

HEALTHSOUTH®

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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 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.

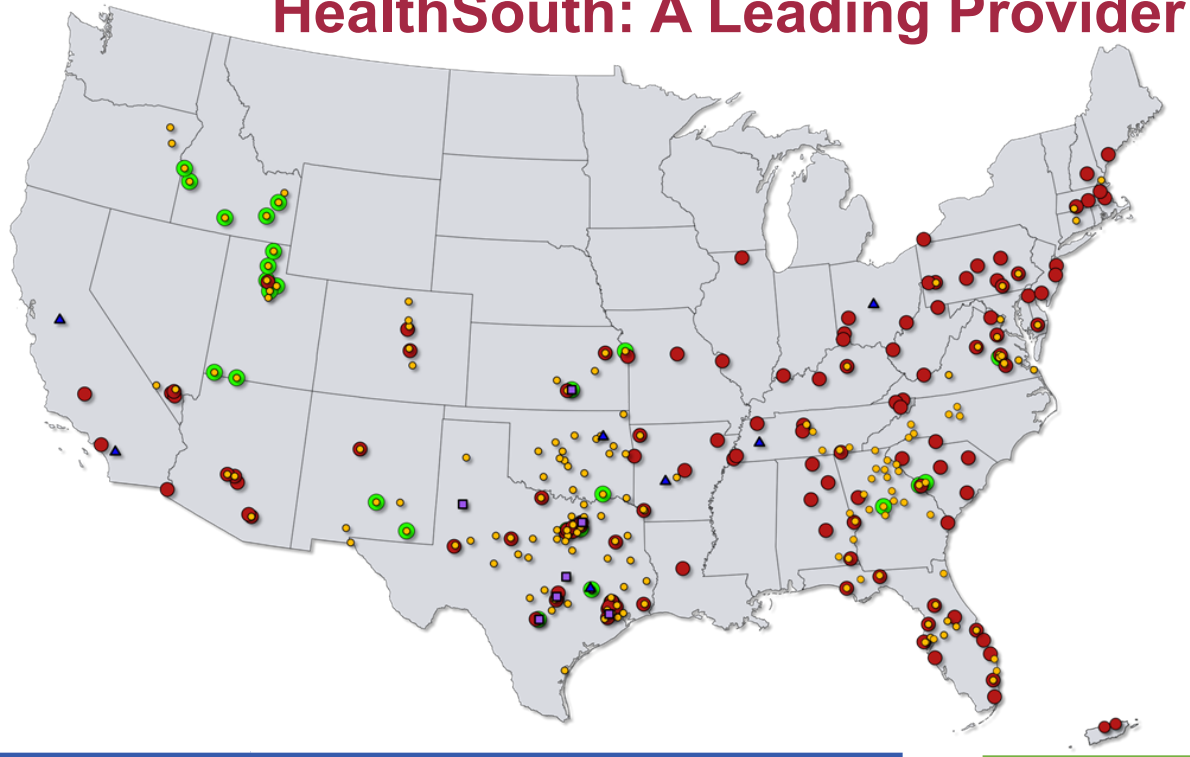
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You are cautioned not to place undue reliance on the estimates, projections and other forward-looking information in this presentation as they are based on current expectations and general assumptions and are subject to various risks, uncertainties and other factors, including those set forth in the Form 10-K for the year ended December 31, 2015 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.

HealthSouth: A Leading Provider of Post-Acute Care



60% of HealthSouth's IRFs are located within a 30-mile radius of an Encompass location.

- Inpatient Rehabilitation Hospitals
- Adult Home Health Locations
- Hospice Locations
- Pediatric Home Health Locations
- Future Inpatient Rehabilitation Hospitals (7 Under Development)

Inpatient Rehabilitation		
2014	**Portfolio as of December 31,**	**2015**
107	Inpatient Rehabilitation Hospitals	121
32	Number of IRFs Operated as JVs with Acute Care Partners	33
29	Number of States (plus Puerto Rico)	29
7,095	Number of Licensed Beds	8,404

Encompass Home Health and Hospice		
2014	**Portfolio as of December 31,**	**2015**
132	Adult Home Health Locations	179
8	Pediatric Home Health Locations	7
20	Hospice Locations	27
16	Number of States	23

Note: One of the 121 IRFs and two of the 179 adult home health locations are nonconsolidated. These locations are accounted for using the equity method of accounting.

