HEALTHSOUTH®



Raymond James 33rd Annual Institutional Investors Conference
Orlando | March 5 – 7, 2012

Jay Grinney, President and Chief Executive Officer

Forward-Looking Statements

The information contained in this presentation includes certain estimates, projections and other forward-looking information that reflect our current outlook, views and plans with respect to future events, including legislative and regulatory developments, strategy, capital expenditures, development activities, dividend strategies, effective tax rates, financial performance, and business model. These estimates, projections and other forward-looking information are based on assumptions that HealthSouth believes, as of the date hereof, are reasonable. Inevitably, there will be differences between such estimates and actual events or results, and those differences may be material.

There can be no assurance that any estimates, projections or forward-looking information will be realized.

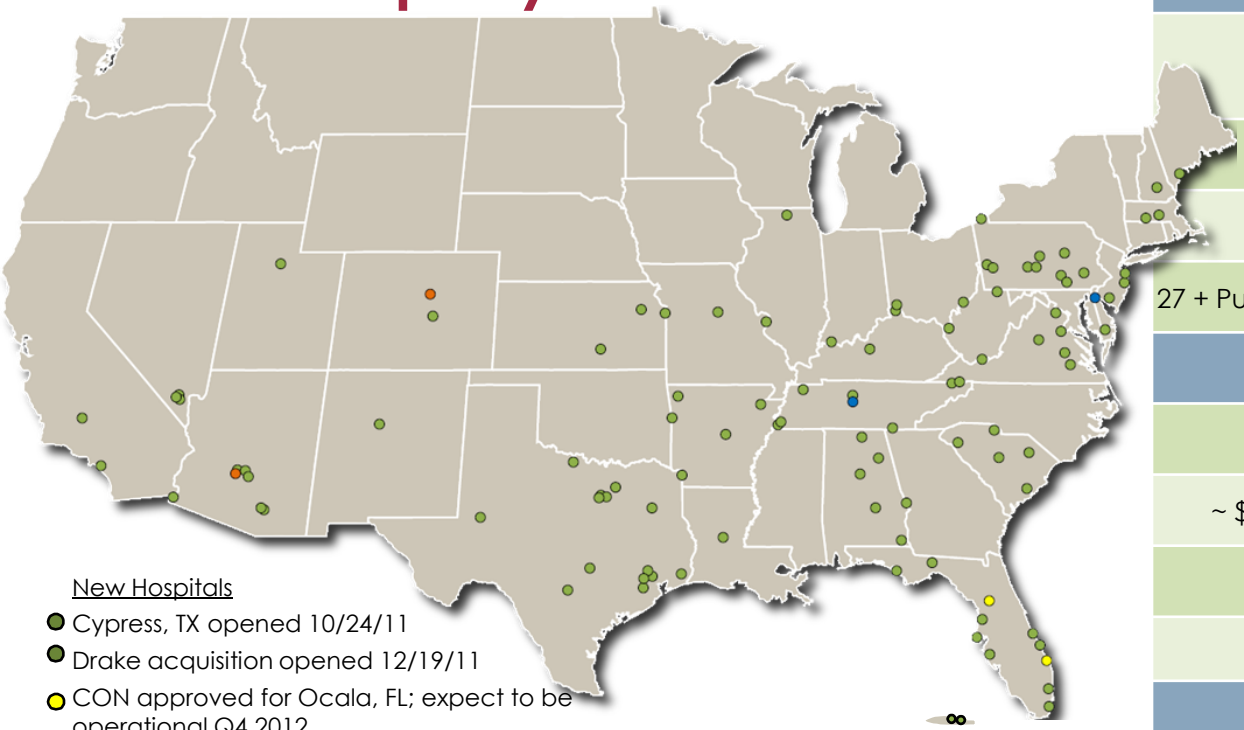
All such estimates, projections and forward-looking information speak only as of the date hereof. HealthSouth undertakes no duty to publicly update or revise the information contained herein.

You are cautioned not to place undue reliance on the estimates, projections and other forward-looking information in this presentation as they are based on current expectations and general assumptions and are subject to various risks, uncertainties and other factors, including those set forth in the Form 10-K for the year ended December 31, 2011, and in other documents we previously filed with the SEC, many of which are beyond our control, that may cause actual results to differ materially from the views, beliefs and estimates expressed herein.

Note Regarding Presentation of Non-GAAP Financial Measures

The following presentation includes certain "non-GAAP financial measures" as defined in Regulation G under the Securities Exchange Act of 1934. Schedules are attached that reconcile the non-GAAP financial measures included in the following presentation to the most directly comparable financial measures calculated and presented in accordance with Generally Accepted Accounting Principles in the United States. Our Form 8-K, dated March 5, 2012, provides further explanation and disclosure regarding our use of non-GAAP financial measures and should be read in conjunction with these supplemental slides.

Our Company



New Hospitals

- Cypress, TX opened 10/24/11
- Drake acquisition opened 12/19/11
- CON approved for Ocala, FL; expect to be operational Q4 2012
- CON approved for Stuart, FL (Martin County); expect to be operational Q2 2013
- Purchased land for Littleton, CO; expect to be operational Q2 2013
- Purchased land for southwest Phoenix, AZ; expect to be operational Q3 2013
- CON approved for Middletown, DE; being contested
- CON approved for Williamson Co, TN; being contested

Portfolio – As of Dec. 31, 2011

99	Inpatient Rehabilitation Hospitals ("IRF") • 29 operate as JV's with Acute Care Hospitals
26	Outpatient Rehabilitation Satellite Clinics
25	Hospital-Based Home Health Agencies
27 + Puerto Rico	Number of States

Key Statistics

~ 22,000	Employees
~ $2.0 Billion	Revenue
118,354	Inpatient Discharges
943,439	Outpatient Visits

Patients Served

Most Common Conditions (Q4 2011):

