

Bank of America Merrill Lynch 2013 Leveraged Finance Conference Boca Raton, FL | December 3, 2013

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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, repurchases of securities, 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.

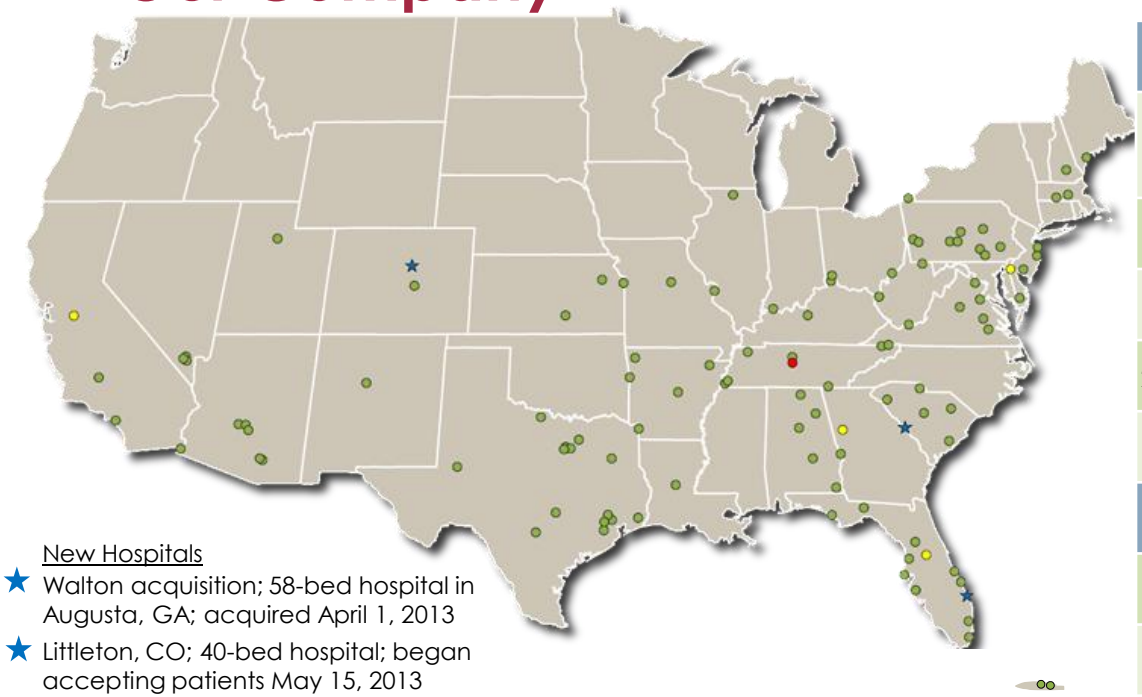
All such estimates, projections and forward-looking information speak only as of the date hereof. HealthSouth undertakes no duty to publicly update or revise the information contained herein.

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, 2012, the Form 10-Q for the quarters ended September 30, 2013, June 30, 2013, and March 31, 2013 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 November 19, 2013, 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

- ★ Walton acquisition; 58-bed hospital in Augusta, GA; acquired April 1, 2013
- ★ Littleton, CO; 40-bed hospital; began accepting patients May 15, 2013
- ★ Stuart, FL; 34-bed hospital; began accepting patients June 5, 2013
- ● CON approved for 50-bed hospital in Altamonte Springs, FL; expect to be operational Q4 2014
- ● CON approved for 50-bed hospital in Newnan, GA; expect to be operational Q4 2014
- ● CON approved for 34-bed hospital in Middletown, DE; expect to be operational Q4 2014
- ● Purchased land for 50-bed hospital in Modesto, CA; expect to be operational in Q4 2015
- ● CON approved for 40-bed hospital in Franklin, TN; under appeal

Portfolio – As of September 30, 2013

103	Inpatient Rehabilitation Hospitals ("IRF") • 31 operate as JV's with Acute Care Hospitals
21	Outpatient Rehabilitation Satellite Clinics
25	Hospital-Based Home Health Agencies
28 + Puerto Rico	Number of States
~ 23,700	Employees

Key Statistics – Trailing 4 Quarters

~ $2.3 Billion	Revenue
128,777	Inpatient Discharges
812,296	Outpatient Visits

Patients Served

Most Common Conditions (Q3 2013):

1. Neurological	22.4%
2. Stroke	16.0%
3. Other orthopedic conditions	9.7%
4. Fracture of the lower extremity	9.4%
5. Debility	8.7%

