

Goldman Sachs Leveraged Finance Healthcare Conference
New York, NY | March 4, 2014

Ed Fay, Treasurer
Andy Price, Chief Accounting 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, 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.

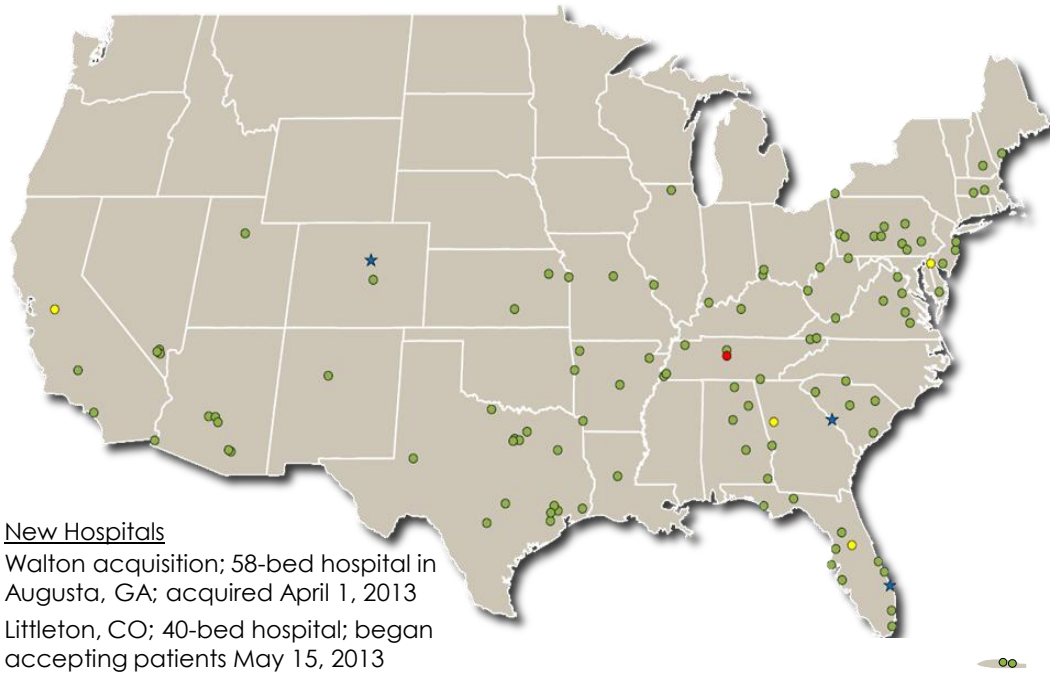
All such estimates, projections and forward-looking information speak only as of the date hereof. HealthSouth undertakes no duty to publicly update or revise the information contained herein.

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, 2013 and in other documents we previously filed with the SEC, many of which are beyond our control, that may cause actual events or 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 February 25, 2014 to which the following supplemental slides are attached as Exhibit 99.1, 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 December 31, 2013

103	Inpatient Rehabilitation Hospitals ("IRF") • 31 operate as JV's with Acute Care Hospitals
20	Outpatient Rehabilitation Satellite Clinics
25	Hospital-Based Home Health Agencies
28 + Puerto Rico	Number of States
~ 23,600	Employees

Key Statistics – 2013

~ $2.3 Billion	Revenue
129,988	Inpatient Discharges
806,631	Outpatient Visits

Patients Served

Most Common Conditions (Q4 2013):

1. Neurological	23.2%
2. Stroke	16.4%
3. Other orthopedic conditions	9.7%
4. Fracture of the lower extremity	9.2%
5. Knee/Hip replacement	8.2%

Marketshare

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

~ 19% of Licensed Beds

~ 21% of Patients Served

Our Hospitals

96 of our hospitals hold one or more disease-specific certifications from The Joint Commission's Disease-Specific Care Certification Program. (1)







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

(1) Under this program, Joint Commission accredited organizations, like our hospitals, may seek certification for chronic diseases or conditions such as brain injury or stroke rehabilitation by complying with Joint Commission standards, effectively using evidence-based clinical practice guidelines to manage and optimize patient care, and using an organized approach to performance measurement and evaluation of clinical outcomes. Obtaining such certifications demonstrates our commitment to excellence in providing disease-specific care.

Our Patients

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

Referral Sources

93% Acute Care Hospitals

6% Physician Offices/Home

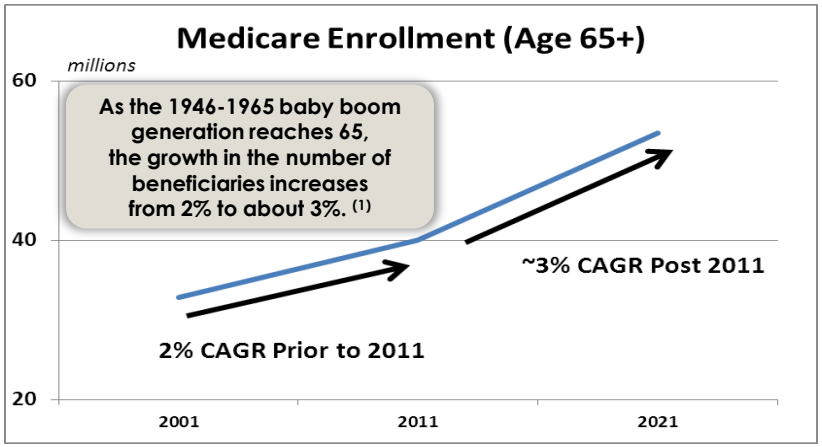
1% Skilled Nursing Facilities

Most Common Conditions (Q4 2013)

1.	Neurological	23.2%
2.	Stroke	16.4%
3.	Other orthopedic conditions	9.7%
4.	Fracture of the lower extremity	9.2%
5.	Knee/Hip replacement	8.2%
6.	Brain injury	8.1%
7.	Debility	7.9%
8.	Major multiple trauma	4.4%
9.	Spinal cord injury	3.8%
10.	All other	9.1%