1. Neurological	17.5%
2. Stroke	16.4%
3. Debility	10.8%
4. Fracture of the lower extremity	10.5%
5. Other orthopedic conditions	10.0%

Marketshare

~ 8% of IRFs (Total in U.S. = 1,152)

~ 18% of Licensed Beds

~ 23% of Patients Served

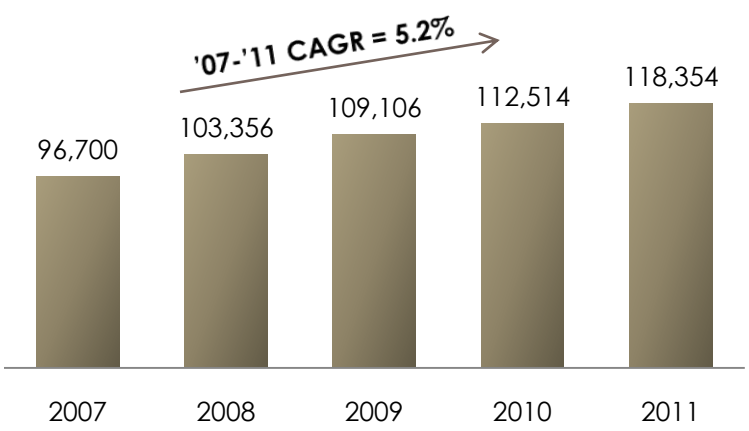
Largest Owner and Operator of Inpatient Rehabilitation Hospitals in the U.S.

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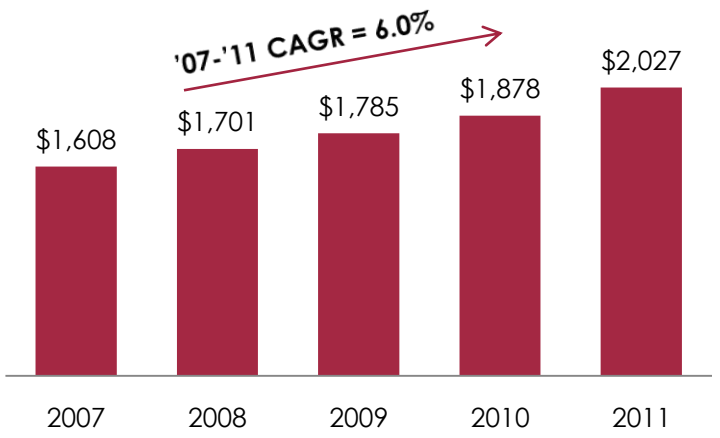
Our Track Record

($ in millions)

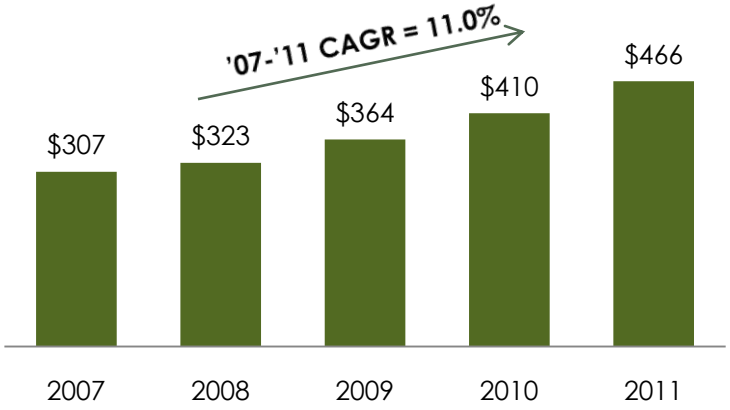
Discharge Volume



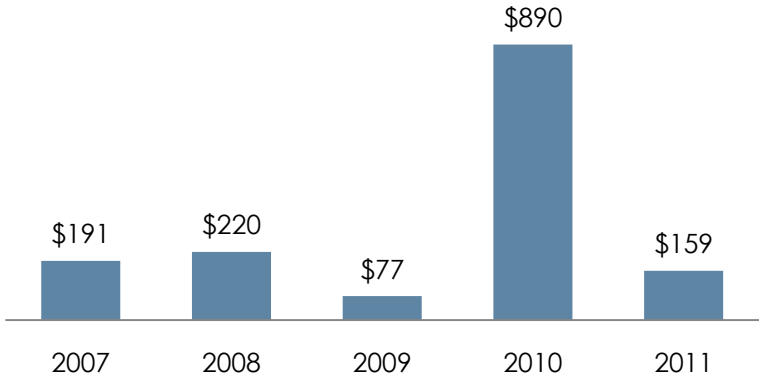
Revenue



Adjusted EBITDA (1)



Income from Continuing Operations Attributable to HealthSouth (2)