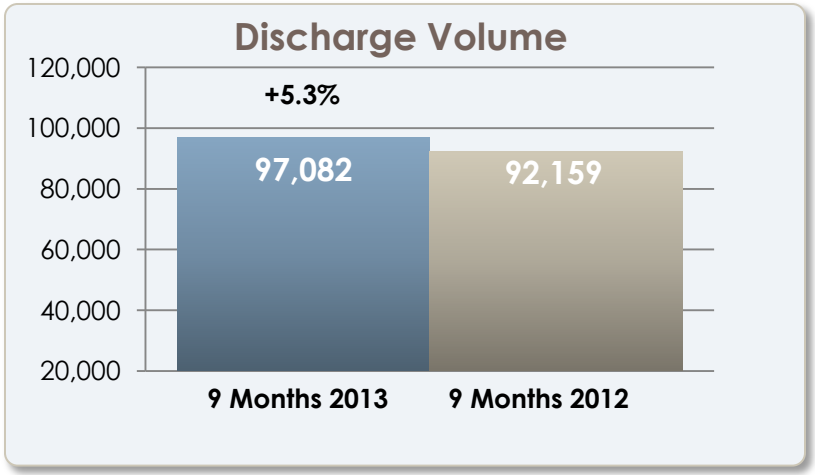
Marketshare

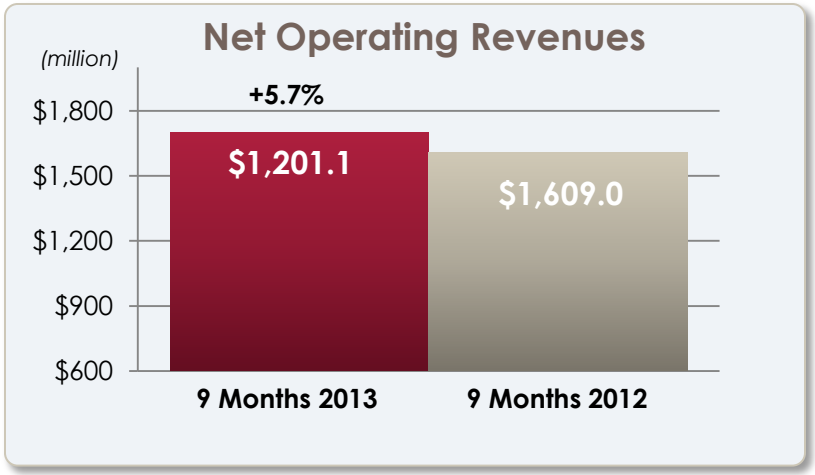
~ 9% of IRFs (Total in U.S. = 1,134)

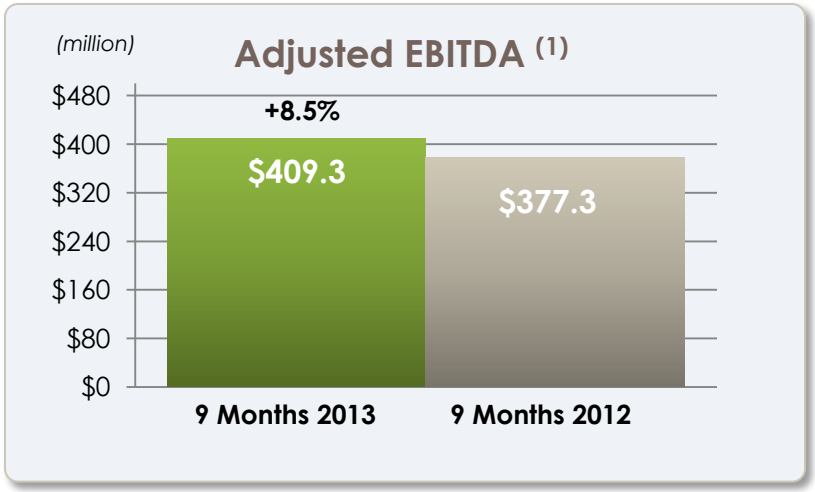
~ 19% of Licensed Beds

~ 21% of Patients Served

Q3 2013 Highlights









(1) Reconciliation to GAAP provided on slides 18, 19, and 23.
(2) Income from continuing operations attributable to HealthSouth per diluted share; 9 months 2013 includes approx. $115 million or $1.12 per diluted share benefit related to a settlement with the IRS.

Highlights

- ✓ **On November 29, 2013, the Company completed the redemption of $30.2 million and $27.9 million of its 7.25% Senior Notes due 2018 and its 7.75% Senior Notes due 2022, respectively.**
- ✓ **On November 18, 2013, the Company closed separate, privately negotiated exchange agreements under which it issued $320 million of 2.0% Convertible Senior Subordinated Notes due 2043 in exchange for 257,110 shares of the Company's 6.5% Series A Convertible Perpetual Preferred Stock (1).**
  - The transaction is cash flow accretive relpacing $16.7 million in preferred dividend payments with $6.4 million in cash interest payments on an annual basis.
  - The Company expects to record approx. $248 million as debt and approx. $72 million as equity.
  - As a result of the transaction, the company expects a $0.63 per share net reduction in earnings per share in 2013 resulting from the approx. $74 million, or $0.84 per basic share repurchase premium on the preferred stock, a decrease in preferred dividends accrued in Q4 2013, an increase in interest expense, plus the impact of calculating EPS on a basic versus diluted share basis.

(1) See note 5 on slide 23

Our Patients

Average Age of a HealthSouth Patient:
- **All patients = 72**
- **Medicare FFS = 76**

Referral Sources

94% Acute Care Hospitals

5% Physician Offices

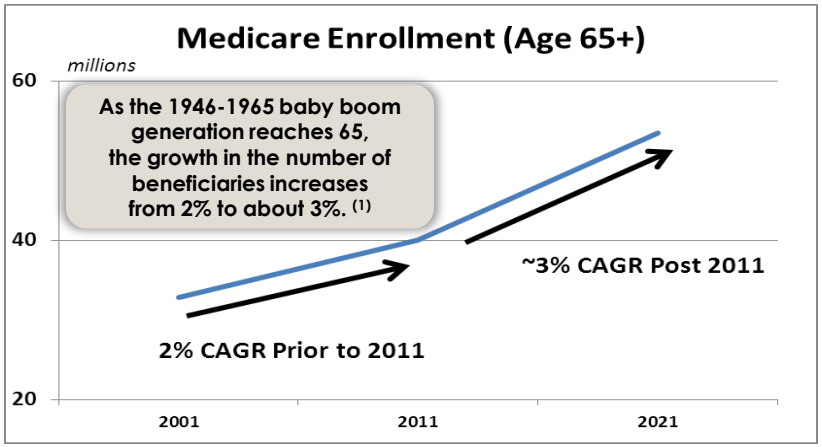
1% Skilled Nursing Facilities

Most Common Conditions (Q3 2013)

