HEALTHSOUTH®



Goldman Sachs Leveraged Finance Healthcare Conference 2012
New York | May 1, 2012

Ed Fay, SVP and Treasurer

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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.

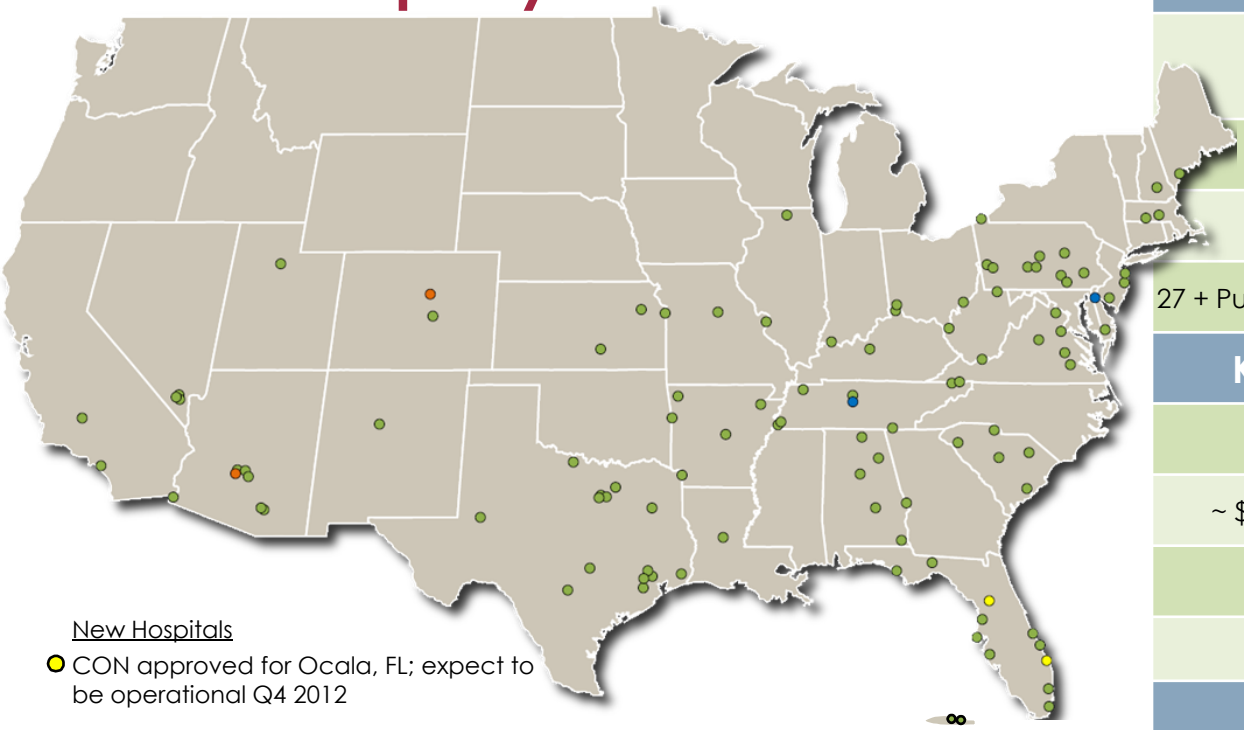
All such estimates, projections and forward-looking information speak only as of the date hereof. HealthSouth undertakes no duty to publicly update or revise the information contained herein.

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, the Form 10-Q for the quarter ended March 31, 2012, 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 April 26, 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

- 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 March 31, 2012

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 – Trailing 4 Quarters

~ 22,000	Employees
~ $2.1 Billion	Revenue
120,098	Inpatient Discharges
937,921	Outpatient Visits

Patients Served

Most Common Conditions (Q1 2012):

1. Neurological	18.7%
2. Stroke	17.2%
3. Fracture of the lower extremity	10.2%
4. Debility	9.9%
5. Other orthopedic conditions	9.5%

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.