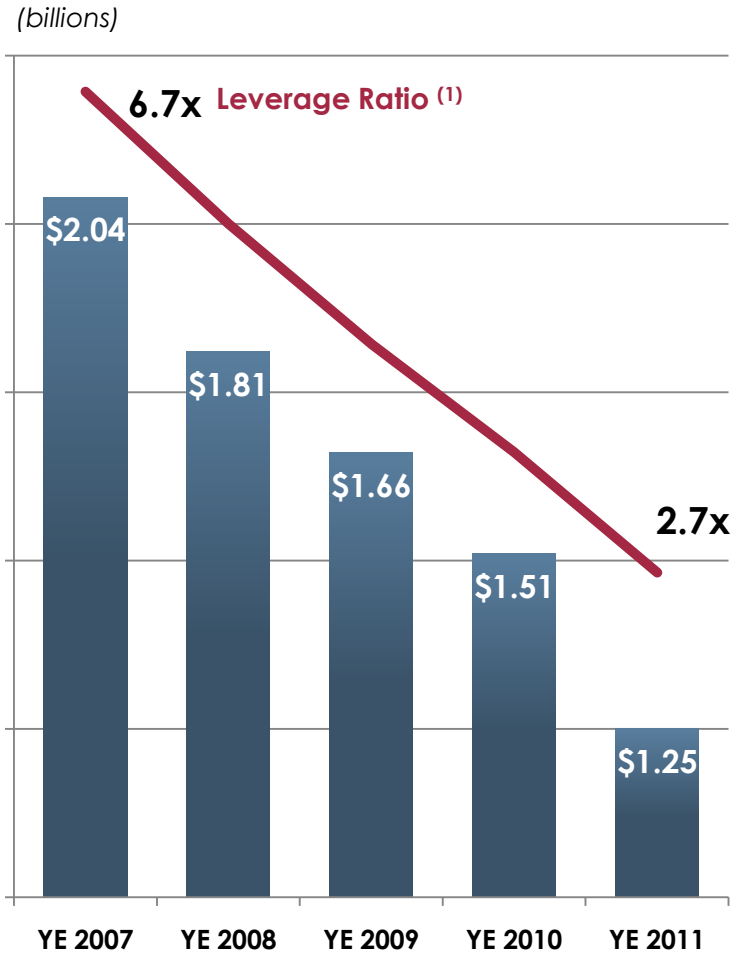
(1) Reconciliation to GAAP provided on slides 21 - 26.

(2) 2010 includes an income tax benefit of ~$741 million primarily due to the reversal of a substantial portion of the valuation allowance against deferred tax assets.

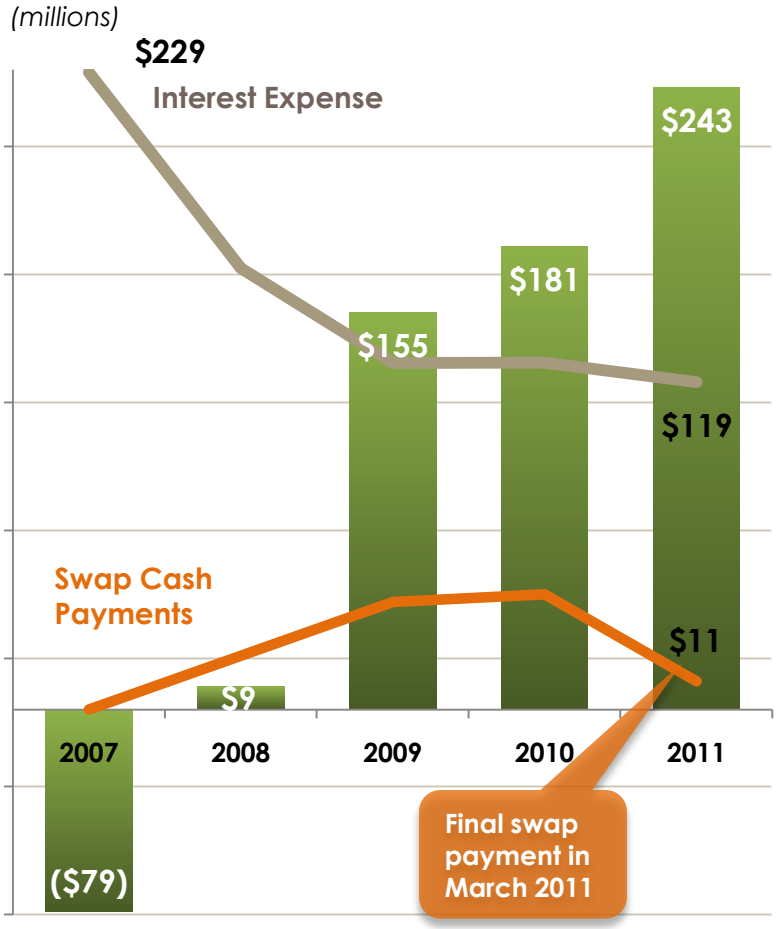
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Our Track Record

Total Debt



Adjusted Free Cash Flow (1)



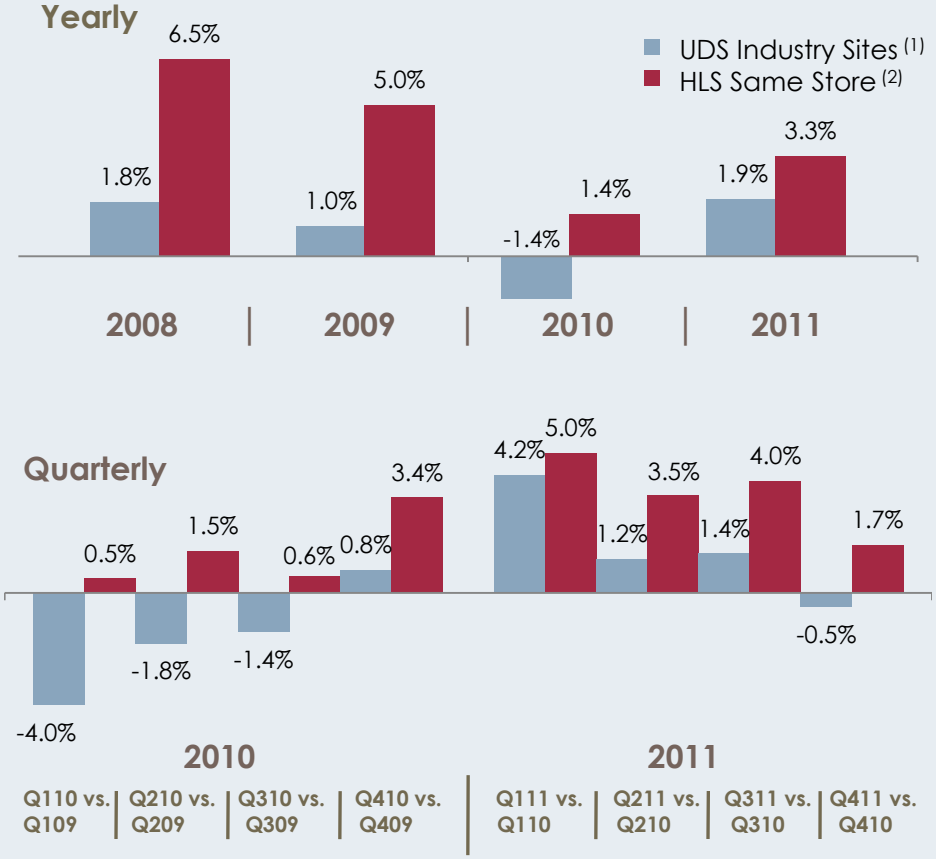
(1) Reconciliation to GAAP provided on slides 20 – 26.