1.	Neurological	22.4%
2.	Stroke	16.0%
3.	Other orthopedic conditions	9.7%
4.	Fracture of the lower extremity	9.4%
5.	Debility	8.7%
6.	Brain Injury	8.2%
7.	Knee/Hip replacement	7.8%
8.	Cardiac conditions	3.4%
9.	Spinal cord injury	3.8%
10.	All other	10.6%

Admission to an IRF

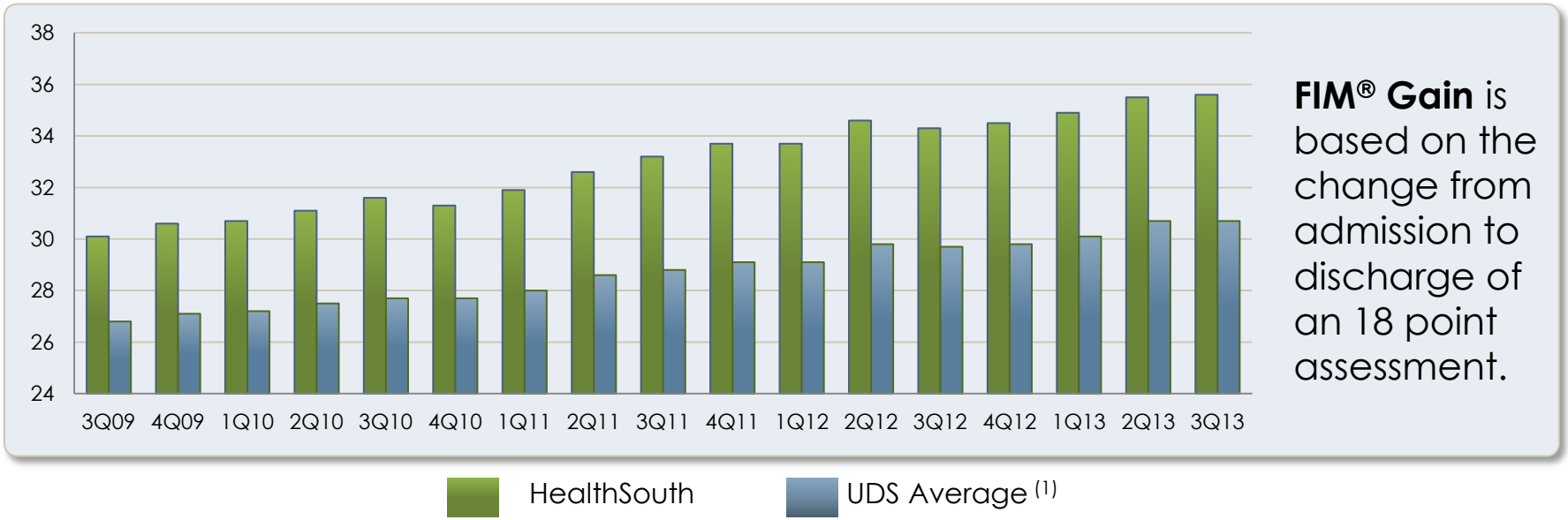
- Physicians and acute care hospital case managers are key decision makers.
- All IRF patients must meet reasonable and necessary criteria and must be admitted by a physician.
- All IRF patients must be medically stable and have potential to tolerate three hours of therapy per day (minimum).
- IRF patients receive 24-hour, 7 days a week nursing care.
- Average length of stay ~13.5 days



(1) 2012 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds – pages 10 and 22

HEALTHSOUTH

Our Quality



FIM® Gain is based on the change from admission to discharge of an 18 point assessment.

- **Inpatient rehabilitation hospitals evaluate all patients at admission and upon discharge to determine their functional status.**
  - FIM® is the tool for measuring functional independence.
- **The difference between the FIM® scores at admission and upon discharge is called the "FIM® Gain."**
  - The greater the FIM® Gain, the greater the patient's level of independence, the better the patient outcome.

(1) The UDS average is the risk adjusted average of a patient mix pulled from the UDS nation (including HealthSouth) that is similar to the HealthSouth actual patient mix. Cases are placed into CMGs by admitting impairment code, functional status at admission, and sometimes age.

FIM® is a registered trademark of Uniform Data System for Medical Rehabilitation, a division of UB Foundation Activities, Inc.

Our Cost-Effectiveness

Total Inpatient Rehabilitation Facilities (IRFs): 1,134

		Avg. Beds per IRF	Avg. Medicare Discharges per IRF [2]	Case Mix Index [3]	Avg. Est. Total Cost per Discharge for FY 2014	Avg. Est. Total Payment per Discharge for FY 2014
HLS [1] =	99	68	918	1.23	$12,194	$17,979
Free-standing (Non-HLS) =	136	52	621	1.20	$16,102	$18,971
Hospital Units =	899	23	231	1.14	$18,925	$18,847
Total	1,134	30	338	1.18	$16,704	$18,668

- The Avg. Est. Total Payment per Discharge has not been reduced by 2% for sequestration [4]
- Medicare pays **HealthSouth** less per discharge, on average, and **HealthSouth** treats a higher acuity patient.
- **HealthSouth differentiates itself by:**
  - ✓ "Best Practices" clinical protocols
  - ✓ Supply chain efficiencies
  - ✓ Sophisticated management information systems
  - ✓ Economies of scale

(1) The 99 for HLS does not include HealthSouth Rehabilitation Hospital of Ocala, FL, which opened in December 2012, HealthSouth Rehabilitation Hospital of Littleton, CO, or HealthSouth Rehabilitation Hospital at Martin Health in Stuart, FL, which opened in Q2 2013. Walton Rehabilitation Hospital is included in "Freestanding (Non-HLS)."