Our Hospitals





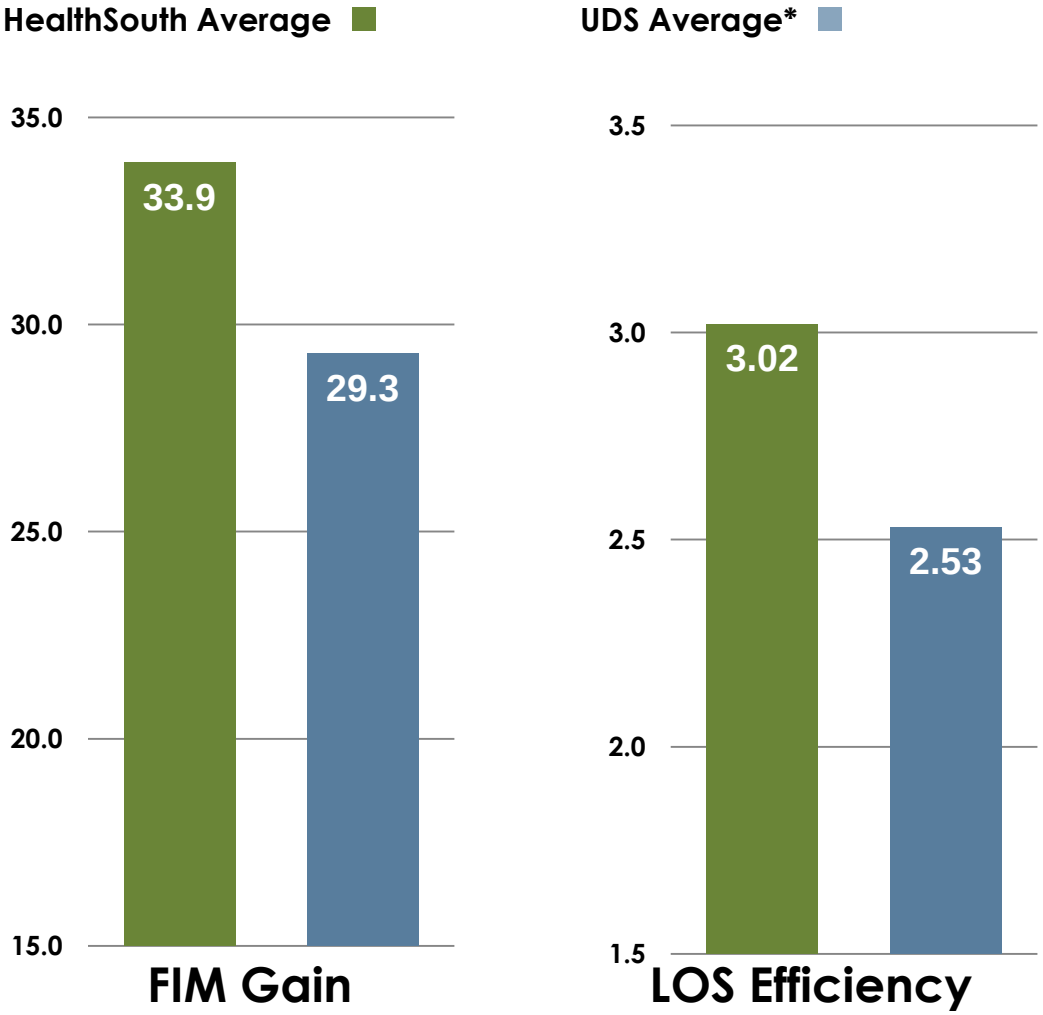


Major Services

- **Rehabilitation Physicians:** manage and treat medical needs of patients
- **Rehabilitation Nurses:** oversee treatment programs of patients
- **Physical Therapists:** address physical function, mobility, safety
- **Occupational Therapists:** promote independence and re-integration
- **Speech-Language Therapists:** treat communication and swallowing disorders
- **Case Managers:** coordinate care plan with physician, caregivers and family
- **Post-discharge services:** outpatient therapy and home health

Q1 2012 Summary (Q1 2012 vs. Q1 2011)

✓ HealthSouth Functional Outcomes Continue to Outpace Industry Average



FIM Gain
Change in Functional Independence Measurement (based on an 18 point assessment) from admission to discharge.

LOS Efficiency
Functional gain divided by length of stay.

* Average = Expected, Risk-adjusted

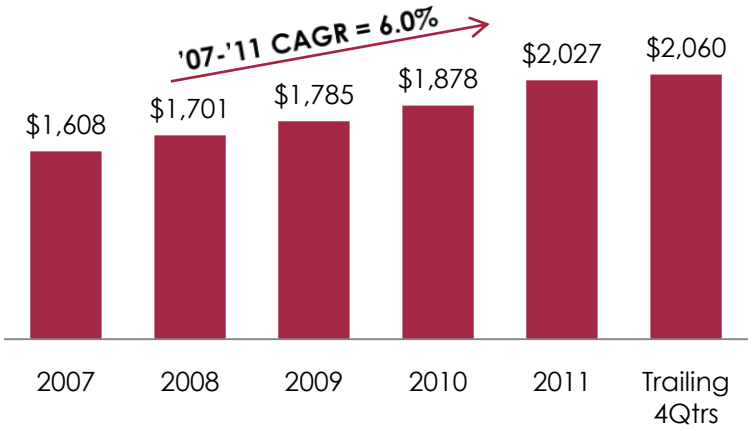
Source: UDSmr Database – On Demand Report: **Q1 2012 Report**

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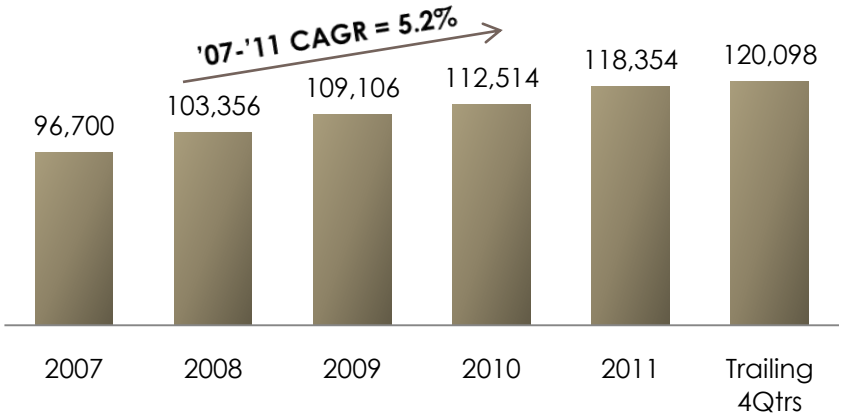
Our Track Record

($ in millions)