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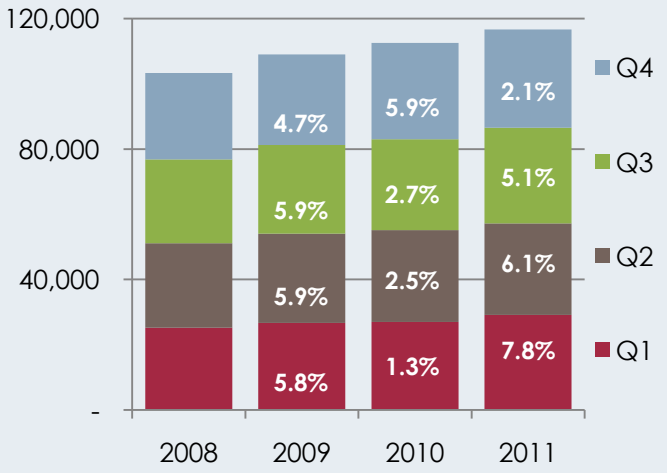
Our Historic Discharge Growth vs. Industry

HealthSouth's volume growth has outpaced competitors'

Same Store HealthSouth vs. Industry



Quarterly Discharge Growth



	2008	2009	2010	2011
Yearly Discharge Growth	6.9%	5.6%	3.1%	5.2%

- TeamWorks = standardized and enhanced sales and marketing
- Bed additions will help facilitate continued organic growth

(1) Data provided by UDSMR, a data gathering and analysis organization for the rehabilitation industry; represents ~ 65-70% of industry, including HealthSouth sites.
(2) Includes consolidated HealthSouth inpatient rehabilitation hospitals classified as same store during that time period.

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Business Outlook: 2012 to 2014

Business Model

- **Adjusted EBITDA CAGR: 5-8%** (1) (2)
- **Adjusted Free Cash Flow CAGR: 12-17%** (1) (2)

Strategy	2011	2012	2013	2014
Delevering (3)	Achieved **< 3.0x** debt to EBITDA	**< 3.0x** debt to EBITDA (subject to operating environment)		
Growth	**Same-store growth** (Includes bed expansions and unit consolidations)			
	De novos 1- Cypress, TX	**De novos** 1- Ocala, FL	**De novos** (target of 4/year)	
	IRF Acquisitions 1- Drake, OH	**IRF acquisitions** (target of 2/year)		
			Opportunistic, disciplined acquisitions of complementary post-acute services	
			Key Criteria: • Regulatory clarity • Market conditions • Purchase price and terms and conditions	
Key Operational Initiatives	• **Clinical Information System (CIS)** Pilot	• **CIS** Company-wide Implementation		
	• **Beacon** (Management Reporting Software) = Labor / outcomes / quality optimization • **TeamWorks** = Care Management • **"CPR"** (Comfort, Professionalism, Respect) Initiative			

(1) Reconciliation to GAAP provided on slides 20, 21, 22, and 26.
(2) These are multi-year CAGRs; annual results may fall outside the range.
(3) Exclusive of any E&Y recovery.

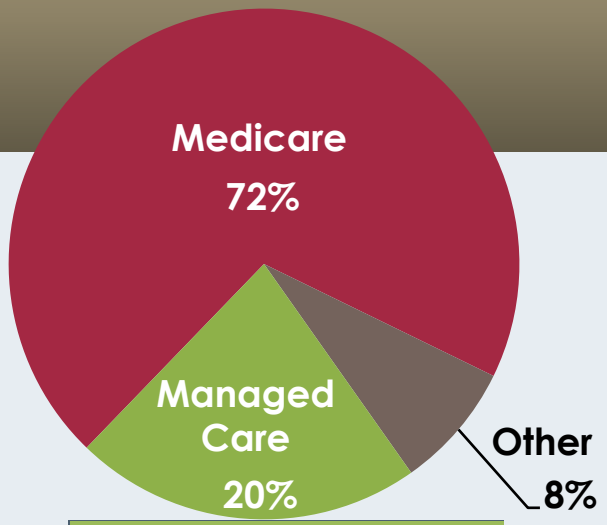
Business Outlook: Revenue Assumptions

Revenue

Volume

- 2.5% to 3.5% annual growth (excludes acquisitions)
- Includes bed expansions, de novos and unit consolidations

Pricing



Medicare Pricing	FY 2012 (1) Q4 11 - Q3 12	FY 2013 Q4 12 - Q3 13	FY 2014 Q4 13 - Q3 14
Market basket update (2)	2.9%	2.8%	2.9%
Healthcare reform reduction	10 bps	10 bps	30 bps
Productivity adjustment (2)	100 bps	120 bps	~ 110 bps

Managed Care Expected Price Increases		
2012	2013	2014
3-5%	3-5%	3-5%

2% Sequestration (3)

(1) We believe based on the Medicare IRF-PPS Rule for FY 2012, HealthSouth should realize a net increase of approximately 1.6% in 2012.
(2) Medicare IRF-PPS Rule for FY 2012 and management estimates for FY 2013 and FY 2014.
(3) The Budget Control Act of 2011 includes a reduction of up to 2% to Medicare payments for all providers upon executive order of the President in January 2013. The reduction would be made from whatever level of payment would otherwise be provided under Medicare law and regulation. We currently estimate this automatic reduction, known as "sequestration," will result in a net decrease to our net operating revenues of approx. $32 million annually beginning in 2013.