(2) In 2012, HealthSouth averaged 1,264 total Medicare and non-Medicare discharges per hospital in its 98 consolidated hospitals.

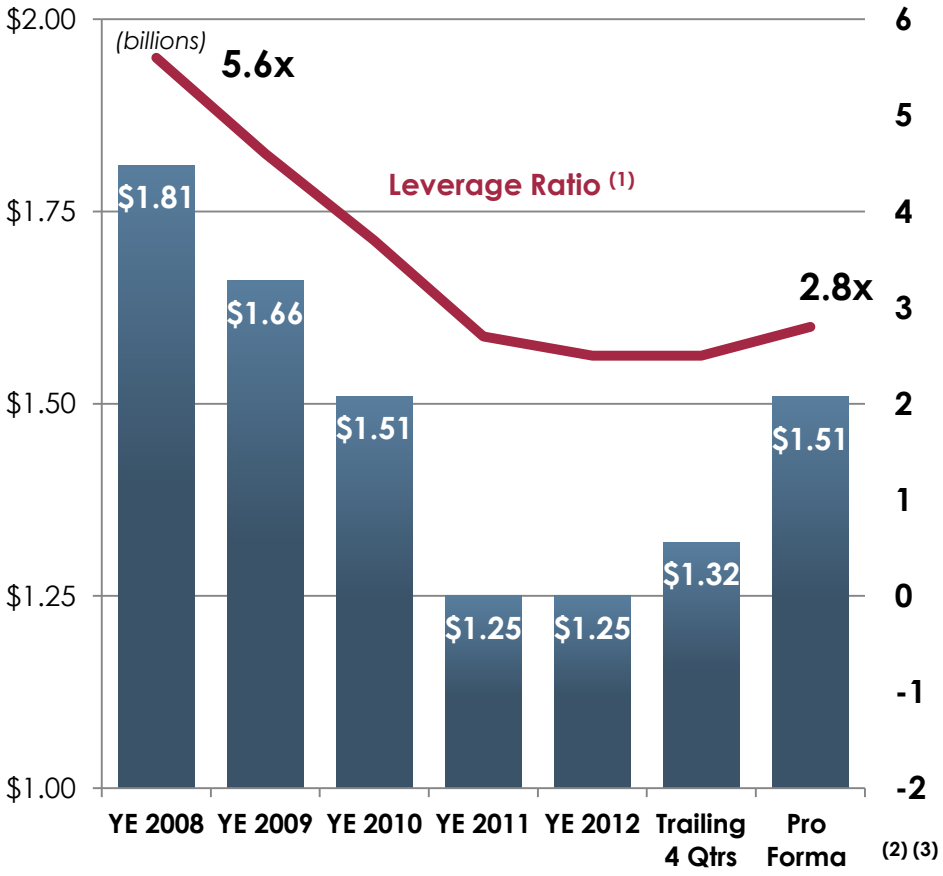
(3) Case Mix Index (CMI) from the rate-setting file presented above are adjusted for short-stay transfer cases. HealthSouth's unadjusted CMI for 2012 was 1.33 versus 1.28 for the industry as measured by UDSMR, a data gathering and analysis organization for the rehabilitation industry; represents ~70% of the industry, including HealthSouth sites.

(4) The Budget Control Act of 2011 included a reduction of up to 2% to Medicare payments for all providers that began on April 1, 2013 (as modified by H.R. 8). The reduction was made from whatever level of payment would otherwise have been provided under Medicare law and regulation.

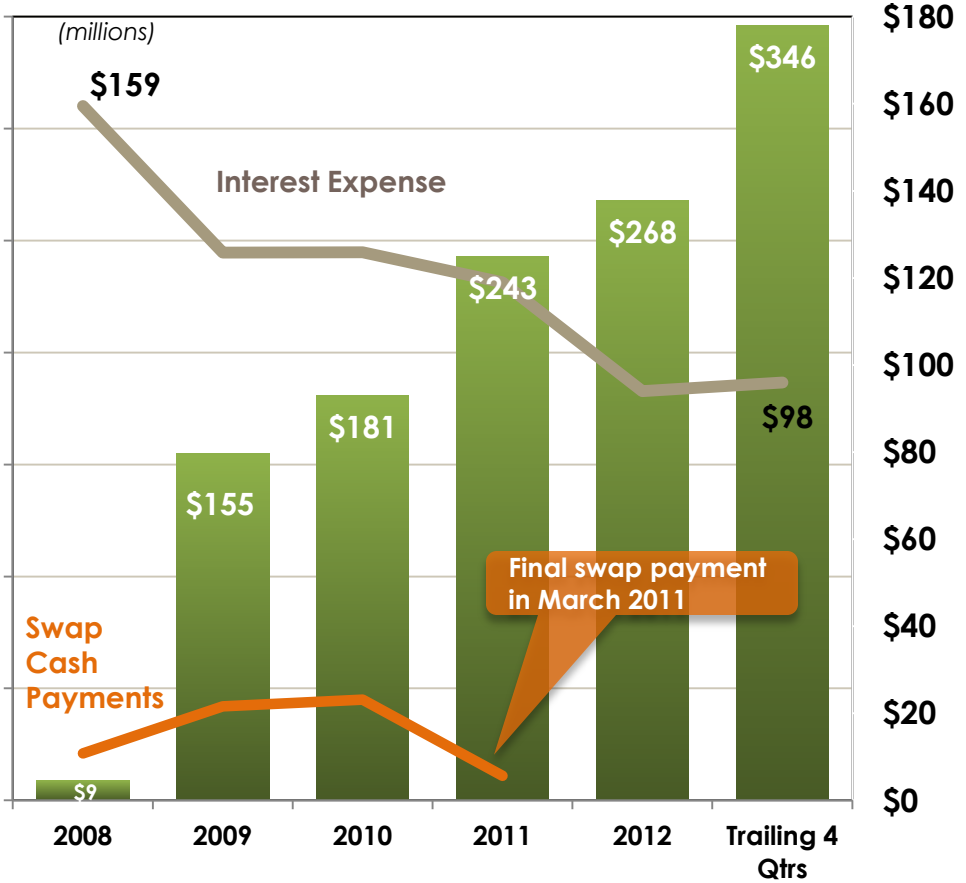
Source: FY 2014 CMS Final Rule Rate Setting File (see slide 15 and Medicare Report to Congress, Medicare Payment Policy, March 2013 – pages 221 and 223