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2015: Established Home Health Platform

✓ **Enhanced HLS' position in integrated delivery and value-based payment models by adding home-based, post-acute services via partnership with Encompass**

encompass™ HOME HEALTH & HOSPICE

- Best-in-class home health provider; high-quality patient outcomes and operating efficiency
- Strong, scalable management team and supporting infrastructure to facilitate growth
- Commitment to technology-enabled business processes
- Exceptional culture: Winner of multiple "Best Places to Work" awards

Platform for Growth

CARESOUTH

- 44* home health and 3 hospice locations in 7 states across the southeast and mid-atlantic regions
- 14 new overlap markets with existing HealthSouth IRFs

Other Development Activities

- Opened 4 new home health locations and 2 hospice locations
- Acquired 10 home health locations and 2 hospice locations

Integrated legacy HealthSouth home health agencies

* Two of the acquired home health locations are accounted for using the equity method of accounting and are not consolidated locations.

2015: Expanded Inpatient Rehabilitation Portfolio

- ✓ Entered new markets, primarily through joint ventures
- ✓ Enhanced geographic coverage in existing markets

	December 31,	
	2014	**2015**
# of hospitals	107	121
# of licensed beds	7,095	8,404

13% increase

18% increase

ACQUISITIONS

- Cardinal Hill Rehabilitation Hospital in Lexington, KY
- Reliant Hospital Partners
  - 11 hospitals; 902 beds
  - Increased geographic coverage in prominent Texas markets
  - Added new markets in Massachusetts and Ohio

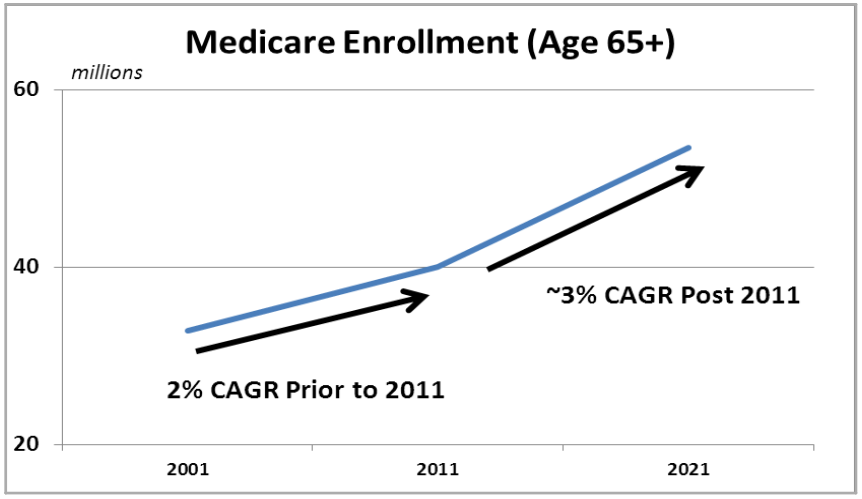
JOINT VENTURES

- Memorial Health in Savannah, GA
- West Tennessee Healthcare System in Jackson, TN
- Mount Carmel Health System in Westerville, OH
- St. John Health System in Broken Arrow, OK
- CHI St. Vincent Hot Springs in Hot Springs, AR
- St. Joseph Health System in Bryan, TX
- Vanderbilt University in Franklin, TN (tentative)