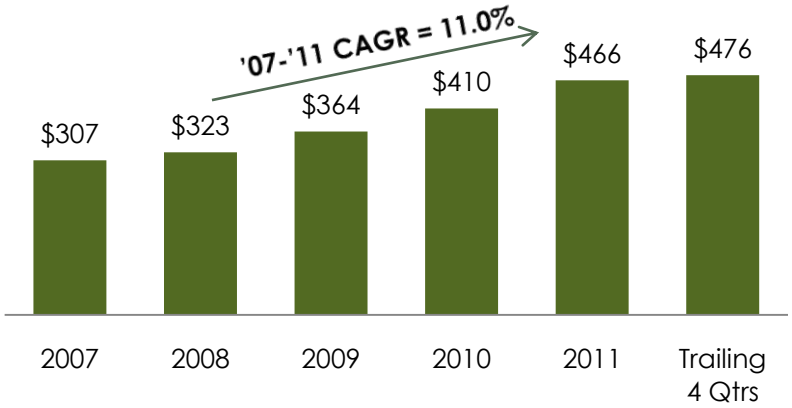
Revenue



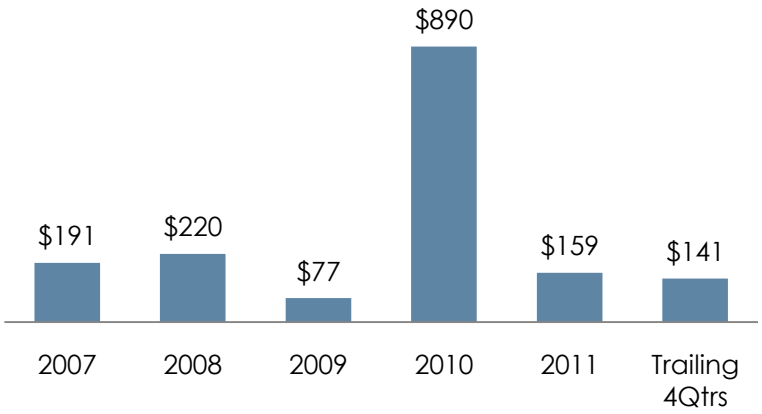
Discharge Volume



Adjusted EBITDA (1)



Income from Continuing Operations Attributable to HealthSouth (2)



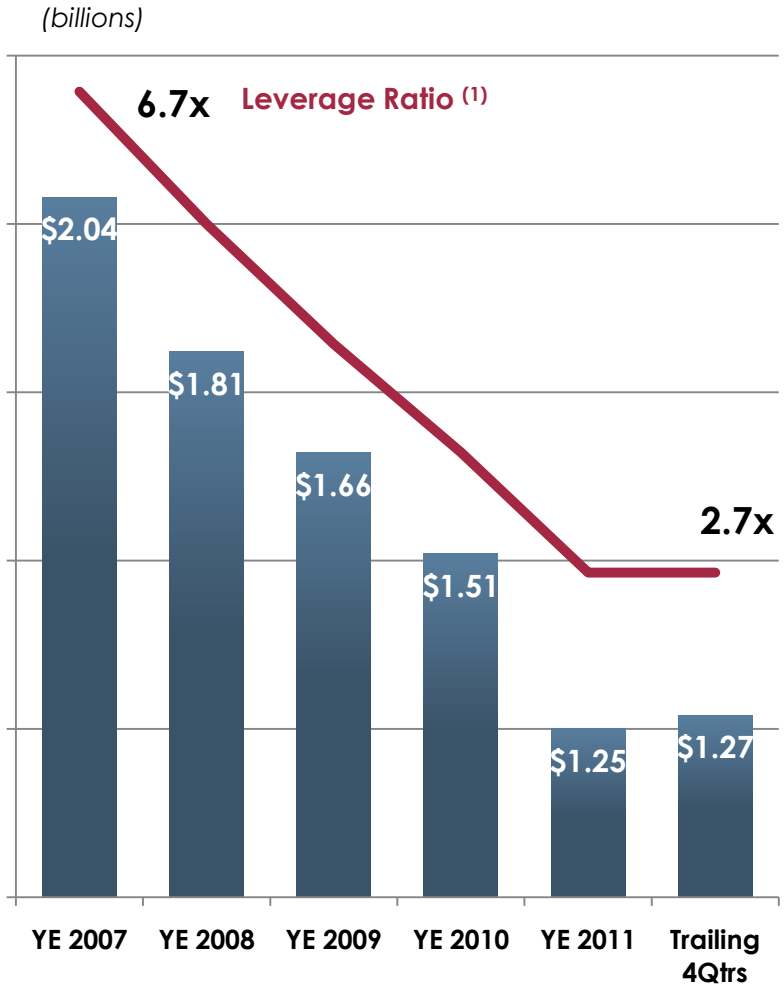
(1) Reconciliation to GAAP provided on slides 25 - 29.

(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.