Our Track Record

Total Debt



Adjusted Free Cash Flow (1)



(1) Based on 2008 and 4 Qtr. trailing Adjusted EBITDA of $322.6 and $537.9 million, respectively; reconciliation to GAAP provided on slides 16-23.

(2) On November 29, 2013, the Company completed the redemption of $30.2 million and $27.9 million of its 7.25% Senior Notes due 2018 and its 7.75% Senior Notes due 2022, respectively.

(3) On November 18, 2013, the Company closed separate, privately negotiated exchange agreements under which it issued $320 million of 2.0% Convertible Senior Subordinated Notes due 2043 in exchange for 257,110 shares of the Company's 6.5% Series A Convertible Perpetual Preferred Stock. The Company expects to record approx. $248 million as debt and approx. $72 million as equity.

HEALTHSOUTH

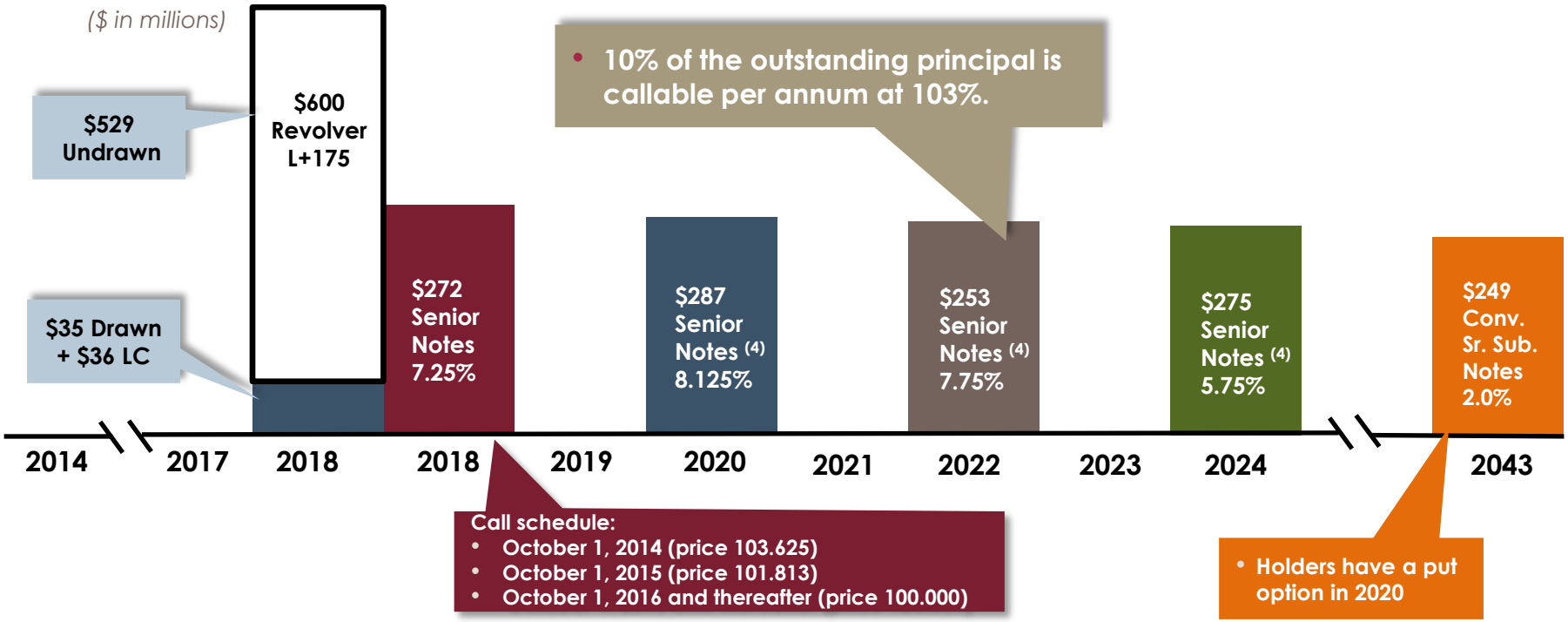
Debt Maturity Profile

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

- No near-term maturities and well-spaced debt maturities
- Limited exposure to higher interest rates

Pro forma Sept. 30, 2013 (1) (2) (3) for Redemption and Exchange

($ in millions)



(1) Does not include $93.2 million of convertible perpetual preferred stock, capital leases and other note payables.
(2) On October 29, 2013, the Company gave notice of its intent to redeem $30.2 million and $27.9 million of its 7.25% Senior Notes due 2018 and its 7.75% Senior Notes due 2022, respectively. This transaction closed in November 2013.
(3) On November 18, 2013, the Company closed separate, privately negotiated exchange agreements under which it issued $320 million of 2.0% Convertible Senior Subordinated Notes due 2043 in exchange for 257,110 shares of the Company's 6.5% Series A Convertible Perpetual Preferred Stock. The Company expects to record approx. $248 million as debt and approx. $72 million as equity.
(4) The 2020, 2022, and 2024 Senior Notes become callable in 2015, 2015, and 2017, respectfully.