BED EXPANSIONS

- Added 85 net beds to existing hospitals

Key Demographic Tailwind: Expanding Medicare Beneficiary Population



Census Data - Population Growth by Age			
5 Year CAGR			
Age	2015-2020	2020-2025	2025-2030
65 to 69 years	2.5%	2.1%	0.2%
70 to 74 years	5.3%	2.6%	2.2%
75 to 79 years	4.5%	5.4%	2.7%
80 to 84 years	2.4%	4.6%	5.6%
85 to 89 years	0.5%	2.7%	4.9%
Total 65 to 89	**3.4%**	**3.2%**	**2.4%**

Key Observations:

- *The growth rate of Medicare beneficiaries increased in 2011 from a 2% CAGR to an approx. 3% CAGR as "baby boomers" started turning 65.*
- *In 15 years (2030), the Medicare population is projected to increase to 80 million beneficiaries from 54 million beneficiaries.*

	Average Age of HealthSouth Patients	
	IRF	Home Health
< 65 years	29%	15%
65 to 69 years	13%	12%
70 to 74 years	13%	13%
75 to 79 years	14%	14%
80 to 84 years	14%	16%
85 to 89 years	11%	16%
> 90 years	6%	14%

Source: www.census.gov/population/projections/files/summary/NP2014-T9.xls; Center for Medicare & Medicaid Services, Medicare Trust Report July 2015 – page 20; MedPAC Payment Policy, March 2015 – pages 19 and 321; Congressional Budget Office's, March 2015 Medicare Baseline

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CMS: Driving Change Toward Integrated Delivery Payment Models, Value-Based Purchasing

CMS Goals

>> **30%** of Medicare fee-for-service payments via **integrated delivery payment models** (e.g., bundled payments accountable care organizations (ACOs))

>> **85%** of Medicare fee-for-service payments tied to **quality/value** (i.e., value-based purchasing, readmissions reduction programs)

CMS Goals

>> **50%** of Medicare fee-for-service payments via **integrated delivery payment models**

>> **90%** of Medicare fee-for-service payments tied to **quality/value**

2016 — **2017** — **2018** — **2019**

Current Post-Acute Providers

- *Medicare payments/regulations are site specific (e.g., 60% Rule, 3-Hour Rule, one-to-one therapy).*

- Long-Term Acute Care Hospitals
- Inpatient Rehabilitation Facilities
- Skilled Nursing Facilities
- Home Health
- Hospice

- ***Integrated Delivery Payment Models***
- ***Value-Based Payments***

Future Post-Acute Providers (Timing?)

- *Medicare payments/regulations will be outcome focused.*
- *Many existing regulations will become obsolete.*

Facility-Based Post Acute Services

- Full range: low acuity ⇨ high acuity
- 24/7 nursing coverage
- Eliminates payment silos

Home-Based Post-Acute Services

- More care in the home (lowest cost setting)
- Differentiator: Ability to care for high-acuity, poly-chronic patients

Source: Health and Human Services Fact Sheet announcing new reimbursement goals - January 26, 2015

Q4 2015 Summary (Q4 2015 vs. Q4 2014)

HealthSouth Consolidated	Q4				YTD			
	2015	2014	Delta	%	2015	2014	Delta	%
($millions)								
Net operating revenues	$ 879.3	$ 613.4	$ 265.9	43.3%	$3,162.9	$2,405.9	$ 757.0	31.5%
Adjusted EBITDA*	$ 191.5	$ 140.8	$ 50.7	36.0%	$ 682.5	$ 577.6	$ 104.9	18.2%

Major takeaways:

- Strong revenue and volume growth in both segments
- Adjusted EBITDA growth driven by Encompass, Reliant, and CareSouth acquisitions
- Adjusted free cash flow of $83.0 million in Q4 2015, an 82.8% increase over Q4 2014, and $389.0 million in 2015, an increase of 25.0% over 2014
- Significant expansion across both segments in Q4 2015
  - IRF Segment - Completed Reliant acquisition on October 1, 2015; opened de novo in Franklin, TN in late December 2015
  - Home Health - Completed CareSouth acquisition on November 2, 2015