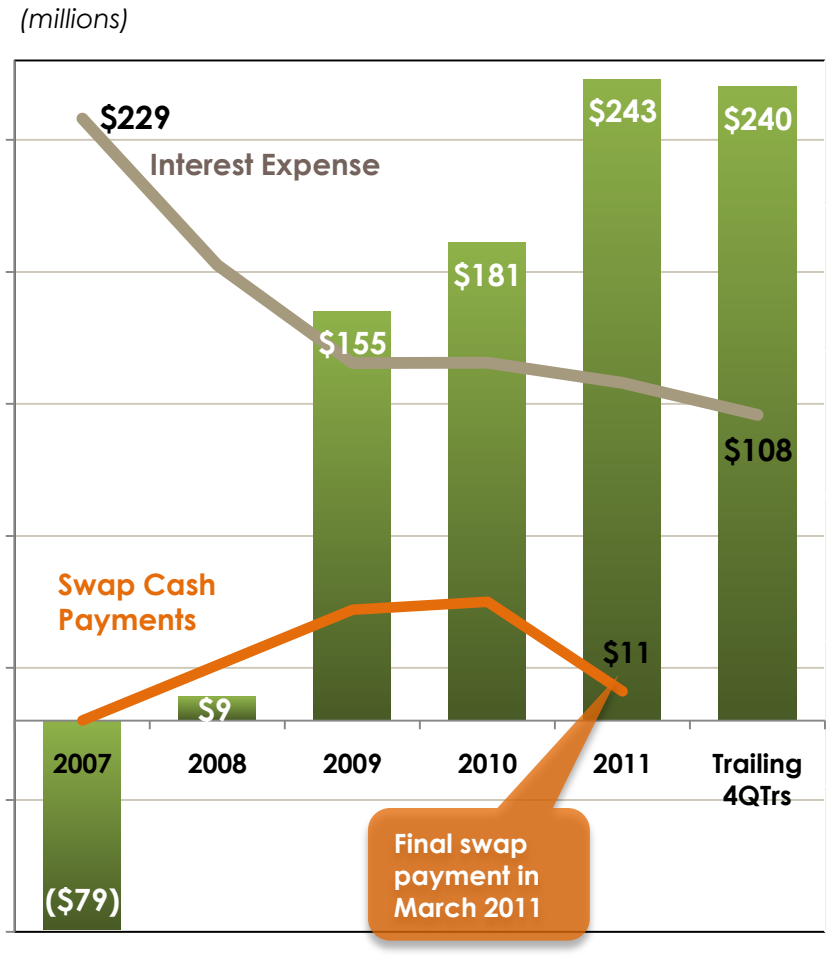
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Our Track Record

Total Debt



Adjusted Free Cash Flow (1)



(1) Based on 2007 and trailing 4 Qtrs Adjusted EBITDA of $306.7 million and $475.7 million, respectively; reconciliation to GAAP provided on slides 25 – 29.

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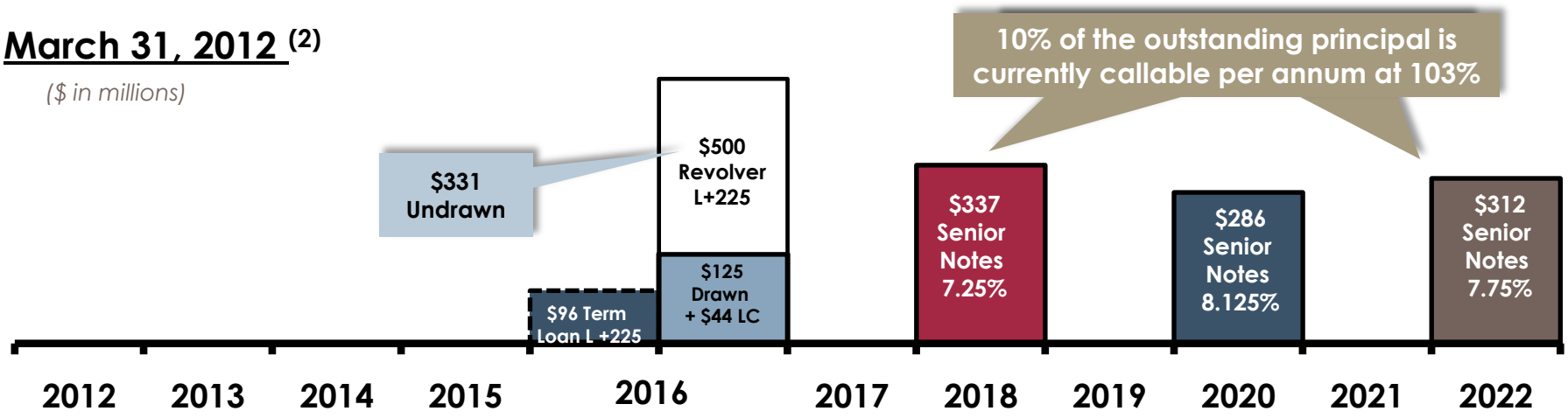
Debt Maturity Profile

HealthSouth is now positioned with a lower-cost, flexible capital structure…

- Additional debt pre-payment opportunities and flexible covenants (1)
- No near-term maturities and well-spaced debt maturities
- Limited exposure to higher interest rates

March 31, 2012 (2)

($ in millions)



(1) The credit agreement has a $200 million restricted payment basket for debt repayment and stock repurchases, which is subject to an annual grower basket equal to 50% of excess cash flow plus certain other amounts including net cash proceeds from certain equity issuances.

(2) Does not include $363.2 million of convertible perpetual preferred stock and capital leases and other note payables.

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Adjusted Free Cash Flow [1] Considerations

- **2012 adjusted free cash flow growth reflects increased maintenance capital expenditures and working capital.**
- **Multi-year adjusted free cash flow CAGR of 12% to 17%**

Certain Cash Flow Items [2] (millions)	2011 Actual	Q1 2012 Actual	2012 Assumptions
Cash interest expense [3]	$115.2	$22.4	$92
Cash payments for taxes	$9.1	$2.5	$7 to $10
Working capital	$10.6	$31.0	$30-$40
Maintenance CAPEX	$50.8	$19.1	$75 to $85
Net cash swap-related settlements	$10.9	-	-
Dividends paid on preferred stock [4]	$26	$6.8	$25.1

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 24
(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) Net of amortization of debt and discounts and fees
(4) Q1 2012 includes cash dividend payments of $6.5 million for dividends declared in Q4 2011 and paid in Q1 2012 plus $0.3 million for cumulative dividends paid for the shares repurchased in Q12012. Assumptions for 2012 include the $6.8 Q1 2012 dividends paid plus expected cash dividends of $6.1 million for each of the remaining three quarters.