Admission to an IRF

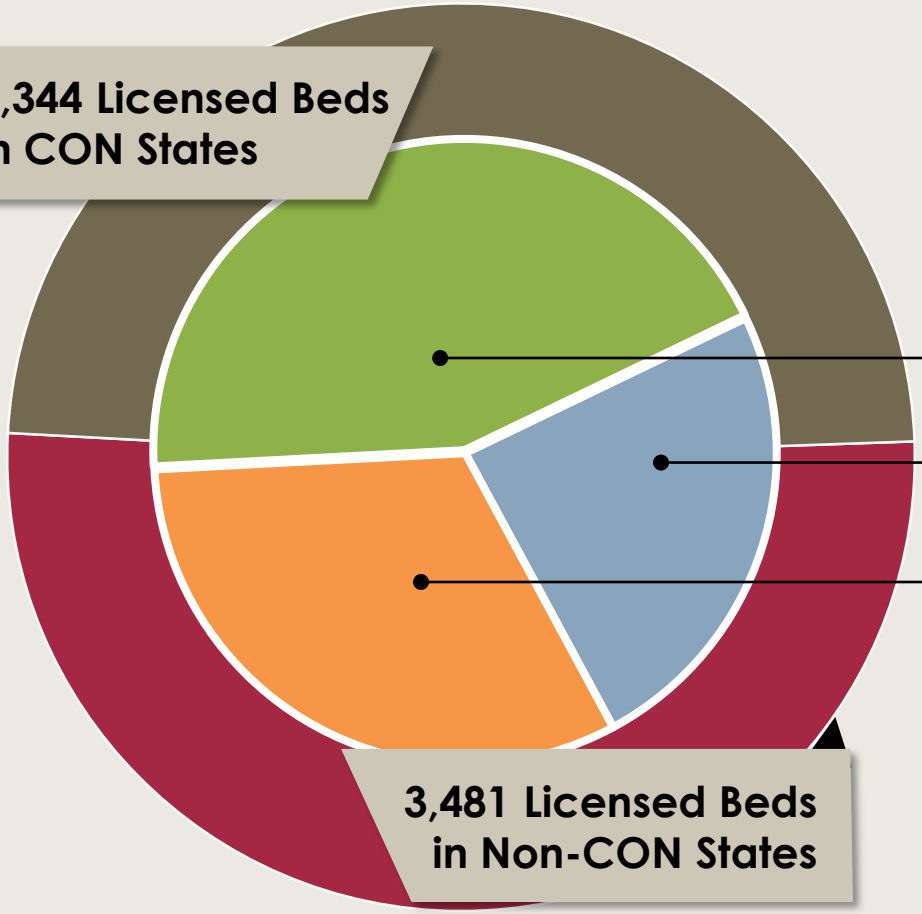
- Physicians and acute care hospital case managers are key decision makers.
- All IRF patients must meet reasonable and necessary criteria and must be admitted by a physician.
- All IRF patients must be medically stable and have potential to tolerate three hours of therapy per day (minimum).
- IRF patients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



(1) Center of Medicare & Medicaid Services, Medicare Trustee's Report May 2013 – pages 10 and 22

HEALTHSOUTH

Our Assets
103 [1] Inpatient Rehabilitation Hospitals: 6,825 Licensed Beds[2]



HealthSouth expects to purchase one leased property in 2014 and has the option to purchase two leased properties in the next five years (2016 and 2018).

49 Own Building and Land

26 Own Building Only

28 Lease Building and Land

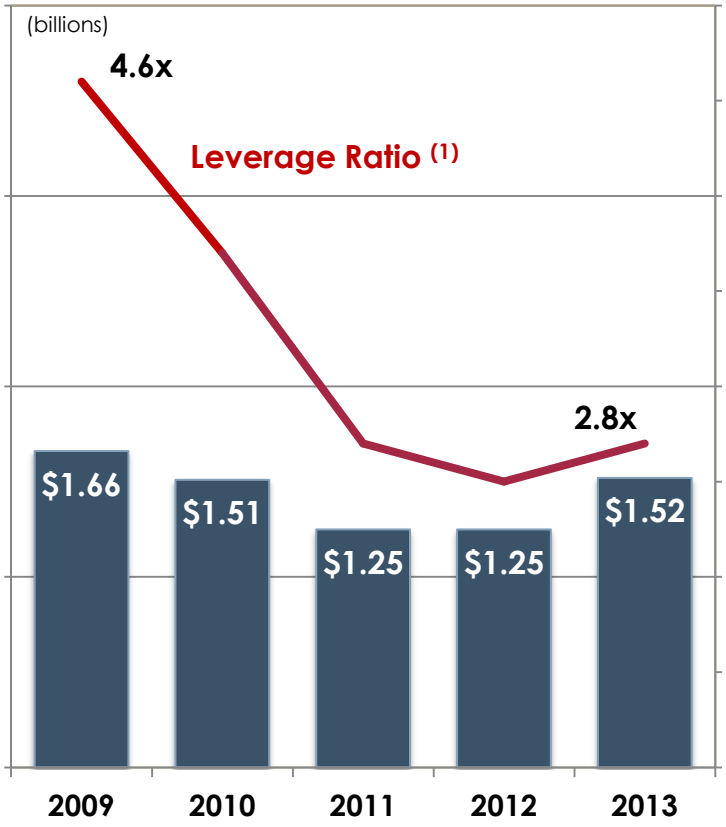
A Certificate of Need (CON) is a legal document required in many states and some federal jurisdictions before proposed acquisitions, expansions, or creations of facilities are allowed.