Reliant Acquisition:

- 11 hospitals; 902 beds

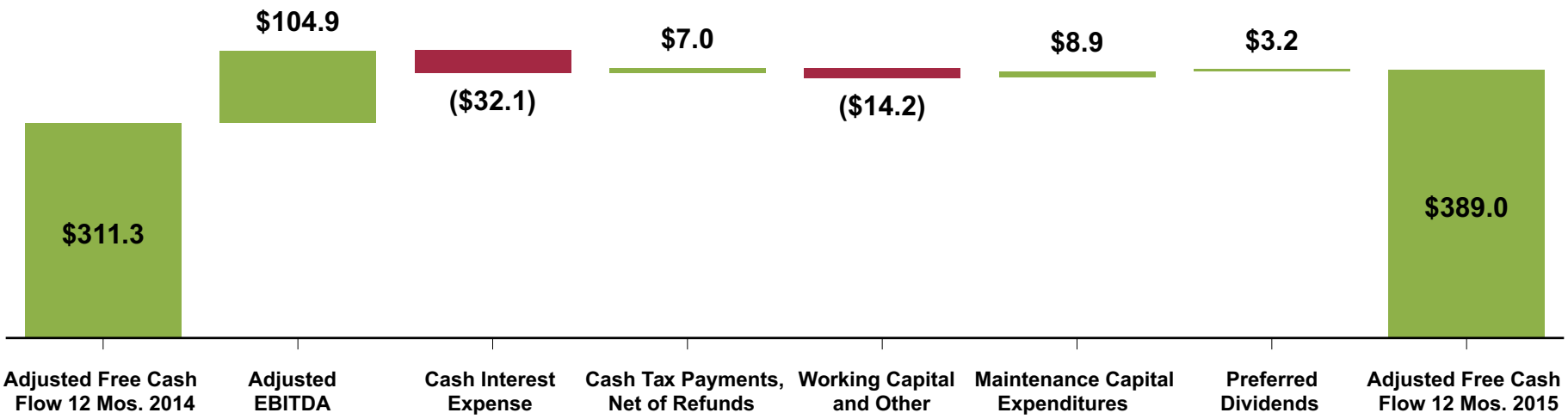
CareSouth Acquisition:

- 44 home health locations and 3 hospice locations
  - 35 of these locations are in CON states
- 14 new overlap markets with HealthSouth IRFs

*Reconciliation to GAAP provided on pages 19-21

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2015 Adjusted Free Cash Flow*(1)



- Adjusted free cash flow grew 25.0% primarily as a result of increased Adjusted EBITDA.
- Cash interest expense increased due to the debt associated with the Encompass, Reliant, and CareSouth acquisitions.
- The increase in working capital was mainly attributable to growth in accounts receivable due to additional claims denials and continued delays at the administrative law judge hearing level.

* Reconciliation to GAAP provided on page 22
Refer to pages 24-25 for end notes.

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Priorities for 2016



GROWTH

- **Integrate** Reliant and CareSouth ("pause" on additional large acquisitions)
- Achieve **organic growth** at existing hospitals and home health/hospice agencies
- **Acquire and construct** new hospitals and **acquire and open** new home health/hospice agencies



CAPITAL STRUCTURE

- **Reduce** financial leverage
- **Continue** shareholder distributions



OPERATIONAL INITIATIVES

- TEAMWORKS - Begin developing coordinated care protocols
- **Participate** in/assess alternative payment models (bundling/CJR; ACOs)

Guidance

	2015	Projected Year-Over-Year Growth	2016
Net Operating Revenues	$3,162.9 million	12% to 15%	$3,550 million to $3,650 million
Adjusted EBITDA	$682.5 million	12% to 15%	$765 million to $785 million
Adjusted Earnings per Share from Continuing Operations Attributable to HealthSouth(2)	$2.24	3% to 9%	$2.32 to $2.44

Represents a $0.04 per share increase from initial guidance presented on January 11, 2016 due primarily to updated depreciation and amortization expense estimates resulting from purchase accounting adjustments related to the acquisitions of Reliant and CareSouth

Earnings per share guidance assumes a diluted share count of ~101 million shares and an approximate 41% tax rate.
Refer to pages 24-25 for end notes.