HEALTHSOUTH

Priorities for Reinvesting Free Cash Flow

Priorities may shift based on prevailing market conditions

Growth

(millions)

Growth in core business	2013 Assumptions	9 Months 2013	2012 Actuals
Bed expansions (target approx. 80 beds/yr)	$20 to $30	$18.4	$16.6
De novo hospitals (target 4/yr)	$35 to $45	24.5	41.1
Acquisitions (target 2/yr)			
- Free standing IRFS	TBD	28.9	-
- Hospital units	TBD	-	3.1
	$55 to $75, excluding acquisitions	$71.8	$60.8

Debt Reduction

	2013 Assumptions	9 Months 2013	2012 Actuals
Debt pay down, net (1)	N/A	-	-
Purchase leased properties (2)	$90 to $100	$84.7	$19.1

Shareholder Distribution

Convertible preferred stock repurchase (1)	$320	-	46.5
Cash dividends on common stock (3)	$16	-	-
Common stock repurchase ($200 million authorization) (4)	TBD	234.1	-
	TBD	$318.8	$65.6

(1) Issued $320 million of 2.0% Convertible Senior Subordinated Notes due 2043 in exchange for 257,110 shares of the Company's 6.5% Series A Convertible Perpetual Preferred Stock.
(2) 2012 includes the purchase of the real estate (previously subject to an operating lease) associated with our joint venture hospital in Fayetteville, AR for approx. $15 million, half of which was reimbursed to us by our joint venture partner through a capital contribution; 2012 and 2013 include an investment for a replacement hospital for our currently leased hospital in Ludlow, MA.
(3) On July 25, 2013, the board of directors approved the initiation of a quarterly cash dividend on our common stock of $0.18 per share.
(4) On October 25, 2013, the board of directors authorized the repurchase of up to $200 million of our common stock, subject to certain terms and conditions.

Business Outlook: 2013 to 2015 (1)

Business Model
- **Adjusted EBITDA CAGR: 4-8% (2)**
- **Adjusted Free Cash Flow CAGR: 10-14% (2)(3)**

CAGRs reflect:
- **Completion of delevering and refinancing**
- **Sequestration beginning March 2013**

Strategy	2012	2013	2014	2015
Shareholder Distribution	Purchased $46 million convertible perpetual preferred stock	• Completed $233 million common stock tender • Consider other shareholder value-creating opportunities		
Delevering	**< 3.0x** Debt to Adjusted EBITDA	**< 3.0x** Debt to Adjusted EBITDA (subject to shareholder value-creating opportunities)		
Core Growth	Bed expansion = 95 Unit consolidations = 2	**Same-store Growth** (Includes bed expansions and unit consolidations)		
	De novos 1 - Ocala, FL	**De novos - 2** Littleton, CO; Stuart, FL	**De novos** (target of 4/year)	
	IRF Acquisitions LOI Augusta, GA	**IRF Acquisitions - 1** Augusta, GA	**IRF Acquisitions** (target of 2/year)	
Opportunistic Growth			**Consider opportunistic, disciplined acquisitions** of complementary post-acute services	
Key Operational Initiatives	• **TeamWorks** = Care Management • **Beacon** (Management Reporting Software) = Labor / outcomes / quality optimization			
	• **Clinical Information System (CIS)** Installed in 13 hospitals	• **CIS:** Company-wide Implementation (target 20 hospitals/year)		
	• **CPR** (Comfort, Professionalism, Respect) Initiative	• **IRF Quality Reporting:** urinary tract infection, wound care, others TBD		

(1) If legislation affecting Medicare is passed, HealthSouth will evaluate its effect on the Company's Business Model.
(2) These are multi-year CAGRs; annual results may fall outside the range. Reconciliation to GAAP provided on slides 16-19, and 23.
(3) Assumes NOL value is exhausted after 2015

Strong and Sustainable Business Fundamentals

Attractive Healthcare Sector	• Favorable demographic trends • Nondiscretionary 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 • Rollout of state-of-the-art clinical information system
Cost-Effectiveness	• Focused labor management • Continued improvements in supply chain • Significant operating leverage of G&A and occupancy expenses
Real Estate Portfolio	• Portfolio of strategically located, well-designed physical assets • 103 IRFs [1]; 74 owned and 29 long-term, real estate leases • Options to purchase 5 leased properties in the next 5 years
Financial Strength	• Strong balance sheet; ample liquidity, no near-term maturities • Minimal cash income tax expense ($6 - $12 million in 2013) attributable to NOLs • Substantial free cash flow generation; $0.18 per share quarterly cash dividend • Declining average share count (9.5% of then-outstanding common stock purchased March 20, 2013)
Growth Opportunities	• Bed expansion at existing hospitals • Flexible de novo strategy • Flexible IRF acquisition and unit consolidation strategy • Ability to pursue other post-acute sectors opportunistically

(1) Inclusive of two nonconsolidated entities. HealthSouth has given notice on one additional leased property.

Appendix

CMS Fiscal Year 2014 IRF Final Rule Rate Setting File Analysis

Notes:

(1) All data provided was filtered and compiled from the Centers for Medicare and Medicaid Services (CMS) Fiscal Year 2014 IRF Final Rule rate setting file found at http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientRehabFacPPS/Data-Files.html . 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 1,134 inpatient rehabilitation facilities used to estimate the policy updates for the FY 2014 IRF-PPS Final Rule. Most of the data represents historical information from the CMS fiscal year 2012 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.

