. Purchased services increased by $10.7 million, driven by higher information systems, data processing, lab, and medical service costs.

NON-OPERATING INCOME AND EXPENSE

Investment income fluctuates with the financial markets and Legacy reports investments at fair value. Therefore, unrealized gains and losses associated with its investment portfolios are recorded in investment income. Investment loss was -$16.4 million for the quarter as compared with investment income of $34.0 million for the same period last year.

Other non-operating income increased by $68.8 million this quarter, primarily due to a $72.3 million gain from the sale of medical office buildings, offset by a $2.9 million reduction related to the PacificSource investment.

KEY BALANCE SHEET STATISTICS

The following table presents Legacy Health's consolidated key balance sheet statistics and Legacy Health's credit group annual maximum annual debt service coverage (MADS) ratio as of the dates indicated below.

	September 30, 2026	June 30, 2026	March 31, 2026	December 31, 2025	September 30, 2025
Days cash on hand	142	140	148	155	163
Debt to capitalization	25.6%	27.4%	25.6%	25.6%	25.5%
Cash to long-term debt	182.6%	165.4%	194.7%	198.4%	202.4%
Annual MADS coverage	3.5	1.5	1.5	3.7	3.6

Financing transactions during the fiscal year:

- In the first quarter, Legacy drew $100.0 million on its line of credit, resulting in an outstanding balance of $100.0 million as of June 30, 2026. This was due to the impacts of cash from payor negotiations that resulted in a significant volume of held patient claims. Negotiations were concluded and claims released in the second quarter.
- In the second quarter, Legacy drew an additional $10.0 million and repaid $60.0 million, leaving an outstanding balance of $50.0 million as of September 30, 2026.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS: *Certain statements included in this notice constitute projections or statements of future events, generally known as forward-looking statements. These statements generally are identifiable by the terminology used, such as "plan," "expect," "estimate," "budget," "intend," believe," "should" or other similar words. The achievement of certain results or other expectations contained in forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, and the forward-looking statements are not intended to be representations of fact or guarantees of results.*

LEGACY HEALTH

Consolidated Balance Sheets

September 30, 2026 and March 31, 2026

(Dollars in thousands)

Assets		09/30/26	03/31/26
		(unaudited)	
Current assets:			
Cash and cash equivalents	$	184,664	227,046
Accounts receivable from patients, net		541,334	498,518
Settlements receivable from third-party payors, net		48,105	69,391
Other receivables		195,819	89,863
Inventories		46,546	45,499
Prepaid expenses		37,656	26,498
Total current assets		1,054,124	956,815
Property, plant, and equipment, net		989,813	928,037
Noncurrent investments		1,167,598	1,130,752
Investments in unconsolidated affiliates		386,996	348,009
Pension asset		150,216	148,113
Other assets		170,664	135,196
Total assets	$	3,919,411	3,646,922

Liabilities and Net Assets		09/30/26	03/31/26
		(unaudited)	
Current liabilities:			
Accounts payable	$	121,565	124,954
Accrued wages, salaries, and benefits		235,910	274,942
Accrued interest		7,636	7,709
Other current liabilities		222,078	132,603
Line of credit		50,000	—
Current portion of long-term debt		10,933	10,941
Total current liabilities		648,122	551,149
Long-term debt, less current portion		691,601	700,744
General and professional claims liability		68,422	60,988
Other noncurrent liabilities		266,835	222,249
Total liabilities		1,674,980	1,535,130
Net assets:			
Without donor restrictions, controlling		2,124,852	1,994,172
Without donor restrictions, noncontrolling		19,926	20,168
With donor restrictions		99,653	97,452
Total net assets		2,244,431	2,111,792
Total liabilities and net assets	$	3,919,411	3,646,922

LEGACY HEALTH

Consolidated Statements of Operations

Three Months and Fiscal Year to Date ended September 30, 2026 and September 30, 2025

(Dollars in thousands)