2016 Guidance Considerations

Inpatient Rehabilitation

- **Full-year contribution from 2015 acquisitions and openings, including Reliant**
  - Transitioning to HLS business model
- **Continued evolution of payor mix**
  - Managed care and Medicaid increases expected to moderate in 2016
- **Estimated 1.6% increase in Medicare pricing (effective October 1, 2015)**
- **Moderating increase in group medical expense**
- **Bad debt expense level as percent of revenue**

Home Health and Hospice

- **Full-year contribution from 2015 acquisitions and openings, including CareSouth**
  - Transitioning to Encompass business model
- **Estimated 1.7% decrease in Medicare pricing (effective January 1, 2016)**
- **Enhanced clinical collaboration with HealthSouth IRFs**

Adjusted Free Cash Flow*[(1)] and Tax Assumptions

Certain Cash Flow Items (millions)	2016 Assumptions	2015 Actual	2014 Actual
• **Cash interest expense** (net of amortization of debt discounts and fees)	$165 to $175	$128.6	$96.5
• **Cash payments for taxes, net of refunds**	$20 to $40	$9.4	$16.4
• **Working Capital and Other**	$60 to $80	$69.2	$55.0
• **Maintenance CAPEX[(3)]**	$95 to $110	$83.1	$92.0
• **Dividends paid on preferred stock[(4)]**	$0	$3.1	$6.3
• **Adjusted Free Cash Flow**	$360 to $445	$389.0	$311.3

Working capital increase in 2015 driven primarily by growth in accounts receivable

GAAP Tax Considerations:

- *Gross federal NOL of ~$262 million as of 12/31/15*
- *Remaining valuation allowance of ~$28 million related to state NOLS*

* Reconciliation to GAAP provided on page 22

Refer to pages 24-25 for end notes.

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Free Cash Flow Priorities

Highest Priority

Growth in Core Business

(In Millions)

	2016 Assumptions	2015 Actuals	2014 Actuals
IRF bed expansions	$20 to $30	$20.8	$23.6
New IRF's			
- De novos	70 to 90	47.8	53.7
- Acquisitions	0 to 20	786.2	20.2
New home health and hospice acquisitions	30 to 40	200.2	674.6
	$120 to $180	$1,055.0	$772.1

2022 senior notes are fully callable; completed $50 million redemption in November 2015; gave notice of additional $50 million redemption in February 2016; ~ $176 million remaining as of December 31, 2015

Debt Reduction

	2016 Assumptions	2015 Actuals	2014 Actuals
Debt (borrowings) redemptions, net	$TBD	$(1,060.3)	$(614.1)
Leased property purchases	TBD	0	20.0

Current quarterly cash dividend of $0.23 per common share

Shareholder Distributions

Cash dividends on common stock[5]	85	77.2	65.8
Common stock repurchases	TBD	45.3	43.1
	$TBD	$(937.8)	$(485.2)