Business Outlook: Expense Assumptions

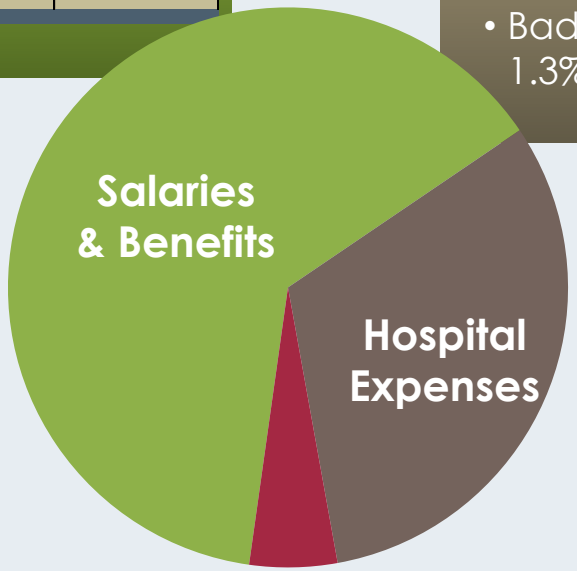
Expense

Salaries & Benefits (1)

	2012	2013	2014
Merit increases (2)	2.25-2.5%	2.25-2.5%	2.25-2.5%
Benefit costs increases	5-8%	5-8%	5-8%

Hospital Expenses

- Other operating expenses and supply costs tracking with inflation
- Occupancy costs relatively constant as percent of revenue
- Bad debt expense of approx. 1.3% to1.5% of revenue



General and Administrative

~4.5% of revenue

(excludes stock-based compensation)

(1) Salaries, Wages and Benefits: ~ 90% Salaries and Wages; ~10% Benefits.

(2) May be adjusted to offset the Budget Control Act of 2011 or other Medicare reduction legislation

2012 Guidance – Adjusted EBITDA [1] (as of March 5, 2012)

2012 Adjusted EBITDA
$475 million to $485 million

Reflects:

- **1.9% to 4.0%** growth over 2011
- **7.7% to 8.8%** two year CAGR since 2010

Considerations:

- ✓ **Revenue growth of 3.8% to 5.2%**
  - Discharge growth between 2.5% and 3.5%
  - Revenue per discharge growth between 2.0% and 2.5%
  - Home health revenues subject to approx. $1.0 million reduction related to the 2012 Medicare Home Health rule
- ✓ **Higher bad debt expense of approx. 1.3% of revenues (approx. $6 million more than 2011)**
- ✓ **Installation of new clinical information system in twelve existing hospitals expected to increase operating expenses by approx. $4 million in 2012 (not eligible for "HITECH")**
- ✓ **Higher workers' compensation expense of approx. $5 million primarily as a result of favorable actuarial adjustments in 2011**
- ✓ **Q1 2011 Adjusted EBITDA benefited by approx. $1.5 million for nonrecurring net state provider tax revenue**
- ✓ **Q4 2011 Adjusted EBITDA benefited by $2.4 million for nonrecurring PA franchise tax recovery**

(1) Reconciliation to GAAP provided on slides 21, 22, 23, and 26.

2012 Guidance – EPS (as of March 5, 2012)

Earnings per Share from Continuing Operations Attributable to HealthSouth [1]

$1.32 to $1.39

Diluted earnings per share on a GAAP basis are the same as basic earnings per share due to the antidilutive impact in the period.

	EPS Guidance		
	Actual	Low	High
(In Millions, Except Per Share Data)	2011	2012	
Adjusted EBITDA	**$ 466.2**	**$ 475**	**$ 485**
Interest expense and amortization of debt discounts and fees	(119.4)	(96)	
Depreciation and amortization	(78.8)	(82)	
Stock-based compensation expense	(20.3)	(23)	
Other, including non-cash loss on disposal of assets	(4.3)	(7)	
	243.4	267	277
Certain Nonrecurring Expenses:			
Government, class action and related settlements	12.3	-	
Professional fees - accounting, tax and legal	(21.0)	(15)	
Loss on early extinguishment of debt	(38.8)	-	
Pre-tax income	**195.9**	**252**	**262**
Income tax (assumes 40% in 2012)	(37.1) [3]	(101)	(105)
Income from continuing operations [1]	**$ 158.8**	**$ 151**	**$ 157**
Basic shares	93.3	94.5	94.5
Earnings per share [1][4]	**$ 1.42**	**$ 1.32**	**$ 1.39**

Considerations:

- ✓ Assumes provision for income tax of approx. 40% in 2012 vs. approx. 19% [2] in 2011
- ✓ Cash taxes expected to be $7 to $10 million
- ✓ Basic share count of 94.5 million shares

(1) Income from continuing operations attributable to HealthSouth

(2) Estimated effective tax rate using pre-tax income from continuing operations attributable to HealthSouth

(3) Includes an approx. $46 million, or $0.49 per share, benefit primarily related to the Company's settlement with the IRS for tax years 2007 and 2008, a decrease in the valuation allowance, and a reduction in unrecognized tax benefits due to the lapse of the statute of limitations for certain federal and state claims

(4) The $26.0 million dividends related to our convertible perpetual preferred stock in 2011 and 2012 must be subtracted from income from continuing operations when calculating basic earnings per share.