Priorities for Reinvesting Free Cash Flows

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

(millions)

	2012 Assumptions	Q1 2012 Actual
Bed expansions (80-100 beds)	$20 to $25	$5.5
De novo hospitals (complete Ocala; start 4 others)	$50 to $70	$9.2
Acquisitions (target 2/year)	TBD	-
	$70 to $95, excluding acquisitions	$14.7

Alternate Opportunities

Debt Reduction

	Q1 2012 Actual
Debt prepayment	-
Purchase leased properties (limited opportunity)	-

Shareholder Distribution

	Q1 2012 Actual
Convertible preferred stock repurchase ($125 million authorization)	$25.0
Common share repurchase ($125 million authorization)	-
Cash dividends (one time or regular)	-
	$25.0

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

2012 Guidance – Adjusted EBITDA [1]

2012 Adjusted EBITDA
$475 million to $485 million

Based on results of Q1 2012, HealthSouth expects its 2012 full year results to be at the high end of, or greater than, this guidance range.

Considerations:

- ✓ **Revenue growth of 3.8% to 5.2% (April through December 2012)**
  - — Discharge growth between 2.5% and 3.5% (April through December 2012)
  - — Revenue per discharge growth between 2.0% and 2.5% (April through December 2012)
  - — 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**
- ✓ **Higher workers' compensation expense of approx. $5 million primarily as a result of favorable actuarial adjustments in 2011**
- ✓ **Q4 2011 Adjusted EBITDA benefited by $2.4 million for nonrecurring franchise tax recovery**

[1] Reconciliation to GAAP provided on slides 25, 26, 28, and 29.

2012 Guidance - EPS

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

$1.32 to $1.39

Based on results of Q1 2012, HealthSouth expects its 2012 full year results to be at the high end of, or greater than, this guidance range.

	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% in 2011 [2]
- ✓ 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 dividends related to our convertible perpetual preferred stock must be subtracted from income from continuing operations when calculating basic earnings per share.

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Income Tax Considerations

GAAP Considerations:

- As of 3/31/12, the Company had an ending balance of approx. $1.2 billion in federal NOLs and a remaining valuation allowance of approx. $50 million, primarily related to state NOLs.
- 2011 effective tax rate was approx. 19% (1)(2)
- Expect effective tax rate of approx. 40% (1) going forward

Future Cash Tax Payments:

- The Company expects to pay approx. $7 million to $10 million per year of income tax.
- HealthSouth is not currently subject to an annual use limitation ("AUL") under Internal Revenue Code Section 382 ("Section 382"). A "change of ownership," as defined by Section 382, would subject the Company to an AUL, which is equal to the market capitalization of the Company at the time of the "change of ownership" multiplied by the long-term tax exempt rate.

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

(2) 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

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)		
Core 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 Growth			**Consider opportunistic, disciplined acquisitions** of complementary post-acute services	
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			

Key Considerations:
- Regulatory clarity
- Market conditions
- Purchase price and terms and conditions

(1) Reconciliation to GAAP provided on slides 24, 25, 28, and 29.
(2) These are multi-year CAGRs; annual results may fall outside the range.
(3) Exclusive of any E&Y recovery.

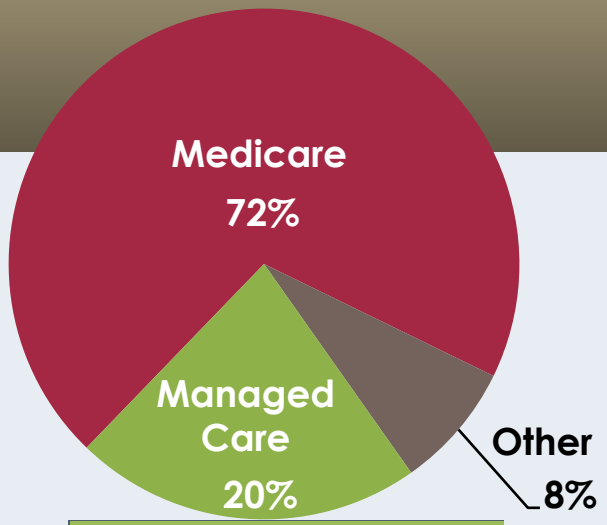
Business Outlook: Revenue Assumptions

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%	2.9%	2.9%
Healthcare reform reduction	10 bps	10 bps	30 bps
Productivity adjustment (2)	100 bps	90 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, CMS Current Economic Index for FY 2013, and management estimates for 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 in 2013.

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Business Outlook: Expense Assumptions

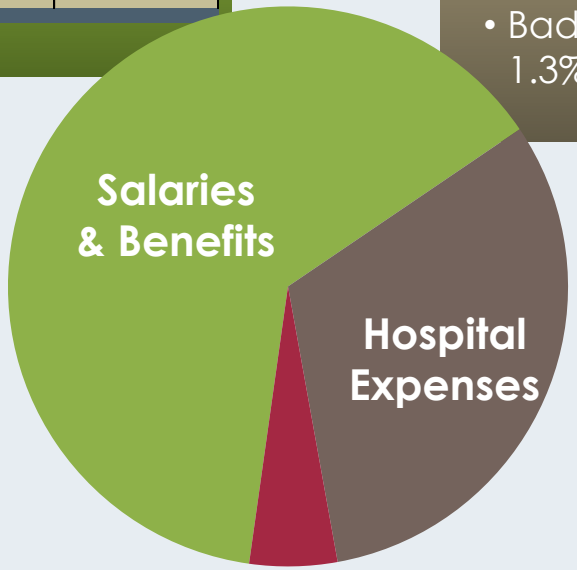
Expense

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%



General and Administrative

~4.5% of revenue

(excludes stock-based compensation)