(1) 2 of the 103 HealthSouth hospitals are nonconsolidated. Of those 2, 1 is own building only, and 1 is own building and land.
(2) Excludes 151 licensed beds at nonconsolidated hospitals

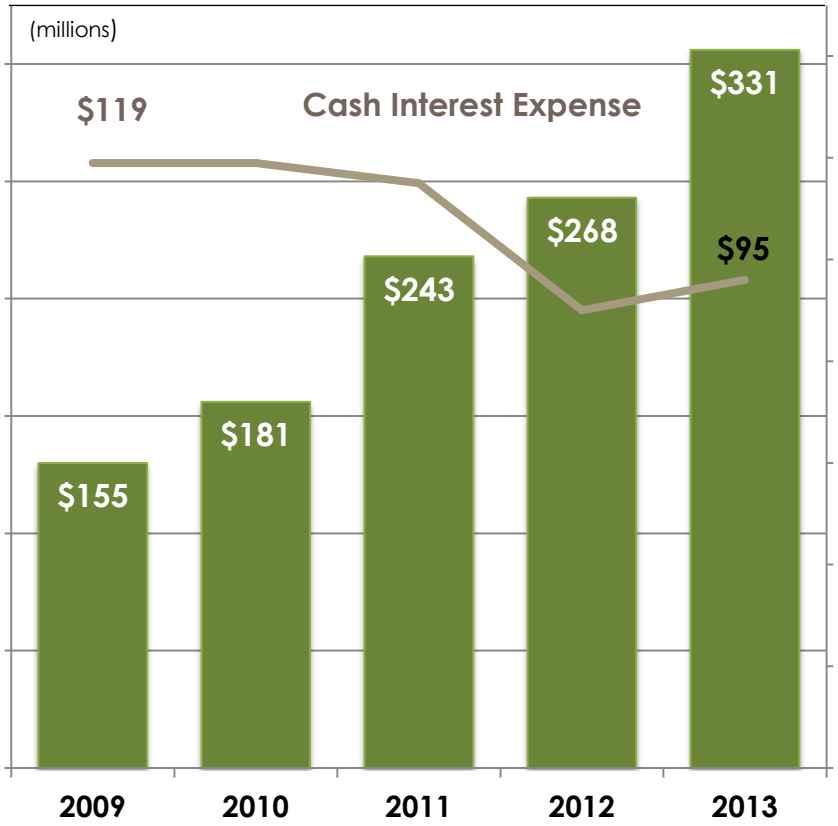
HEALTHSOUTH

Our Track Record

Total Debt



Adjusted Free Cash Flow (1)

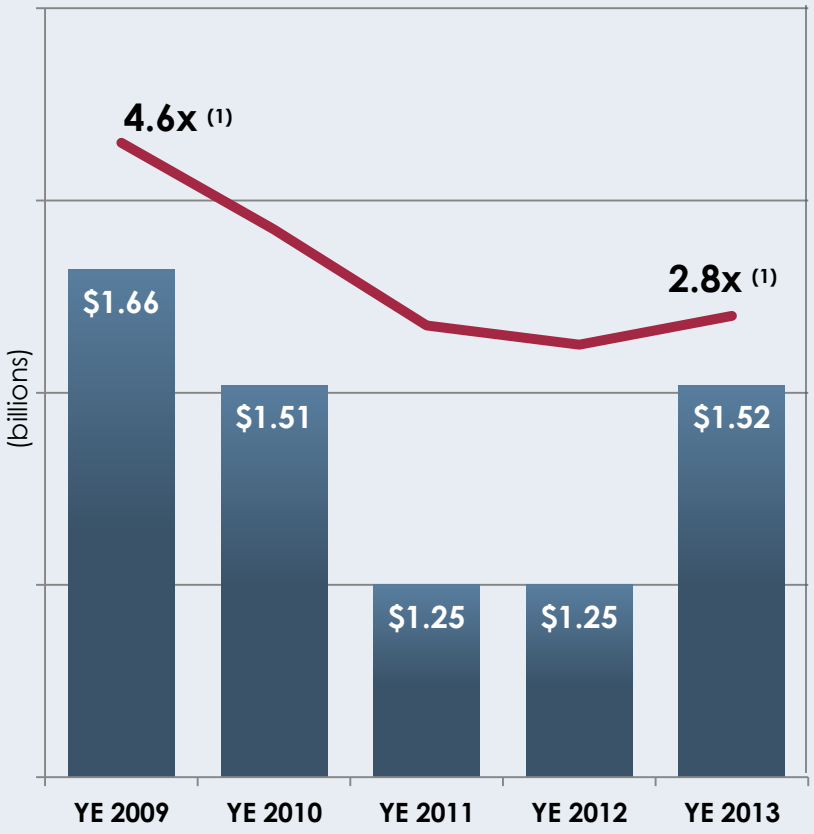


(1) Based on 2009 and 2013 Adjusted EBITDA of $363.7 and $551.6 million, respectively; reconciliation to GAAP provided on slides 24-30.

HEALTHSOUTH

Debt and Liquidity

Debt Outstanding



Liquidity

	Dec. 31, 2013	Dec. 31, 2012
Cash Available	$ 64.5	$ 132.8
Revolver Total Line	$ 600.0	$ 600.0
Less:		
- Draws	(45.0)	-
- Letters of Credit	(36.5)	(39.5)
Available	$ 518.5	$ 560.5
Total Liquidity	$ 583.0	$ 693.3

Credit Ratings

	S&P	Moodys
Corporate Rating	BB- Stable	Ba3 Stable
Revolver Rating	BB+	Baa3
Senior Notes Rating	BB-	Ba3