Q1 2012 Initial Observations (as of March 5, 2012)

- **Volume:**
  - January and February 2012 discharge growth was on track against tough volume comps in Q1 2011 (7.8% growth).
  - Full-year 2012 discharge growth expected to be 2.5% to 3.5%

- **Adjusted EBITDA:**
  - Q1 2011 Adjusted EBITDA benefited by approx. $1.5 million for nonrecurring net state provider taxes (approx. $3.4 million outpatient and other revenue offset by approx. $1.9 million of expense).
  - Installation of new clinical information system expected to increase operating expenses by approx. $1.4 million in Q1 2012

- **Other:**
  - Due to leap year, Q1 2012 contains one more day than Q1 2011.
  - Beginning in Q1 2012, HealthSouth will be required to reclassify its "provision for doubtful accounts" from operating expense to a component of net operating revenues, with retrospective application required. Example below:

(in millions)	Q1 2011
Net operating revenues	$ 506.0
Less: Provision for doubtful accounts	(4.8)
Net operating revenues less provision for doubtful accounts	$ 501.2

Adjusted Free Cash Flow (1) (2) Considerations

- **2012 adjusted free cash flow growth will be impacted by increased maintenance capital expenditures and working capital.**
- **Multi-year adjusted free cash flow CAGR (3) of 12% to 17%**

Certain Cash Flow Items (millions)	2010 Actual	2011 Actual	2012 Assumptions
Cash interest expense (4)	$119.3	$115.2	$92
Cash income taxes	$10.0	$9.1	$7 to $10
Working capital	($16.7)	$10.6	$30-$40
Maintenance CAPEX	$37.9	$50.8	$75 to $85
Net cash swap-related settlements	$51.6	$10.9	$0
Dividends paid on preferred stock	$26	$26	$26

The increase in 2012 maintenance CAPEX is driven by the clinical information system roll-out, two major hospital renovations, and increased hospital refresh projects.

(1) Reconciliation to GAAP provided on slide 20.
(2) Definition of adjusted free cash flow is net cash provided by operating activities of continuing operations minus capital expenditures for maintenance, net settlements on interest rate swaps, dividends paid on preferred stock, distributions to noncontrolling interests, and nonrecurring items.
(3) These are multi-year CAGRs; annual results may fall outside the range.
(4) Net of amortization of debt and discounts and fees

Priorities for Reinvesting HealthSouth's Free Cash Flows



Priorities for Reinvesting HealthSouth's Free Cash Flows (cont.)

Priorities

Growth

- **Growth in core business**
  - Bed expansions (80-100 beds)
  - De novo hospitals (complete Ocala; start 4 others)
  - Acquisitions (target 2/year)
    - Free standing IRFs
    - Hospital unit

2012 Assumptions (millions)
$20 to $25
$50 to $70
TBD
$70 to $95, excluding acquisitions

Capital Allocation Considerations:

- Financial leverage (subject to operating environment)
- Relative risk/return characteristics (e.g. cash payback period, IRR, etc.)
- Required cash outlay
- Nature of opportunity (unique; time sensitive; otherwise limited; etc.)
- External factors (regulatory, macro-economic)

Priorities for Reinvesting HealthSouth's Free Cash Flows (cont.)

Capital Allocation Considerations:

- Relative risk/return characteristics (e.g. cash payback period, IRR, etc.)
- Financial leverage (subject to operating environment)
- Depth of liquidity in the market
- External factors (regulatory, macro-economic)

Alternate Opportunities

Debt Reduction	• **Debt prepayment** • **Purchase leased properties (limited opportunities)**
Shareholder Distribution	• **Share repurchase ($125 million authorization)** • **Cash dividends (one time or regular)**

Portfolio Growth

- All projects have minimum IRR of 15% (pre-tax).

	De novos			Acquisitions		
	• **Cash Payback [1] = 5 to 7 years** • **Target: 4/Year** • **Longer payback period due to:** – Design and construction period – Initial ramp-up of operations			• **Cash Payback [1] = 4 to 6 years** • **Target: 2/Year**		
	Location	**Installed Beds**	**Operational Date**	**Location**	**Beds**	**Operational Date**
2013	Stuart, FL	34	Q2 2013	TBD	TBD	TBD
	Littleton, CO	40	Q2 2013			
	Southwest Phoenix, AZ	40	Q3 2013			
2012	Ocala, FL	40	Q4 2012	TBD	TBD	TBD
2011	Cypress, TX	40	Q4 2011	Cincinnati, OH	40	Q4 2011
2010	Bristol, VA	25	Q3 2010	Ft. Smith, AR (unit)	30	Q3 2010
				Houston, TX (IRF)	50	Q3 2010
	Loudoun County, VA	40	Q2 2010	Las Vegas, NV (IRF)	50	Q2 2010
				Little Rock, AR (unit)	23	Q1 2010
2009	Mesa, AZ	40	Q3 2009	Altoona, PA (JV, unit)	18	Q4 2009

(1) Future cash payback periods may increase when the Company exhausts its significant net operating loss carryforwards.

Strong and Sustainable Business Fundamentals

Attractive Healthcare Sector	• Favorable demographic trends • Non-discretionary nature of many conditions treated in IRFs • Highly fragmented industry
Industry Leading Position	• #1 market share: above industry same-store growth and margins • Consistent achievement of high-quality, cost-effective care • Roll-out of state-of-the-art clinical information system
Cost-Effectiveness	• Focused labor management • Continued improvements in supply chain • Significant operating leverage of G&A expense
Real Estate Portfolio	• Portfolio of strategically located, well-designed physical assets • 99 IRFs [1]; 64 owned and 35 long-term, real estate leases • Relatively low maintenance capex requirements
Financial Strength	• Strong balance sheet; ample liquidity; no near-term maturities • Minimal cash taxes ($7 - $10 million / year) attributable to NOLs • Substantial free cash flow generation
Growth Opportunities	• Located in Medicare growth markets • Flexible, accelerated de novo strategy • Hospital acquisitions and unit consolidations