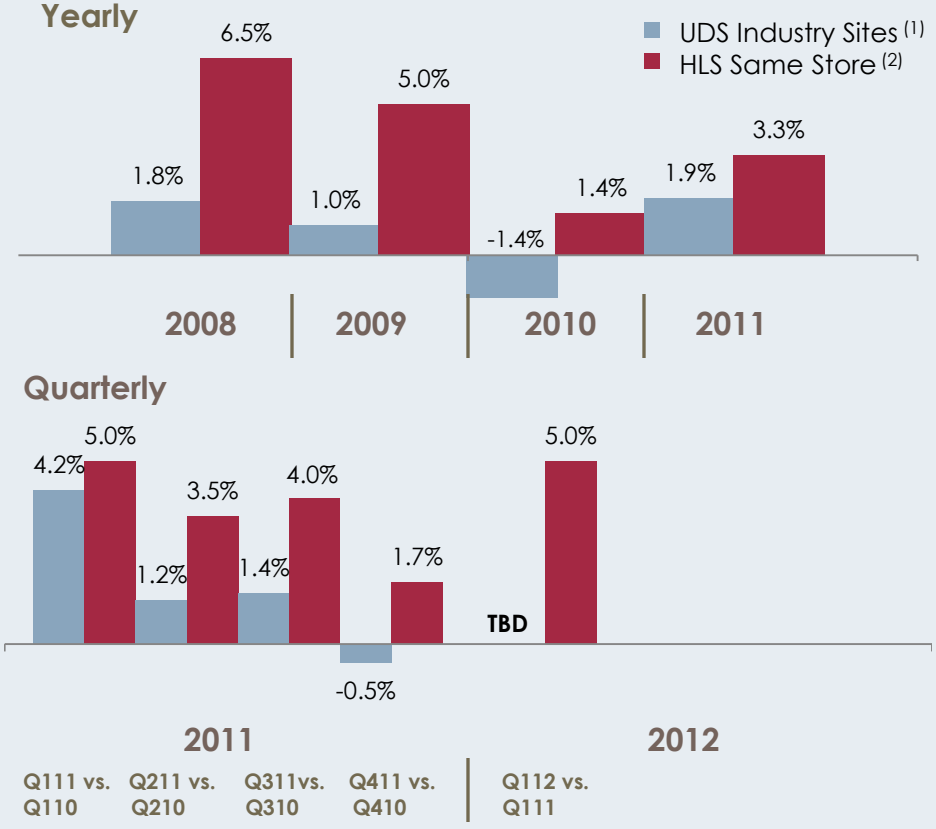
(1) Salaries, Wages and Benefits: ~ 90% Salaries and Wages; ~10% Benefits.

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

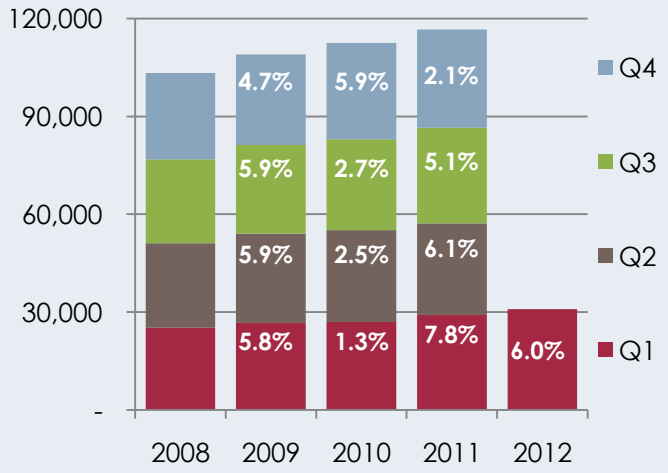
Historic Discharge Growth vs. Industry

HealthSouth's volume growth has outpaced competitors'

Same Store HealthSouth vs. Industry



Quarterly Discharge Growth



Yearly Discharge Growth	6.9%	5.6%	3.1%	5.2%

- TeamWorks = standardized and enhanced sales & 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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Our Cost-Effectiveness

Total Inpatient Rehabilitation Facilities (IRFs): 1,152

		Avg. Beds per IRF	Avg. Medicare Discharges per IRF [2]	Avg. Est. Total Payment per Discharge for FY 2011	Avg. Est. Total Cost per Discharge for FY 2011
HLS [1] =	96	68	932	$16,800	$13,002
Free-standing (Non-HLS) =	136	53	593	$18,111	$16,274
Hospital Units =	920	23	247	$17,820	$18,522
Total	1,152	30	345	$17,649	$16,824

HealthSouth differentiates itself by providing superior quality care at a lower cost.

(1) The 96 for HLS does not include HealthSouth Sugar Land Rehabilitation Hospital, purchased in September 2010; it was included in the 136 non-HLS freestanding. Also, does not include HealthSouth Rehabilitation Hospital of Cypress, TX, which opened in October 2011, or HealthSouth Rehabilitation Hospital at Drake, which opened in December 2011.

(2) In 2011, HealthSouth averaged 1,233 total Medicare and non-Medicare discharges per hospital in its 96 consolidated hospitals.