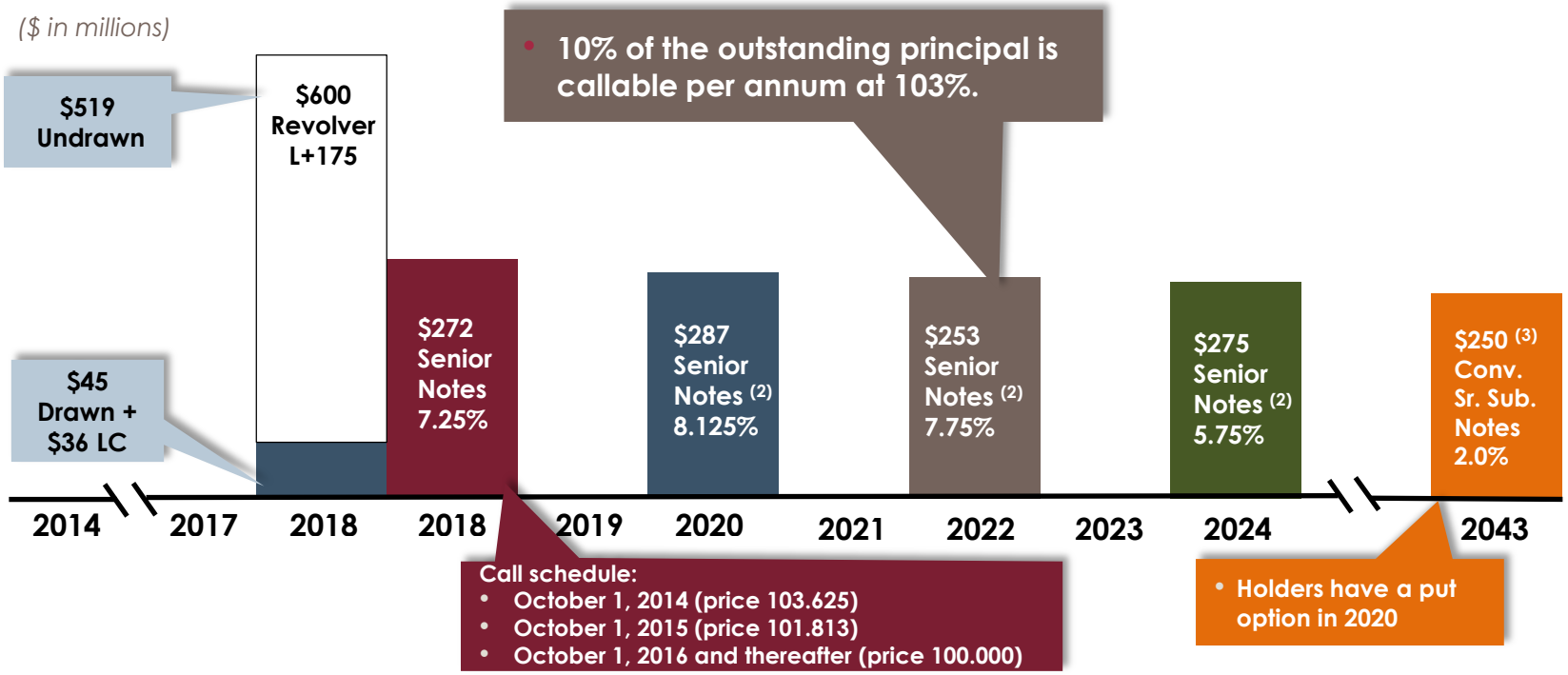
(1) Based on 2009 and 2013 Adjusted EBITDA of $363.7 million and $551.6 million, respectively; reconciliation to GAAP provided on slides 25-30.

Debt Maturity Profile

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

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

December 31, 2013 (1) (2)



(1) Does not include approx. $93 million of convertible perpetual preferred stock, approx. $71 million of 2.0% Convertible Senior Subordinated Notes due 2043 recorded as equity, approx. $90 million of capital leases, and approx. $48 million of other note payables.
(2) The 2020, 2022, and 2024 Senior Notes become callable in 2015, 2015, and 2017, 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 recorded approx. $249 million as debt and approx. $71 million as equity.

Business Outlook: 2014 to 2016[1]

Business Model

- Adjusted EBITDA CAGR: 4-8% [2]
- Continued strong free cash flow generation

Potential depletion of the federal NOL during the 2014 to 2016 timeframe will affect Cash Flow CAGR.

Strategy	2013	2014	2015	2016
Shareholder Distribution	$234 million common stock tender; initiated dividends	• **Quarterly cash dividends** • **Opportunistic share repurchases**		
Leverage	**< 3.0x** Debt to Adjusted EBITDA	**< 3.0x Debt to Adjusted EBITDA** (subject to shareholder value-creating opportunities)		
Core Growth	**Bed expansion = 68**	**Same-store Growth** (Includes bed expansions and unit consolidations)		
	New IRF's = 3 Littleton, CO, Stuart, FL, Augusta, GA	**New IRF's** (target of 4-6/year) Altamonte Springs, FL; Newnan, GA; Middletown, DE	**New IRF's** (target of 4-6/year)	
Opportunistic Growth		**Consider opportunistic, disciplined acquisitions** of complementary post-acute services		
Key Operational Initiatives	• **Enhancing outcomes and patient experience**			
	• **Implementing CIS:** Target 20 hospitals/year; Installation complete in 36 hospitals through YE2013; Expect installation at all hospitals by YE2017.			
	• **Positioning for evolving delivery and payment models:** ACO, bundling, etc.			

(1) If legislation affecting Medicare is passed, HealthSouth will evaluate its effect on the Company's business model.
(2) This is a multi-year CAGR; annual results may fall outside the range. Reconciliation to GAAP provided on slides 25, 26, and 30.