(1) Inclusive of non-consolidated entities

Appendix

Adjusted Free Cash Flow

Reconciliation of Net Cash Provided by Operating Activities to Adjusted Free Cash Flow

	Q4		Full Year				
(Millions)	**2011**	**2010**	**2011**	**2010**	**2009**	**2008**	**2007**
Net cash provided by operating activities	$ 129.6	$ 67.1	$ 342.7	$ 331.0	$ 406.1	$ 227.2	$ 230.6
Impact of discontinued operations	0.3	(2.8)	(9.1)	(13.2)	(5.7)	(32.5)	(3.3)
Net cash provided by operating activities of continuing operations	129.9	64.3	333.6	317.8	400.4	194.7	227.3
Capital expenditures for maintenance [1]	(15.7)	(13.3)	(50.8)	(37.9)	(33.2)	(41.5)	(22.4)
Net settlements on interest rate swaps [2]	-	(11.0)	(10.9)	(44.7)	(42.2)	(20.7)	0.1
Dividends paid on convertible perpetual preferred stock	(6.5)	(6.5)	(26.0)	(26.0)	(26.0)	(26.0)	(26.0)
Distributions paid to noncontrolling interests of consolidated affiliates	(10.3)	(8.1)	(44.2)	(34.4)	(32.6)	(33.4)	(23.4)
Non-recurring items:							
UBS Settlement proceeds, less fees to derivative plaintiffs' attorneys	-	-	-	-	(73.8)	-	-
Net premium paid on bond issuance/redemption	-	-	22.8	-	-	-	-
Cash paid for professional fees - accounting, tax and legal	4.8	3.4	21.0	17.2	15.3	18.2	51.6
Cash (received) paid for government, class action and related settlements	(2.0)	2.1	5.7	2.9	11.2	7.4	171.4
Income tax refunds related to prior periods	(1.0)	(1.6)	(7.9)	(13.5)	(63.7)	(89.4)	(457.7)
Adjusted free cash flow	**$ 99.2**	**$ 29.3**	**$ 243.3**	**$ 181.4**	**$ 155.4**	**$ 9.3**	**$ (79.1)**

(1) Maintenance capital expenditures are expected to be $75 million to $85 million in 2012.

(2) Final swap payment of $10.9 million was made in March 2011.

Reconciliation of Net Cash Provided by Operating Activities to Adjusted EBITDA

(Millions)	Q4		Full Year				
	2011	2010	2011	2010	2009	2008	2007
Net cash provided by operating activities	$ 129.6	$ 67.1	$342.7	$ 331.0	$406.1	$227.2	$230.6
Provision for doubtful accounts	(6.1)	(1.6)	(21.0)	(16.4)	(30.7)	(23.0)	(28.5)
Professional fees—accounting, tax, and legal	4.8	3.4	21.0	17.2	8.8	44.4	51.6
Interest expense and amortization of debt discounts	23.1	34.2	119.4	125.6	125.7	159.3	229.2
UBS Settlement proceeds, gross	-	-	-	-	(100.0)	-	-
Equity in net income of nonconsolidated affiliates	3.2	2.6	12.0	10.1	4.6	10.6	10.3
Net income attributable to noncontrolling interests in continuing operations	(12.5)	(10.6)	(47.0)	(40.9)	(33.3)	(29.8)	(31.1)
Amortization of debt discounts and fees	(0.9)	(1.2)	(4.2)	(6.3)	(6.6)	(6.5)	(7.8)
Distributions from nonconsolidated affiliates	(3.3)	(3.4)	(13.0)	(8.1)	(8.6)	(10.9)	(5.3)
Current portion of income tax expense (benefit)	2.1	4.6	0.6	2.9	(7.0)	(72.8)	(330.4)
Change in assets and liabilities	(15.9)	16.9	49.9	2.8	(2.1)	50.6	5.5
Net premium paid on bond issuance/redemption	-	-	22.8	-	-	-	-
Change in government, class action and related settlements liability	(2.0)	2.1	(8.5)	2.9	11.2	7.4	171.4
Cash used in (provided by) operating activities of discontinued operations	0.3	(2.8)	(9.1)	(13.2)	(5.7)	(32.5)	(3.3)
Other	0.5	0.8	0.6	2.0	1.3	(1.4)	14.5
Adjusted EBITDA	$ 122.9	$112.1	$466.2	$ 409.6	$363.7	$322.6	$306.7

Reconciliation of Net Income to Adjusted EBITDA [1][3]

(in millions, except per share data)	2011 Q1 Total	2011 Q1 Per Share	2011 Q2 Total	2011 Q2 Per Share	2011 Q3 Total	2011 Q3 Per Share	2011 Q4 Total	2011 Q4 Per Share	2011 Full Year Total	2011 Full Year Per Share
Net income	$ 91.5		$ 32.3		$ 68.3		$ 62.5		$ 254.6	
(Income) loss from disc ops, net of tax, attributable to HealthSouth	(17.6)		(2.5)		(34.8)		5.0		(49.9)	
Net income attributable to noncontrolling interests	(11.7)		(10.4)		(11.3)		(12.5)		(45.9)	
Income from continuing operations attributable to HealthSouth [2]	62.2	$ 0.57	19.4	$ 0.14	22.2	$ 0.17	55.0	$ 0.50	158.8	$ 1.42
Gov't, class action, and related settlements	-		(10.6)		-		(1.7)		(12.3)	
Pro fees - acct, tax, and legal	3.8		8.4		4.0		4.8		21.0	
Provision for income tax (benefit) expense	(7.4)		11.2		18.1		15.2		37.1	
Interest expense and amortization of debt discounts and fees	35.1		34.9		26.3		23.1		119.4	
Depreciation and amortization	19.5		19.6		19.5		20.2		78.8	
Loss on early extinguishment of debt	-		26.1		12.7		-		38.8	
Net noncash loss on disposal of assets	0.1		1.0		2.8		0.4		4.3	
Stock-based compensation expense	4.2		5.3		4.9		5.9		20.3	
Adjusted EBITDA [1][3]	$ 117.5		$ 115.3		$ 110.5		$ 122.9		$ 466.2	
Weighted average common shares outstanding:										
Basic		93.1		93.3		93.3		93.3		93.3
Diluted		109.0		109.5		109.2		109.1		109.2

(1) (2) (3) – Notes on page 26.