~$160 million authorization remaining as of December 31, 2015

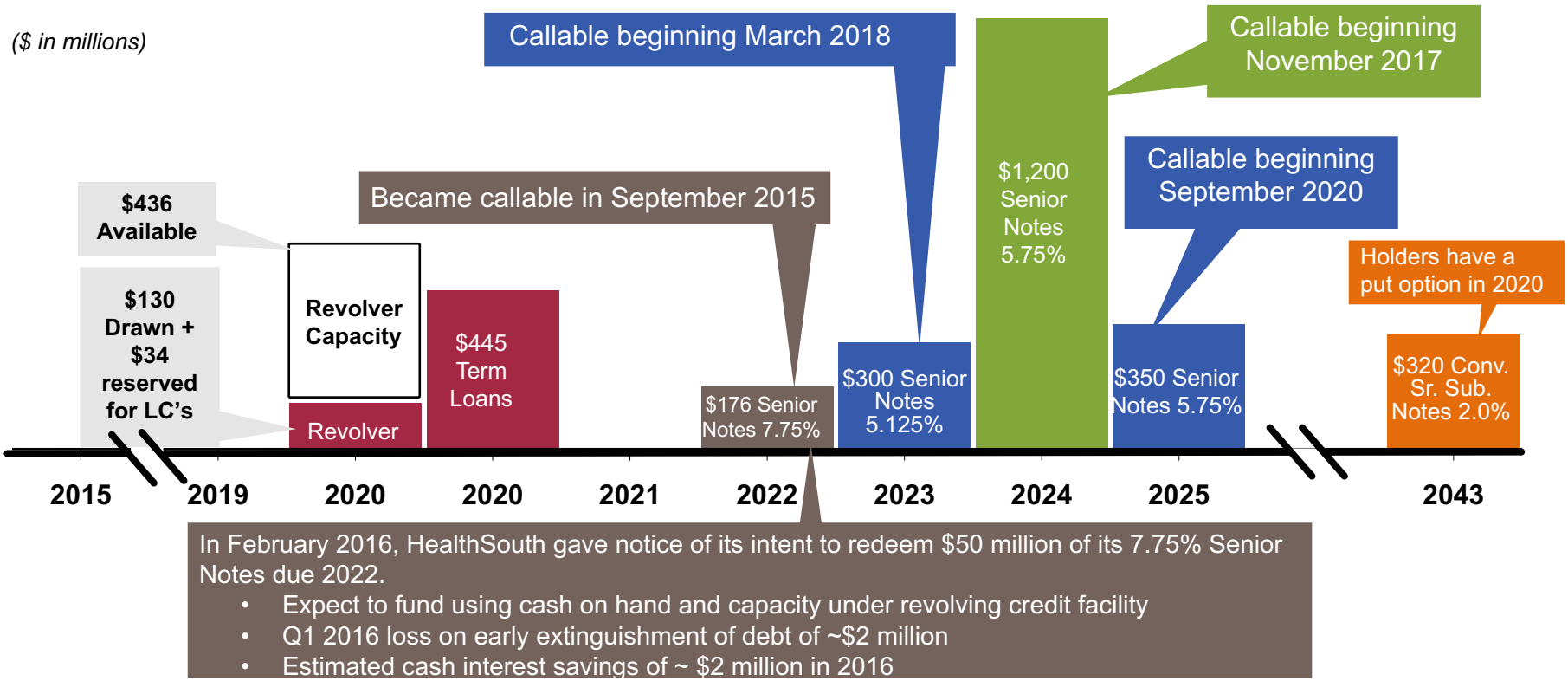
Note: 2015 amounts for debt borrowings included ~$208 million related to the Reliant hospitals' capital lease obligations. See the debt schedule on page 18. Refer to pages 24-25 for end notes.

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Debt Maturity Profile - Face Value

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

As of December 31, 2015*



In February 2016, HealthSouth gave notice of its intent to redeem $50 million of its 7.75% Senior Notes due 2022.

- Expect to fund using cash on hand and capacity under revolving credit facility
- Q1 2016 loss on early extinguishment of debt of ~$2 million
- Estimated cash interest savings of ~ $2 million in 2016

* This chart does not include ~$288 million of capital lease obligations or ~$39 million of other notes payable. See the debt schedule on page 18.