Priorities for Reinvesting Free Cash Flow

Remains Highest Priority

Growth in Core Business

(millions)

	2012 Actuals	2013 Actuals	2014 Assumptions
Bed expansions (target ~ 80 beds/yr) and unit consolidations	$16.6	$24.9	$25 to $35
New IRF's (target 4-6/yr)	41.1	55.5	55 to 75
	$57.7	$80.4	$80 to $110, excluding acquisitions

Objectives Achieved

Debt Reduction

	2012 Actuals	2013 Actuals	2014 Assumptions
Debt pay down, net [1]	-	($264.0)	N/A
Purchase leased properties	$19.1	90.3	$15 to $20

Complements Growth Investments

Shareholder Distribution

Convertible preferred stock repurchase [1]	46.5	249.0	-
Cash dividends on common stock [2]	-	15.7	64
Common stock repurchase ($250 million authorization) [3]	-	234.1	TBD
	$65.6	$325.1	TBD

(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. Excluding fees, no cash was used in the transaction. The Company recorded approx. $249 million as debt and approx. $71 million as equity.

(2) 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.

(3) On February 14, 2014, the board of directors approved an increase in our existing common stock repurchase authorization from $200 million to $250 million. The $234 million reflects the tender offer completed in Q1 2013 for approx. 9.5% of the then-outstanding common shares.

Our 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]; 75 owned and 28 long-term, real estate leases • Option to purchase additional leased properties
Financial Strength	• Strong balance sheet; ample liquidity, no near-term maturities • Minimal cash income tax expense ($10 - $15 million in 2014) 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

2014 Guidance - Adjusted EBITDA[(1)]

2014 Adjusted EBITDA
$555 million to $565 million

Considerations for full-year 2014:

- ✓ **Revenue growth of 4.0% to 5.0% before sequestration**
  - — Discharge growth between 2.5% and 3.5%
  - — Revenue per discharge growth between 2.0% and 2.3% before sequestration
  - — Lower outpatient revenues resulting from additional closures of satellite clinics
- ✓ **Adjusted EBITDA impact of approx. $7 million (net of noncontrolling interests) for sequestration (sequestration anniversaries on April 1, 2014)**
- ✓ **Increased operating expense of approx. $4 million for continued implementation of CIS and a TeamWorks project to enhance the patient experience**
- ✓ **Bad debt expense of 1.3% to 1.5%**

In addition:

- ✓ **2013 benefited from reductions to self-insurance reserves, including $6.7 million attributable to lowering the Company's statistical confidence level**

(1) Reconciliation to GAAP provided on slides 25, 26, and 30.

2014 Guidance - Earnings Per Share

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

$ 1.86 to $ 1.91

Considerations:

- ✓ Higher depreciation and amortization related to recent capital investments
- ✓ Higher interest expense and amortization of debt discounts and fees related to the exchange of Convertible Senior Subordinated Notes for Convertible Perpetual Preferred Stock
- ✓ Assumes provision for income tax of approx. 40% (cash taxes expected to be $10 - $15 million for full-year 2014)
- ✓ Basic share count of 87.5 million shares is before the effect of any potential share repurchase activity.

	EPS Guidance		
	Actual	Low	High
(In Millions, Except Per Share Data)	2013	2014	
Adjusted EBITDA	**$ 551.6**	**$ 555**	**$ 565**
Interest expense and amortization of debt discounts and fees	(100.4)	(112)	
Depreciation and amortization	(94.7)	(106)	
Stock-based compensation expense	(24.8)	(25)	
Other, including noncash loss on disposal of assets	(5.9)	(7)	
	325.8	305	315
Certain Nonrecurring Expenses:			
Government, class action, and related settlements	23.5	-	
Professional fees - accounting, tax, and legal	(9.5)	(7)	
Loss on early extinguishment of debt	(2.4)	-	
Pre-tax income	**337.4**	**298**	**308**
Income tax	(12.7)	(119)	(123)
Income from continuing operations [1]	**324.7**	**179**	**185**
Income allocated to participating securities [2]	(3.4)	(2)	(2)
Convertible perpetual preferred dividends [2]	(21.0)	(6)	(6)
Repurchase of convertible perpetual preferred stock [2]	(71.6)	-	-
After-tax convertible debt interest expense [3]	-	8	8
Basic shares [2]	88.1	87.5	87.5
Diluted shares [3]	102.1	100.8	100.8
Earnings per share [3]	**$ 2.59** [2][4]	**$ 1.86** [3]	**$ 1.91** [3]

(1) Income from continuing operations attributable to HealthSouth

(2) The income allocated to participating securities, the convertible perpetual preferred dividends, and the repurchase premium on preferred stock need to be subtracted from income from continuing operations to calculate basic earnings per share.

(3) The interest and amortization related to the convertible senior subordinated notes must be added to income from continuing operations when calculating diluted earnings per share.

(4) Diluted earnings per share are the same as basic earnings per share due to antidilution.

Income Tax Considerations

GAAP Considerations:

- As of 12/31/13, the Company's federal NOL had a gross balance of approx. $929 million.
  - Includes the approx. $283 million increase in the federal NOL (on a gross basis) as a result of the April 25, 2013 agreements with the IRS
- The Company has a remaining valuation allowance of approx. $31 million related to state NOLs.

Cash Tax Payments:

- In 2014, the Company expects to pay approx. $10 million to $15 million of income tax, net of refunds.
- HealthSouth is not currently subject to an annual use limitation ("AUL") under Internal Revenue Code Section 382 ("Section 382"). An "ownership change," as defined by Section 382, could subject the Company to an AUL, which would approximate the value of the Company at the time of the "ownership change" multiplied by the long-term tax exempt rate.