HEALTHSOUTH

Reconciliation of Net Income to Adjusted EBITDA [1][3]

	2010									
	Q1		Q2		Q3		Q4		Full Year	
(in millions, except per share data)	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
Net income	$ 50.5		$ 57.5		$ 41.9		$ 789.9		$ 939.8	
Income from disc ops, net of tax, attributable to HealthSouth	(1.2)		(3.4)		(3.4)		(1.2)		(9.2)	
Net income attributable to noncontrolling interests	(9.8)		(10.2)		(10.1)		(10.7)		(40.8)	
Income from continuing operations attributable to HealthSouth [2]	39.5	$ 0.36	43.9	$ 0.40	28.4	$ 0.24	778.0	$ 7.15	889.8	$ 8.20
Gov't, class action, and related settlements	-		-		0.8		0.3		1.1	
Pro fees - acct, tax, and legal	2.9		5.7		5.2		3.4		17.2	
Loss (gain) on interest rate swaps	4.3		(0.3)		9.0		0.3		13.3	
Provision for income tax expense (benefit)	2.4		(1.3)		(0.4)		(741.5)		(740.8)	
Interest expense and amortization of debt discounts and fees	30.5		30.1		30.8		34.2		125.6	
Depreciation and amortization	17.5		17.8		18.4		19.4		73.1	
Net noncash loss on disposal of assets	-		0.4		0.1		0.9		1.4	
Loss on early extinguishment of debt	0.3		0.1		-		11.9		12.3	
Stock-based compensation expense	3.8		4.0		3.4		5.2		16.4	
Other	-		-		0.2		-		0.2	
Adjusted EBITDA [1][3]	$ 101.2		$ 100.4		$ 95.9		$ 112.1		$ 409.6	
Weighted average common shares outstanding:										
Basic		92.7		92.8		92.8		92.8		92.8
Diluted		108.0		108.2		108.3		108.8		108.5

(1) (2) (3) – Notes on page 26.

Reconciliation of Net Income to Adjusted EBITDA [1] [3]

(in millions, except per share data)	Full Year 2008 Total	Full Year 2008 Per Share	Full Year 2009 Total	Full Year 2009 Per Share
Net income	$ 281.8		$ 128.8	
Income from disc ops, net of tax, attributable to HealthSouth	(32.5)		(17.7)	
Net income attributable to noncontrolling interests	(29.4)		(34.0)	
Income from continuing operations attributable to HealthSouth [2]	219.9	$ 2.28	77.1	$ 0.58
Gain on UBS Settlement	(121.3)		-	
Gov't, class action, and related settlements	(67.2)		36.7	
Pro fees - acct, tax, and legal	44.4		8.8	
Loss on interest rate swaps	55.7		19.6	
Provision for income tax benefit	(69.1)		(2.9)	
Interest expense and amortization of debt discounts and fees	159.3		125.7	
Depreciation and amortization	78.9		67.6	
Impairment charges, including investments	2.4		1.4	
Net noncash loss on disposal of assets	2.0		3.4	
Loss on early extinguishment of debt	5.9		12.5	
Stock-based compensation expense	11.7		13.4	
Other	-		0.4	
Adjusted EBITDA [1][3]	$ 322.6		$ 363.7	
Weighted average common shares outstanding:				
Basic		83.0		88.8
Diluted		96.4		103.3

(1) (2) (3) – Notes on page 26.

Reconciliation of Net Income to Adjusted EBITDA [1] [3]

(in millions, except per share data)	2007 Total	2007 Per Share
Net income	$ 718.7	
Income from disc ops, net of tax, attributable to HealthSouth	(462.4)	
Net income attributable to noncontrolling interests	(65.3)	
Income from continuing operations attributable to HealthSouth [2]	191.0	$ 2.08
Gov't, class action, and related settlements	(2.8)	
Pro fees - acct, tax, and legal	51.6	
Loss on interest rate swaps	30.4	
Provision for income tax benefit	(325.6)	
Interest expense and amortization of debt discounts and fees	229.2	
Depreciation and amortization	71.3	
Impairment charges, including investments	15.1	
Net noncash loss on disposal of assets	7.3	
Loss on early extinguishment of debt	28.2	
Stock-based compensation expense	10.6	
Other	0.4	
Adjusted EBITDA [1][3]	$ 306.7	
Weighted average common shares outstanding:		
Basic		78.7
Diluted		92.0

(1) (2) (3) – Notes on page 26.

Reconciliation Notes for Slides 22-25

1. Adjusted EBITDA is a non-GAAP financial measure. The Company's leverage ratio (total consolidated debt to Adjusted EBITDA for the trailing four quarters) is, likewise, a non-GAAP financial measure. Management and some members of the investment community utilize Adjusted EBITDA as a financial measure and the leverage ratio as a liquidity measure on an ongoing basis. These measures are not recognized in accordance with GAAP and should not be viewed as an alternative to GAAP measures of performance or liquidity. In evaluating Adjusted EBITDA, the reader should be aware that in the future HealthSouth may incur expenses similar to the adjustments set forth.
2. Per share amounts for each period presented are based on diluted weighted average shares outstanding unless the amounts are antidilutive, in which case the per share amount is calculated using the basic share count after subtracting the $6.5 million per quarter dividend on the convertible perpetual preferred stock. The difference in shares between the basic and diluted shares outstanding is primarily related to our convertible perpetual preferred stock.
3. Adjusted EBITDA is a component of our guidance.