	Three Months Ended		Fiscal Year to Date	
	09/30/26	**09/30/25**	**09/30/26**	**09/30/25**
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Operating revenue:				
Net patient service revenue	$ 796,836	739,164	1,587,531	1,494,311
Other revenue	79,981	61,413	141,190	111,527
Total operating revenue	876,817	800,577	1,728,721	1,605,838
Operating expenses:				
Wages, salaries, and benefits	522,259	493,971	1,048,727	981,594
Supplies	143,855	128,792	285,266	245,121
Professional fees	32,818	33,425	68,100	67,337
Purchased services	69,928	59,238	136,702	123,599
Utilities, insurance, and other expenses	87,721	89,254	165,575	163,365
Depreciation	19,896	17,483	39,433	35,241
Interest and amortization	7,478	6,447	14,304	13,213
Total operating expenses	883,955	828,610	1,758,107	1,629,470
Income (loss) from operations	(7,138)	(28,033)	(29,386)	(23,632)
Nonoperating income (loss):				
Investment income (loss), net	(16,369)	33,950	63,233	57,223
Other, net	75,144	6,344	96,079	2,168
Total nonoperating income (loss)	58,775	40,294	159,312	59,391
Revenue in excess of (less than) expenses	51,637	12,261	129,926	35,759
Net assets released from restriction	1,843	1,385	3,360	1,794
Distributions to joint venture partners	(1,652)	(1,884)	(3,294)	(3,566)
Other transfers	857	(142)	446	(252)
Change in net assets without donor restrictions	$ 52,685	11,620	130,438	33,735

LEGACY HEALTH

Consolidated Statements of Changes in Net Assets

Three Months and Fiscal Year to Date ended September 30, 2026 and September 30, 2025

(Dollars in thousands)

	Three Months Ended		Fiscal Year to Date	
	09/30/26	**09/30/25**	**09/30/26**	**09/30/25**
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Net assets without donor restrictions:				
Revenue in excess of (less than) expenses	$ 50,074	10,845	126,874	33,284
Net assets released from restriction	1,843	1,385	3,360	1,794
Other transfers	857	(142)	446	(252)
Change in net assets without donor restrictions	52,774	12,088	130,680	34,826
Noncontrolling interest:				
Revenue in excess of expenses	1,563	1,416	3,052	2,475
Distributions to joint venture partners	(1,652)	(1,884)	(3,294)	(3,566)
Change in noncontrolling interest	(89)	(468)	(242)	(1,091)
Net assets with donor restrictions				
Restricted contributions and grants	1,248	6,006	2,607	6,745
Net assets released from restriction	(3,004)	(2,908)	(6,031)	(5,238)
Investment (loss) gain, net	(584)	2,961	5,617	6,730
Other transfers	3	(2)	8	(5)
Change in net assets with donor restrictions	(2,337)	6,057	2,201	8,232
Change in net assets	50,348	17,677	132,639	41,967
Net assets, beginning of period	2,194,083	2,115,254	2,111,792	2,090,964
Net assets, end of period	$ 2,244,431	2,132,931	2,244,431	2,132,931

LEGACY HEALTH

Consolidated Statements of Cash Flows

Three Months and Fiscal Year to Date ended September 30, 2026 and September 30, 2025

(Dollars in thousands)

	Three Months Ended		Fiscal Year to Date	
	09/30/26	**09/30/25**	**09/30/26**	**09/30/25**
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Cash flows from operating activities:				
Change in net assets	$ 50,348	17,677	132,639	41,967
Adjustments to reconcile change in net assets to net cash from operating activities:				
Net distributions to noncontrolling partners	1,652	1,901	3,294	3,582
Depreciation and amortization	21,054	16,841	41,659	33,953
(Gain) loss on disposal of assets	(72,309)	20	(72,309)	(74)
Change in net realized and unrealized gains on investments	18,742	(36,472)	(77,814)	(64,942)
Restricted contributions	(101)	(4)	(622)	(96)
Net (earnings) losses from joint ventures and investment companies	(14,157)	(18,413)	(41,823)	(25,779)
Change in certain current assets and current liabilities	68,155	136,494	(93,281)	89,764
Change in certain long-term operating assets and liabilities	9,266	11,579	14,449	16,454
Net cash from operating activities	82,650	129,623	(93,808)	94,829
Cash flows from investing activities:				
Purchase of property, plant and equipment	(46,585)	(30,677)	(107,643)	(65,626)
Proceeds from sale of assets	75,948	11	75,955	105
Draws on funds held by trustee	—	2,086	—	2,494
Investment in joint ventures	—	(328)	—	(2,568)
Distributions from joint ventures and investment companies	1,590	1,136	2,769	1,368
Purchases of investments	(104,394)	(157,957)	(269,140)	(274,075)
Sales of investments	105,608	88,761	310,175	192,500
Net cash from investing activities	32,167	(96,968)	12,116	(145,802)
Cash flow from financing activities:				
Proceeds from draw on line of credit	10,000	—	110,000	40,000
Repayment of line of credit	(60,000)	—	(60,000)	(40,000)
Proceeds from issuance of long-term debt	(132)	(32)	360	339
Financing cost paid	(148)	—	(148)	—
Repayment of long-term debt	(64)	—	(8,230)	(7,752)
Net distributions to noncontrolling partners	(1,652)	(1,901)	(3,294)	(3,582)
Restricted contributions	101	4	622	96
Net cash from financing activities	(51,895)	(1,929)	39,310	(10,899)
Change in cash and cash equivalents	62,922	30,726	(42,382)	(61,872)
Cash and cash equivalents, beginning of period	121,742	536,694	227,046	629,292
Cash and cash equivalents, end of period	$ 184,664	567,420	184,664	567,420