Adjusted Free Cash Flow

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

	Q3		9 Months		Full Year				
(Millions)	2013	2012	2013	2012	2012	2011	2010	2009	2008
Net cash provided by operating activities	$ 142.6	$ 107.2	$ 369.4	$ 302.2	$ 411.5	$ 342.7	$ 331.0	$ 406.1	$ 227.2
Impact of discontinued operations	1.2	0.2	1.4	(1.5)	(2.0)	(9.1)	(13.2)	(5.7)	(32.5)
Net cash provided by operating activities of continuing operations	143.8	107.4	370.8	300.7	409.5	333.6	317.8	400.4	194.7
Capital expenditures for maintenance [1]	(18.6)	(17.9)	(54.3)	(68.0)	(83.0)	(50.8)	(37.9)	(33.2)	(41.5)
Net settlements on interest rate swaps [2]	-	-	-	-	-	(10.9)	(44.7)	(42.2)	(20.7)
Dividends paid on convertible perpetual preferred stock	(5.7)	(5.8)	(17.2)	(18.9)	(24.6)	(26.0)	(26.0)	(26.0)	(26.0)
Distributions paid to noncontrolling interests of consolidated affiliates	(10.2)	(13.6)	(34.1)	(37.6)	(49.3)	(44.2)	(34.4)	(32.6)	(33.4)
Non-recurring items:									
UBS Settlement proceeds, less fees to derivative plaintiffs' attorneys	-	-	-	-	-	-	-	(73.8)	-
Net premium paid (received) on bond issuance/redemption	-	-	-	-	1.9	22.8	-	-	-
Cash paid for professional fees - accounting, tax, and legal	1.7	4.1	5.3	13.2	16.1	21.0	17.2	15.3	18.2
Cash paid for government, class action, and related settlements	(4.6)	(2.6)	(5.9)	(2.6)	(2.6)	5.7	2.9	11.2	7.4
Income tax refunds related to prior periods			-	-	-	(7.9)	(13.5)	(63.7)	(89.4)
Adjusted free cash flow	**$ 106.4**	**$ 71.6**	**$ 264.6**	**$186.8**	**$ 268.0**	**$ 243.3**	**$ 181.4**	**$155.4**	**$ 9.3**

(1) Maintenance capital expenditures are expected to be $80 to $90 million in 2013.

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

Net Cash Provided by Operating Activities Reconciled to Adjusted EBITDA

	Q3		9 Months		Full Year				
(Millions)	2013	2012	2013	2012	2012	2011	2010	2009	2008
Net cash provided by operating activities	$ 142.6	$ 107.2	$ 369.4	$ 302.2	$ 411.5	$ 342.7	$ 331.0	$ 406.1	$ 227.2
Provision for doubtful accounts	(8.0)	(7.0)	(22.4)	(19.8)	(27.0)	(21.0)	(16.4)	(30.7)	(23.0)
Professional fees—accounting, tax, and legal	4.2	4.1	7.8	13.2	16.1	21.0	17.2	8.8	44.4
Interest expense and amortization of debt discounts and fees	25.3	23.5	73.9	69.8	94.1	119.4	125.6	125.7	159.3
UBS Settlement proceeds, gross	-	-	-	-	-	-	-	(100.0)	-
Equity in net income of nonconsolidated affiliates	2.0	3.3	8.2	9.7	12.7	12.0	10.1	4.6	10.6
Net income attributable to noncontrolling interests in continuing operations	(14.1)	(12.8)	(42.5)	(38.6)	(50.9)	(47.0)	(40.9)	(33.3)	(29.8)
Amortization of debt discounts and fees	(1.0)	(0.9)	(3.0)	(2.7)	(3.7)	(4.2)	(6.3)	(6.6)	(6.5)
Distributions from nonconsolidated affiliates	(4.6)	(2.4)	(9.6)	(7.9)	(11.0)	(13.0)	(8.1)	(8.6)	(10.9)
Current portion of income tax expense (benefit)	2.5	(0.6)	3.0	3.7	5.9	0.6	2.9	(7.0)	(72.8)
Change in assets and liabilities	(14.4)	10.4	21.8	48.8	58.1	41.4	5.7	9.1	58.0
Net premium paid on bond issuance/redemption	-	-	-	-	1.9	22.8	-	-	-
Cash used in (provided by) operating activities of discontinued operations	1.2	0.2	1.4	(1.5)	(2.0)	(9.1)	(13.2)	(5.7)	(32.5)
Other	(0.2)	0.2	1.3	0.4	0.2	0.6	2.0	1.3	(1.4)
Adjusted EBITDA	$ 135.5	$ 125.2	$ 409.3	$ 377.3	$ 505.9	$ 466.2	$ 409.6	$ 363.7	$ 322.6

Reconciliation of Net Income to Adjusted EBITDA [1]

(in millions, except per share data)	2013 Q1 Total	2013 Q1 Per Share	2013 Q2 Total	2013 Q2 Per Share	2013 Q3 Total	2013 Q3 Per Share	2013 9 Months Total	2013 9 Months Per Share
Net income	$ 65.9		$ 179.0		$ 72.3		$ 317.2	
Loss (income) from disc ops, net of tax, attributable to HealthSouth	0.4		(0.1)		0.9		1.2	
Net income attributable to noncontrolling interests	(14.6)		(13.8)		(14.1)		(42.5)	
Income from continuing operations attributable to HealthSouth [2]	51.7	$ 0.48	165.1	$ 1.66	59.1	$ 0.59	275.9	$ 2.69
Gov't, class action, and related settlements	-		(2.0)		(21.3)		(23.3)	
Pro fees - acct, tax, and legal	1.4		2.2		4.2		7.8	
Provision for income tax expense (benefit)	33.5		(86.5)		35.2		(17.8)	
Interest expense and amortization of debt discounts and fees	24.2		24.4		25.3		73.9	
Depreciation and amortization	22.1		23.1		24.3		69.5	
Other, including net noncash loss on disposal of assets	0.1		1.7		2.5		4.3	
Stock-based compensation expense	6.3		6.5		6.2		19.0	
Adjusted EBITDA [1]	$ 139.3		$ 134.5		$ 135.5		$ 409.3	
Weighted average common shares outstanding:								
Basic		94.0		86.1		86.2		88.7
Diluted		107.1		99.8		100.4		102.4

(1) (2) – See notes on slide 23.