Source: FY 2012 CMS Rate Setting File – Correction Notice – see next page

CMS Fiscal Year 2012 IRF Rate Setting File Analysis

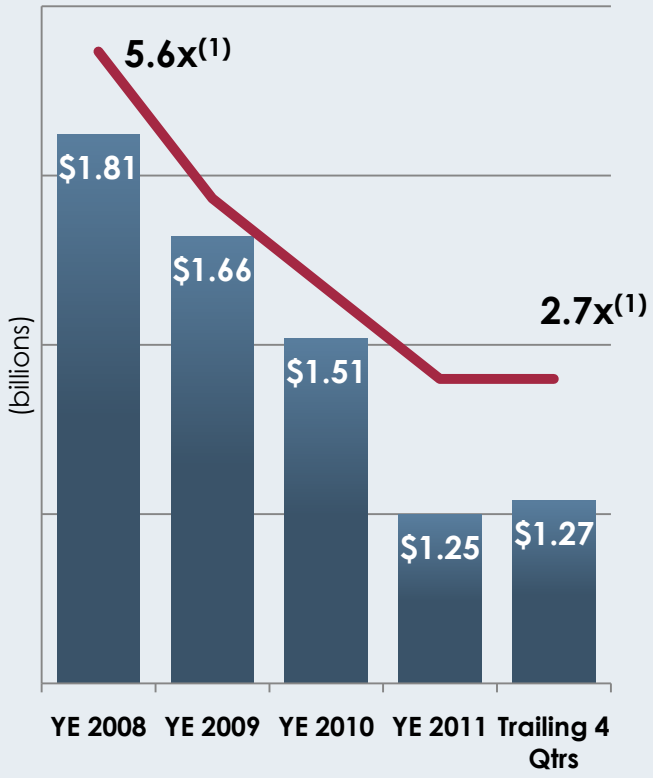
Notes:

(1) All data provided was filtered and compiled from the Centers for Medicare and Medicaid Services (CMS) Fiscal Year 2012 IRF rate setting Correction Notice file found at http://www.cms.gov/InpatientRehabFacPPS/07_DataFiles.asp#. The data presented was developed entirely by CMS and is based on its definitions which are different in form and substance from the criteria HealthSouth uses for external reporting purposes. Because CMS does not provide its detailed methodology, HealthSouth is not able to reconstruct the CMS projections or the calculation.

(2) The CMS file contains data for each of the 1,152 inpatient rehabilitation facilities used to estimate the policy updates for the FY 2012 IRF-PPS Final Rule. Most of the data represents historical information from the CMS fiscal year 2010 period and does not reflect the same HealthSouth hospitals in operation today. The data presented was separated into three categories: Freestanding, Units, and HealthSouth. HealthSouth is a subset of Freestanding and the Total.

Debt and Liquidity

Debt Outstanding



Liquidity

	March 31, 2012	Dec. 31, 2011
Cash Available	$ 44.3	$ 30.1
Revolver Total Line	$ 500.0	$ 500.0
Less:		
– Draws	(125.0)	(110.0)
– Letters of credit	(44.4)	(44.6)
Available	$ 330.6	$ 345.4
Total Liquidity	$ 374.9	$ 375.5

Credit Ratings

	S&P	Moodys
Corporate Rating	B+ Positive	B1 Positive
Revolver Rating	BB	Ba1
Senior Notes Rating	B+	B2

(1) Based on 2008 and trailing 4 quarters Adjusted EBITDA of $322.6 million and $475.7 million, respectively; reconciliation to GAAP provided on slides 25 - 29.

Debt Schedule

(Millions) Corporate	Credit Rating S&P B+	Credit Rating Moody B1	March 31, 2012	Dec. 31, 2011	Change in Debt vs. YE 2011
Advances under $500 million revolving credit facility, May 2016 - 3 Month LIBOR +225bps	BB	Ba1	$ 125.0	$ 110.0	$ 15.0
Term loan facility, May 2016 - 3 Month LIBOR +225bps	BB	Ba1	96.3	97.5	(1.2)
Bonds Payable:					
7.25% Senior Notes due 2018	B+	B2	336.7	336.7	-
8.125% Senior Notes due 2020	B+	B2	285.9	285.8	0.1
7.75% Senior Notes due 2022	B+	B2	311.9	312.0	(0.1)
Other bonds payable			1.5	1.5	-
Other notes payable			35.0	35.3	(0.3)
Capital lease obligations			73.0	75.9	(2.9)
Long-term debt			**$ 1,265.3**	**$ 1,254.7**	**$ 10.6**
Debt to Adjusted EBITDA [1]			**2.7x**	**2.7x**	

(1) Based on 4 Qtr trailing and 2011 Adjusted EBITDA of $475.7 million and $466.2 million, respectively; reconciliation to GAAP provided on slides 25, 26, 28, and 29.

Adjusted Free Cash Flow

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

	Q1		Full Year				
(Millions)	**2012**	**2011**	**2011**	**2010**	**2009**	**2008**	**2007**
Net cash provided by operating activities	$ 81.0	$ 89.5	$ 342.7	$ 331.0	$ 406.1	$ 227.2	$ 230.6
Impact of discontinued operations	(0.4)	(2.1)	(9.1)	(13.2)	(5.7)	(32.5)	(3.3)
Net cash provided by operating activities of continuing operations	80.6	87.4	333.6	317.8	400.4	194.7	227.3
Capital expenditures for maintenance [1]	(19.1)	(9.1)	(50.8)	(37.9)	(33.2)	(41.5)	(22.4)
Net settlements on interest rate swaps [2]	-	(10.9)	(10.9)	(44.7)	(42.2)	(20.7)	0.1
Dividends paid on convertible perpetual preferred stock	(6.8) [3]	(6.5)	(26.0)	(26.0)	(26.0)	(26.0)	(26.0)
Distributions paid to noncontrolling interests of consolidated affiliates	(13.1)	(13.7)	(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 (received) on bond issuance/redemption	-	(4.1)	22.8	-	-	-	-
Cash paid for professional fees - accounting, tax and legal	3.6	3.8	21.0	17.2	15.3	18.2	51.6
Cash paid for government, class action and related settlements	-	4.3	5.7	2.9	11.2	7.4	171.4
Income tax refunds related to prior periods	-	(3.0)	(7.9)	(13.5)	(63.7)	(89.4)	(457.7)
Adjusted free cash flow	**$ 45.2**	**$ 48.2**	**$ 243.3**	**$ 181.4**	**$ 155.4**	**$ 9.3**	**$ (79.1)**