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HLS: Strong and Sustainable Business Fundamentals

Attractive Healthcare Sectors

- Favorable demographic trends
- Nondiscretionary nature of many conditions treated
- Highly fragmented post-acute industries

Industry Leading Position

- #1 market share in inpatient rehabilitation segment
- #5 largest provider of Medicare-certified skilled home health services
- Consistent delivery of high-quality, cost-effective care
- Enhanced utilization of technology

Cost-Effectiveness

- Effective labor management
- Continued improvements in supply chain
- Operating leverage of G&A and occupancy expenses

Real Estate Portfolio

- Portfolio of 121* IRFs
  - ✓ 82 owned and 39 leased

Financial Strength

- Strong balance sheet and liquidity, no significant near-term maturities
- Substantial free cash flow generation

Growth Opportunities

- Attractive organic growth opportunities in both segments
- Flexible inpatient rehabilitation de novo and acquisition strategy
- Home health and hospice platform with track record of growth through acquisitions in highly fragmented industry

* Includes one nonconsolidated entity.

Appendix

Debt Schedule[6]

($millions)	Dec. 31, 2015	Dec. 31, 2014	Change in Debt vs. YE 2014
Advances under $600 million revolving credit facility, July 2020 - LIBOR +200bps[7][8]	$ 130.0	$ 325.0	$ (195.0)
Term loan facility, July 2020 - LIBOR +200bps[7][8]	443.3	447.5	(4.2)
Bonds Payable:			
8.125% Senior Notes due 2020[9]	—	282.7	(282.7)
7.75% Senior Notes due 2022[10]	174.3	223.7	(49.4)
5.125% Senior Notes due 2023[9]	294.6	—	294.6
5.75% Senior Notes due 2024[7][11]	1,192.6	447.4	745.2
5.75% Senior Notes due 2025[11]	343.4	—	343.4
2.0% Convertible Senior Subordinated Notes due 2043[12]	265.9	256.7	9.2
Other notes payable	39.2	41.5	(2.3)
Capital lease obligations	288.2	86.7	201.5
Long-term debt	**$ 3,171.5**	**$ 2,111.2**	$ 1,060.3
Debt to Adjusted EBITDA*[13]	**4.6x**	**3.7x**	
Pro Forma Debt to Adjusted EBITDA*[13]	**4.2x**		

Note: In February 2016, HealthSouth gave notice of its intent to redeem $50 million of its 7.75% Senior Notes due 2022. See page 15.

* Reconciliation to GAAP provided on pages 19-21; Refer to pages 24-25 for end notes.

Reconciliation of Net Income to Adjusted EBITDA[(14)]

(in millions, except per share data)	2015 Q1 Total	2015 Q1 Per Share	2015 Q2 Total	2015 Q2 Per Share	2015 Q3 Total	2015 Q3 Per Share	2015 Q4 Total	2015 Q4 Per Share	2015 Full Year Total	2015 Full Year Per Share
Net Income	$ 59.0		$ 60.2		$ 67.8		$ 65.8		$ 252.8	
Loss (income) from disc ops, net of tax, attributable to HealthSouth	0.3		1.6		(0.3)		(0.7)		0.9	
Net income attributable to noncontrolling interests	(16.5)		(17.3)		(17.1)		(18.8)		(69.7)	
Income from continuing operations attributable to HealthSouth[(15)]	42.8	$ 0.44	44.5	$ 0.47	50.4	$ 0.52	46.3	$ 0.48	184.0	$ 1.92
Gov't, class action, and related settlements	8.0		—		—		(0.5)		7.5	
Pro fees - acct, tax, and legal	2.2		0.1		0.4		0.3		3.0	
Provision for income tax expense	30.3		32.2		35.9		43.5		141.9	
Interest expense and amortization of debt discounts and fees	31.8		30.9		35.6		44.6		142.9	
Depreciation and amortization	31.9		32.7		33.7		41.4		139.7	
Loss on early extinguishment of debt	1.2		18.8		—		2.4		22.4	
Other, including net noncash (gain) loss on disposal or impairment of assets	(1.5)		0.8		0.9		2.4		2.6	
Stock-based compensation expense	9.4		6.2		6.2		4.4		26.2	
Reliant/CareSouth transaction costs	—		3.3		2.3		6.7		12.3	
Adjusted EBITDA[(14)]	$ 156.1		$ 169.5		$ 165.4		$ 191.5		$ 682.5	
Weighted average common shares outstanding:										
Basic		87.1		89.8		90.6		90.1		89.4
Diluted		101.1		101.5		101.5		100.6		101.0

Refer to pages 24-25 for end notes.