LEGACY HEALTH AND AFFILIATES

Credit Reporting Group Balance Sheets

September 30, 2026 and March 31, 2026

(Dollars in thousands)

Assets		**09/30/26**	**03/31/26**
		(unaudited)	*(unaudited)*
Current assets:			
Cash and cash equivalents	$	184,584	226,777
Accounts receivable from patients, net		535,905	492,602
Settlements receivable from third-party payors, net		48,105	69,391
Other receivables		162,817	60,930
Inventories		45,925	44,888
Prepaid expenses		38,922	26,495
Total current assets		1,016,258	921,083
Property, plant, and equipment, net		988,741	927,080
Noncurrent investments		1,167,598	1,130,752
Investments in unconsolidated affiliates		397,538	358,644
Pension asset		150,216	148,113
Other assets		141,045	105,113
Interaffiliate receivable (payable)		(16,490)	(15,265)
Total assets	$	3,844,906	3,575,520

Liabilities and Net Assets		**09/30/26**	**03/31/26**
		(unaudited)	*(unaudited)*
Current liabilities:			
Accounts payable	$	120,486	123,497
Accrued wages, salaries, and benefits		234,829	273,864
Accrued interest		7,636	7,709
Other current liabilities		190,883	103,745
Line of credit		50,000	—
Current portion of long-term debt		10,541	10,386
Total current liabilities		614,375	519,201
Long-term debt, less current portion		691,189	700,647
General and professional claims liability		68,422	60,988
Other noncurrent liabilities		265,034	219,910
Total liabilities		1,639,020	1,500,746
Net assets:			
Without donor restrictions		2,107,136	1,977,671
With donor restrictions		98,750	97,103
Total net assets		2,205,886	2,074,774
Total liabilities and net assets	$	3,844,906	3,575,520

LEGACY HEALTH AND AFFILIATES

Credit Reporting Group Statements of Operations

Three Months and Fiscal Year to Date ended September 30, 2026

(Dollars in thousands)

	Three Months Ended 09/30/26 (unaudited)	Fiscal Year to Date 09/30/26 (unaudited)
Operating revenue:		
Net patient service revenue	$ 784,695	1,564,432
Other revenue	80,797	142,790
Total operating revenue	865,492	1,707,222
Operating expenses:		
Wages, salaries, and benefits	517,947	1,040,193
Supplies	141,521	281,034
Professional fees	32,818	68,102
Purchased services	67,758	132,502
Utilities, insurance, and other expenses	87,041	164,288
Depreciation	19,665	39,005
Interest and amortization	7,470	14,293
Total operating expenses	874,220	1,739,417
Income (loss) from operations	(8,728)	(32,195)
Nonoperating income (loss):		
Investment income (loss), net	(16,260)	62,190
Other, net	75,143	96,075
Total nonoperating income	58,883	158,265
Revenue in excess of expenses	50,155	126,070
Net assets released from restriction	1,842	3,393
Other transfers	2	2
Change in net assets without donor restrictions	$ 51,999	129,465