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

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

(3) Includes cash dividend payments of $6.5 million for dividends declared in Q4 2011 and paid in Q1 2012, plus $0.3 million for cumulative dividends paid for the shares repurchased in Q1 2012.

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

(in millions, except per share data)	2012 Q1 Total	2012 Q1 Per Share
Net income	$ 56.8	
Loss from disc ops, net of tax, attributable to HealthSouth	0.4	
Net income attributable to noncontrolling interests	(12.6)	
Income from continuing operations attributable to HealthSouth [2]	44.6	$ 0.40
Pro fees - acct, tax, and legal	3.6	
Provision for income tax expense	29.1	
Interest expense and amortization of debt discounts and fees	23.3	
Depreciation and amortization	19.5	
Net noncash loss on disposal of assets	0.8	
Stock-based compensation expense	6.1	
Adjusted EBITDA [1][3]	$ 127.0	
Weighted average common shares outstanding:		
Basic		94.5
Diluted		108.7

(1) (2) (3) – Notes on page 28.

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 28.

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

(in millions, except per share data)	Full Year 2007 Total	2007 Per Share	2008 Total	2008 Per Share	2009 Total	2009 Per Share	2010 Total	2010 Per Share
Net income	$ 718.7		$ 281.8		$ 128.8		$ 939.8	
Income from disc ops, net of tax, attributable to HealthSouth	(462.4)		(32.5)		(17.7)		(9.2)	
Net income attributable to noncontrolling interests	(65.3)		(29.4)		(34.0)		(40.8)	
Income from continuing operations attributable to HealthSouth [2]	191.0	$ 2.08	219.9	$ 2.28	77.1	$ 0.58	889.8	$ 8.20
Gain on UBS Settlement	-		(121.3)		-		-	
Gov't, class action, and related settlements	(2.8)		(67.2)		36.7		1.1	
Pro fees - acct, tax, and legal	51.6		44.4		8.8		17.2	
Loss on interest rate swaps	30.4		55.7		19.6		13.3	
Provision for income tax benefit	(325.6)		(69.1)		(2.9)		(740.8)	
Interest expense and amortization of debt discounts and fees	229.2		159.3		125.7		125.6	
Depreciation and amortization	71.3		78.9		67.6		73.1	
Impairment charges, including investments	15.1		2.4		1.4		-	
Net noncash loss on disposal of assets	7.3		2.0		3.4		1.4	
Loss on early extinguishment of debt	28.2		5.9		12.5		12.3	
Stock-based compensation expense	10.6		11.7		13.4		16.4	
Other	0.4		-		0.4		0.2	
Adjusted EBITDA [1][3]	$ 306.7		$ 322.6		$ 363.7		$ 409.6	
Weighted average common shares outstanding:								
Basic		78.7		83.0		88.8		92.8
Diluted		92.0		96.4		103.3		108.5

(1) (2) (3) – Notes on page 28.

HEALTHSOUTH

Reconciliation Notes for Slides 25-27

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 quarterly 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.

Adjusted EBITDA Reconciled to Net Cash Provided by Operating Activities

	Q1		Full Year				
(Millions)	2012	2011	2011	2010	2009	2008	2007
Net cash provided by operating activities	$ 81.0	$ 89.5	$342.7	$ 331.0	$406.1	$227.2	$230.6
Provision for doubtful accounts	(6.3)	(4.8)	(21.0)	(16.4)	(30.7)	(23.0)	(28.5)
Professional fees—accounting, tax, and legal	3.6	3.8	21.0	17.2	8.8	44.4	51.6
Interest expense and amortization of debt discounts and fees	23.3	35.1	119.4	125.6	125.7	159.3	229.2
UBS Settlement proceeds, gross	-	-	-	-	(100.0)	-	-
Equity in net income of nonconsolidated affiliates	3.3	2.5	12.0	10.1	4.6	10.6	10.3
Net income attributable to noncontrolling interests in continuing operations	(12.6)	(11.8)	(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)	(2.7)	(13.0)	(8.1)	(8.6)	(10.9)	(5.3)
Current portion of income tax expense (benefit)	2.1	(2.1)	0.6	2.9	(7.0)	(72.8)	(330.4)
Change in assets and liabilities	36.9	10.9	49.9	2.8	(2.1)	50.6	5.5
Net premium paid on bond issuance/redemption	-	(4.1)	22.8	-	-	-	-
Change in government, class action and related settlements liability	-	4.3	(8.5)	2.9	11.2	7.4	171.4
Cash (provided by) used in operating activities of discontinued operations	(0.4)	(2.1)	(9.1)	(13.2)	(5.7)	(32.5)	(3.3)
Other	0.3	0.2	0.6	2.0	1.3	(1.4)	14.5
Adjusted EBITDA	$ 127.0	$117.5	$466.2	$ 409.6	$363.7	$322.6	$306.7