Debt Schedule

(Millions) Corporate	Credit Rating S&P BB-	Credit Rating Moody Ba3	Dec. 31, 2013	Dec. 31, 2012	Change in Debt vs. YE 2012
Advances under $600 million revolving credit facility, June 2018 - 1 Month LIBOR +175bps	BB+	Baa3	$ 45.0	$ -	45.0
Bonds Payable:					
7.25% Senior Notes due 2018 (1)	BB-	Ba3	272.4	302.9	(30.5)
8.125% Senior Notes due 2020	BB-	Ba3	286.6	286.2	0.4
7.75% Senior Notes due 2022 (1)	BB-	Ba3	252.5	280.7	(28.2)
5.75% Senior Notes due 2024	BB-	Ba3	275.0	275.0	-
2.00% Convertible Senior Subordinated Notes due 2043 (2)			249.5	-	249.5
Other notes payable			47.6	36.8	10.8
Capital lease obligations			88.9	71.9	17.0
Long-term debt			**$ 1,517.5**	**$ 1,253.5**	**$ 264.0**
Debt to Adjusted EBITDA (3)			**2.8x**	**2.5x**	

(1) In November 2013, the Company redeemed $30.2 million and $27.9 million of its 7.25% Senior Notes due 2018 and its 7.75% Senior Notes due 2022, respectively.

(2) 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 recorded approx. $249 million as debt and approx. $71 million as equity.

(3) Based on 2013 and 2012 Adjusted EBITDA of $551.6 million and $505.9 million, respectively; reconciliation to GAAP provided on slides 25, 26, 27, and 30.

Credit Agreement Key Covenants [1]

All Transactions are subject to no defaults under covenants and pro forma leverage of less than 4.5x and interest coverage of at least 2.75x

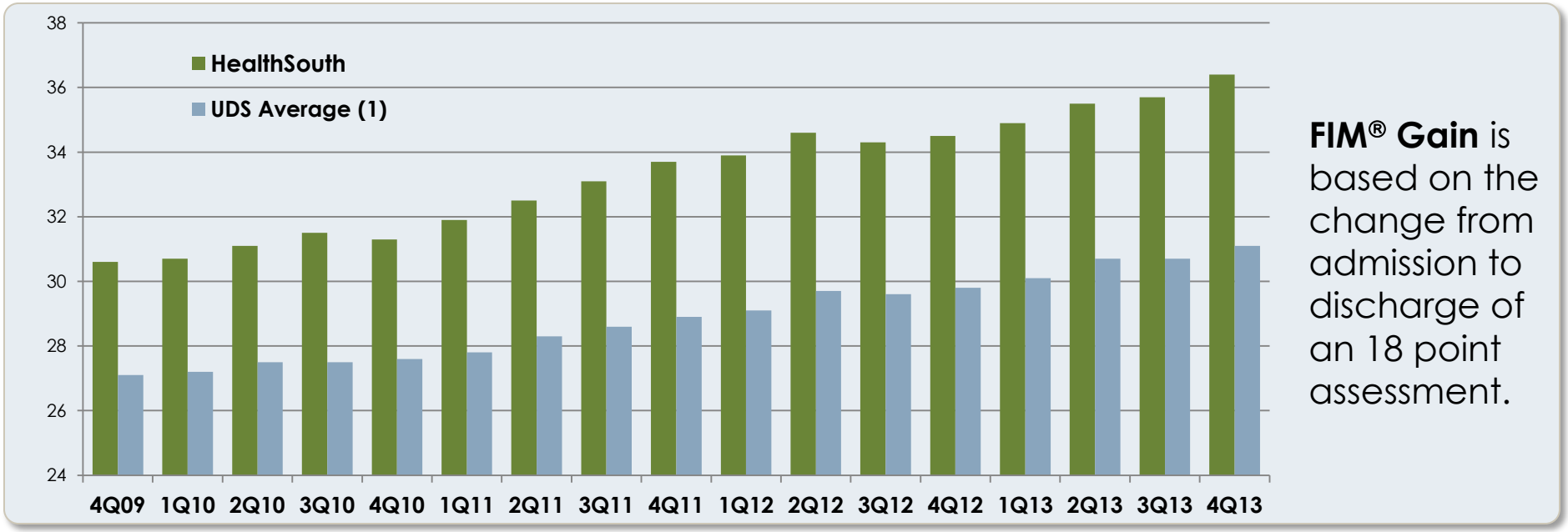
Transaction	Limitations
Acquisitions	No additional limitations
Unsecured debt issuance	No additional limitations
Restricted payments: Common stock or debt purchases; common stock dividends	Unlimited up to pro forma senior secured leverage ratio of 1.5x. • If greater than 1.5x, subject to an aggregate restricted payments basket [2], which was greater than $200 million at the end of Q4 2013.
Restricted payments: Preferred stock purchase	Unlimited up to pro forma leverage ratio of 3.0x.

The pro forma senior secured debt leverage ratio per the credit agreement using trailing twelve-month Adjusted EBITDA at the end of Q4 2013 was less than 0.5x.

(1) Amendment to the credit agreement was filed as Exhibit 10.1 to Form 10-Q on July 30, 2013. Full agreement filed as Exhibit 10.2 to Form 10-Q on August 4, 2011. Senior unsecured note indentures include a restricted payments basket which generally builds yearly by 50% of the net income from continuing operations. The bond indenture restricted payments basket at the end of Q4 2013 was approx. $500 million.

(2) The maximum amount limitations above are subject to increase by a "grower" basket equal to 50% of excess cash flow plus certain other amounts including net cash proceeds from certain equity issuances.

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 (opened December 2012), HealthSouth Rehabilitation Hospital of Littleton, CO (opened May 2013), or HealthSouth Rehabilitation Hospital at Martin Health in Stuart, FL (opened June 2013). Walton Rehabilitation Hospital is included in "Freestanding (Non-HLS)."