Reconciliation of Net Income to Adjusted EBITDA [1]

(in millions, except per share data)	2012 Q1 Total	2012 Q1 Per Share	2012 Q2 Total	2012 Q2 Per Share	2012 Q3 Total	2012 Q3 Per Share	2012 Q4 Total	2012 Q4 Per Share	2012 Full Year Total	2012 Full Year Per Share
Net income	$ 56.8		$ 59.9		$ 59.9		$ 59.3		$ 235.9	
Loss (income) from disc ops, net of tax, attributable to HealthSouth	0.4		(3.5)		0.5		(1.9)		(4.5)	
Net income attributable to noncontrolling interests	(12.6)		(13.2)		(12.8)		(12.3)		(50.9)	
Income from continuing operations attributable to HealthSouth [2]	44.6	$ 0.39	43.2	$ 0.38	47.6	$ 0.44	45.1	$ 0.41	180.5	$ 1.62
Gov't, class action, and related settlements	-		-		(3.5)		-		(3.5)	
Pro fees - acct, tax, and legal	3.6		5.5		4.1		2.9		16.1	
Provision for income tax expense	29.1		26.9		28.1		24.5		108.6	
Interest expense and amortization of debt discounts and fees	23.3		23.0		23.5		24.3		94.1	
Depreciation and amortization	19.5		20.0		21.3		21.7		82.5	
Loss on early extinguishment of debt	-		-		1.3		2.7		4.0	
Gain on consolidation of St. Vincent Rehabilitation Hospital	-		-		(4.9)		-		(4.9)	
Other, including net noncash loss on disposal of assets	0.8		0.6		1.6		1.4		4.4	
Stock-based compensation expense	6.1		5.9		6.1		6.0		24.1	
Adjusted EBITDA [1]	$ 127.0		$ 125.1		$ 125.2		$ 128.6		$ 505.9	
Weighted average common shares outstanding:										
Basic		94.5		94.6		94.7		94.7		94.6
Diluted		108.7		108.0		108.1		108.0		108.1

(1) (2) – See notes on slide 23.

Reconciliation of Net Income to Adjusted EBITDA [1]

(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	$ 1.39
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]	$ 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) – See notes on slide 23.

Reconciliation of Net Income to Adjusted EBITDA [1]

(in millions, except per share data)	2010 Q1 Total	2010 Q1 Per Share	2010 Q2 Total	2010 Q2 Per Share	2010 Q3 Total	2010 Q3 Per Share	2010 Q4 Total	2010 Q4 Per Share	2010 Full Year Total	2010 Full Year 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	$ 0.35	43.9	$ 0.40	28.4	$ 0.23	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]	$ 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) – See notes on slide 23.

Reconciliation of Net Income to Adjusted EBITDA [1]

(in millions, except per share data)	2008 Total	2008 Per Share	2009 Total	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	$ 0.57
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]	$ 322.6		$ 363.7	
Weighted average common shares outstanding:				
Basic		83.0		88.8
Diluted		96.4		103.3

(1) (2) – See notes on slide 23.

Reconciliation Notes for Slides 18-22

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 and income allocated to participating securities. The difference in shares between the basic and diluted shares outstanding is primarily related to our convertible perpetual preferred stock.
3. In conjunction with the initiation of quarterly cash dividends in the third quarter of 2013, the Company is revising its calculation to present earnings per share using the two-class method, which takes into consideration the impact of participating securities. Additional information regarding this revision and a computation of basic and diluted earnings per share can be found in Note 9, Earnings per Common Share, to the condensed consolidated financial statements included in Part I, Item 1, Financial Statements (Unaudited), of the Form 10-Q for the quarterly period ended September 30, 2013.
4. Diluted earnings per share are the same as basic earnings per share due to antidilution.
5. On November 18, 2013, the Company closed separate, privately negotiated exchange agreements under which it issued $320 million of 2.0% Convertible Senior Subordinated Notes due 2043 in exchange for 257,110 shares of the Company's 6.5% Series A Convertible Perpetual Preferred Stock. The Company expects to record approx. $248 million as debt and approx. $72 million as equity. The convertible notes are convertible, at the option of the holders, at any time on or prior to the close of business on the business day immediately preceding December 1, 2043 into shares of the Company's common stock at a conversion rate of approximately 25.2194 shares per $1,000 in principal amount, which is equal to a conversion price of approximately $39.65 per share, subject to customary anti-dilution adjustments. The Company has the right to redeem the convertible notes before December 1, 2018 if the volume weighted average price of the Company's common stock is at least 120% of the conversion price of the convertible notes for a specified period. On or after December 1, 2018, the Company may, at its option, redeem all or any part of the convertible notes. In either case, the redemption price will be equal to 100% of the principal amount of the convertible notes to be redeemed, plus accrued and unpaid interest. As a result of the transaction, the dividend on the convertible perpetual preferred stock was reduced from approx. $23 million to approx. $19 million in 2013.