(2) In 2013, HealthSouth averaged 1,287 total Medicare and non-Medicare discharges per hospital in its 101 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 2013 was 1.34 versus 1.29 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 21) and Medicare Report to Congress, Medicare Payment Policy, March 2013 – pages 221 and 223

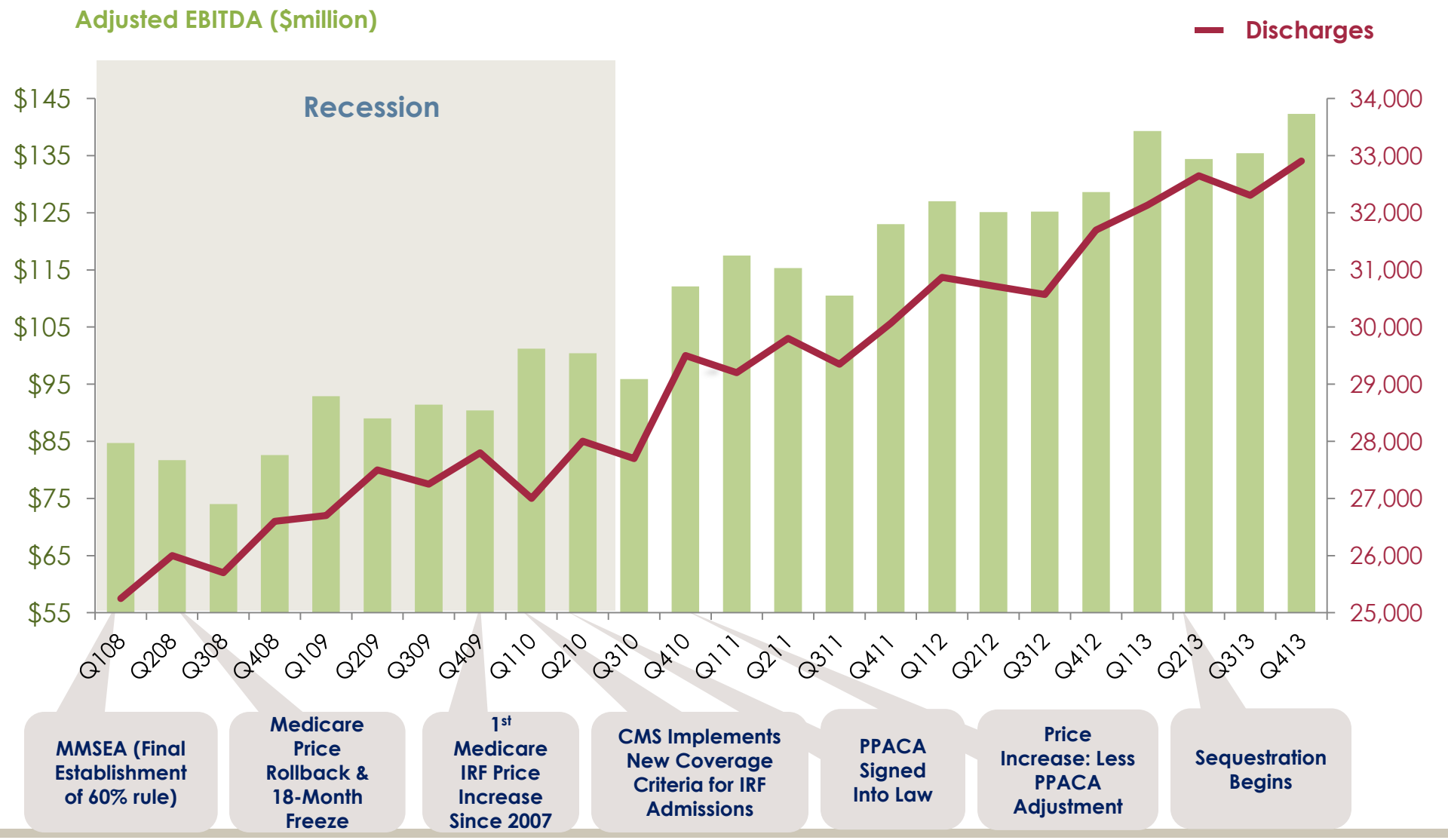
CMS Fiscal Year 2014 IRF Final Rule Rate Setting File Analysis

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.

HealthSouth has successfully managed through Medicare payment cuts and an economic recession…



HEALTHSOUTH

Reconciliations to GAAP

Adjusted Free Cash Flow

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

(Millions)	Q4		Full Year				
	2013	2012	2013	2012	2011	2010	2009
Net cash provided by operating activities	$ 100.9	$ 109.3	$ 470.3	$ 411.5	$ 342.7	$ 331.0	$ 406.1
Impact of discontinued operations	0.5	(0.5)	1.9	(2.0)	(9.1)	(13.2)	(5.7)
Net cash provided by operating activities of continuing operations	101.4	108.8	472.2	409.5	333.6	317.8	400.4
Capital expenditures for maintenance [1]	(20.5)	(15.0)	(74.8)	(83.0)	(50.8)	(37.9)	(33.2)
Net settlements on interest rate swaps	-	-	-	-	(10.9)	(44.7)	(42.2)
Dividends paid on convertible perpetual preferred stock	(5.8)	(5.7)	(23.0)	(24.6)	(26.0)	(26.0)	(26.0)
Distributions paid to noncontrolling interests of consolidated affiliates	(12.2)	(11.7)	(46.3)	(49.3)	(44.2)	(34.4)	(32.6)
Non-recurring items:							
UBS Settlement proceeds, less fees to derivative plaintiffs' attorneys	-	-	-	-	-	-	(73.8)
Net premium paid on bond issuance/redemption	1.7	1.9	1.7	1.9	22.8	-	-
Cash paid for professional fees - accounting, tax, and legal	1.7	2.9	7.0	16.1	21.0	17.2	15.3
Cash paid for government, class action, and related settlements	-	-	(5.9)	(2.6)	5.7	2.9	11.2
Income tax refunds related to prior periods	-	-	-	-	(7.9)	(13.5)	(63.7)
Adjusted free cash flow	**$ 66.3**	**$ 81.2**	**$ 330.9**	**$ 268.0**	**$ 243.3**	**$ 181.4**	**$ 155.4**

(1) Maintenance capital expenditures are expected to be $90 to $100 million in 2014.

Net Cash Provided by Operating Activities Reconciled to Adjusted EBITDA

	Q4		Full Year				
(Millions)	2013	2012	2013	2012	2011	2010	2009
Net cash provided by operating activities	$ 100.9	$ 109.3	$ 470.3	$ 411.5	$ 342.7	$ 331.0	$ 406.1
Provision for doubtful accounts	(3.6)	(7.2)	(26.0)	(27.0)	(21.0)	(16.4)	(30.7)
Professional fees—accounting, tax, and legal	1.7	2.9	9.5	16.1	21.0	17.2	8.8
Interest expense and amortization of debt discounts and fees	26.5	24.3	100.4	94.1	119.4	125.6	125.7
UBS Settlement proceeds, gross	-	-	-	-	-	-	(100.0)
Equity in net income of nonconsolidated affiliates	3.0	3.0	11.2	12.7	12.0	10.1	4.6
Net income attributable to noncontrolling interests in continuing operations	(15.3)	(12.3)	(57.8)	(50.9)	(47.0)	(40.9)	(33.3)
Amortization of debt discounts and fees	(2.0)	(1.0)	(5.0)	(3.7)	(4.2)	(6.3)	(6.6)
Distributions from nonconsolidated affiliates	(1.8)	(3.1)	(11.4)	(11.0)	(13.0)	(8.1)	(8.6)
Current portion of income tax expense (benefit)	3.3	2.2	6.3	5.9	0.6	2.9	(7.0)
Change in assets and liabilities	27.1	9.3	48.9	58.1	41.4	5.7	9.1
Net premium paid on bond issuance/redemption	1.7	1.9	1.7	1.9	22.8	-	-
Cash used in (provided by) operating activities of discontinued operations	0.5	(0.5)	1.9	(2.0)	(9.1)	(13.2)	(5.7)
Other	0.3	(0.2)	1.6	0.2	0.6	2.0	1.3
Adjusted EBITDA	$ 142.3	$ 128.6	$ 551.6	$ 505.9	$ 466.2	$ 409.6	$ 363.7

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 Q4 Total	2013 Q4 Per Share	2013 Full Year Total	2013 Full Year Per Share
Net income	$ 65.9		$ 179.0		$ 72.3		$ 64.2		$ 381.4	
Loss (income) from disc ops, net of tax, attributable to HealthSouth	0.4		(0.1)		0.9		(0.1)		1.1	
Net income attributable to noncontrolling interests	(14.6)		(13.8)		(14.1)		(15.3)		(57.8)	
Income from continuing operations attributable to HealthSouth [2] [3]	51.7	$ 0.48	165.1	$ 1.66	59.1	$ 0.59	48.8	$ (0.31)	324.7	$ 2.59
Gov't, class action, and related settlements	-		(2.0)		(21.3)		(0.2)		(23.5)	
Pro fees - acct, tax, and legal	1.4		2.2		4.2		1.7		9.5	
Provision for income tax expense (benefit)	33.5		(86.5)		35.2		30.5		12.7	
Interest expense and amortization of debt discounts and fees	24.2		24.4		25.3		26.5		100.4	
Depreciation and amortization	22.1		23.1		24.3		25.2		94.7	
Loss on early extinguishment of debt							2.4		2.4	
Other, including net noncash loss on disposal of assets	0.1		1.7		2.5		1.6		5.9	
Stock-based compensation expense	6.3		6.5		6.2		5.8		24.8	
Adjusted EBITDA [1]	$ 139.3		$ 134.5		$ 135.5		$ 142.3		$ 551.6	
Weighted average common shares outstanding:										
Basic		94.0		86.1		86.2		86.4		88.1
Diluted		107.1		99.8		100.4		100.8		102.1

(1) (2) (3) – See notes on slide 30.

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] [3]	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) (3) – See notes on slide 30.

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] [3]	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) (3) – See notes on slide 30.

Reconciliation of Net Income to Adjusted EBITDA [1]

(in millions, except per share data)	2008 Total	2008 Per Share	2009 Total	2009 Per Share	2010 Total	2010 Per Share
Net income	$ 281.8		$ 128.8		$ 939.8	
Income from disc ops, net of tax, attributable to HealthSouth	(32.5)		(17.7)		(9.2)	
Net income attributable to noncontrolling interests	(29.4)		(34.0)		(40.8)	
Income from continuing operations attributable to HealthSouth [2]	219.9	$ 2.28	77.1	$ 0.57	889.8	$ 8.20
Gain on UBS Settlement	(121.3)		-		-	
Gov't, class action, and related settlements	(67.2)		36.7		1.1	
Pro fees - acct, tax, and legal	44.4		8.8		17.2	
Loss on interest rate swaps	55.7		19.6		13.3	
Provision for income tax benefit	(69.1)		(2.9)		(740.8)	
Interest expense and amortization of debt discounts and fees	159.3		125.7		125.6	
Depreciation and amortization	78.9		67.6		73.1	
Impairment charges, including investments	2.4		1.4		-	
Net noncash loss on disposal of assets	2.0		3.4		1.4	
Loss on early extinguishment of debt	5.9		12.5		12.3	
Stock-based compensation expense	11.7		13.4		16.4	
Other	-		0.4		0.2	
Adjusted EBITDA [1]	$ 322.6		$ 363.7		$ 409.6	
Weighted average common shares outstanding:						
Basic		83.0		88.8		92.8
Diluted		96.4		103.3		108.5

(1) (2) – See notes on slide 30.

Reconciliation Notes for Slides 25-28

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, income allocated to participating securities, and the repurchase premium on shares of preferred stock. The difference in shares between the basic and diluted shares outstanding is primarily related to the convertible senior subordinated notes and our convertible perpetual preferred stock.
3. In conjunction with the initiation of quarterly cash dividends in the third quarter of 2013, the Company revised 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.