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Reconciliation of Net Income to Adjusted EBITDA[14]

(in millions, except per share data)	2014 Q1 Total	2014 Q1 Per Share	2014 Q2 Total	2014 Q2 Per Share	2014 Q3 Total	2014 Q3 Per Share	2014 Q4 Total	2014 Q4 Per Share	2014 Full Year Total	2014 Full Year Per Share
Net Income	$ 61.5		$ 97.9		$ 64.8		$ 57.5		$ 281.7	
Loss (income) from disc ops, net of tax, attributable to HealthSouth	0.1		(3.8)		0.9		(2.7)		(5.5)	
Net income attributable to noncontrolling interests	(14.8)		(14.8)		(14.7)		(15.4)		(59.7)	
Income from continuing operations attributable to HealthSouth[15]	46.8	$ 0.48	79.3	$ 0.81	51.0	$ 0.53	39.4	$ 0.41	216.5	$ 2.24
Gov't, class action, and related settlements	—		(0.8)		—		(0.9)		(1.7)	
Pro fees - acct, tax, and legal	1.6		2.0		4.0		1.7		9.3	
Provision for income tax expense	32.8		36.5		22.1		19.3		110.7	
Interest expense and amortization of debt discounts and fees	27.9		27.8		27.8		25.7		109.2	
Depreciation and amortization	26.4		26.4		27.4		27.5		107.7	
Loss on early extinguishment of debt	—		—		—		13.2		13.2	
Gain on consolidation of Fairlawn Rehabilitation Hospital	—		(27.2)		—		—		(27.2)	
Other, including net noncash loss on disposal or impairment of assets	1.3		1.7		2.7		1.0		6.7	
Stock-based compensation expense	7.3		7.0		5.0		4.6		23.9	
Encompass transaction costs	—		—		—		9.3		9.3	
Adjusted EBITDA[14]	$ 144.1		$ 152.7		$ 140.0		$ 140.8		$ 577.6	
Weighted average common shares outstanding:										
Basic		87.3		86.7		86.5		86.6		86.8
Diluted		100.9		100.6		100.5		100.8		100.7

Refer to pages 24-25 for end notes.

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Net Cash Provided by Operating Activities Reconciled to Adjusted EBITDA

(Millions)	Q4 2015	Q4 2014	Full Year 2015	Full Year 2014
Net cash provided by operating activities	$ 116.6	$ 70.2	$ 484.8	$ 444.9
Provision for doubtful accounts	(14.0)	(6.6)	(47.2)	(31.6)
Professional fees—accounting, tax, and legal	0.3	1.7	3.0	9.3
Interest expense and amortization of debt discounts and fees	44.6	25.7	142.9	109.2
Equity in net income of nonconsolidated affiliates	2.4	1.9	8.7	10.7
Net income attributable to noncontrolling interests in continuing operations	(18.8)	(15.4)	(69.7)	(59.7)
Amortization of debt-related items	(3.4)	(3.2)	(14.3)	(12.7)
Distributions from nonconsolidated affiliates	(3.2)	(3.2)	(7.7)	(12.6)
Current portion of income tax expense	4.4	3.5	14.8	13.3
Change in assets and liabilities	53.6	46.4	147.1	90.1
Net premium paid on bond issuance/redemption	1.9	10.6	3.9	4.3
Cash (provided by) used in operating activities of discontinued operations	(0.1)	0.2	0.7	1.2
Reliant/CareSouth transaction costs	6.7	—	12.3	—
Encompass transaction costs	—	9.3	—	9.3
Other	0.5	(0.3)	3.2	1.9
Adjusted EBITDA	$ 191.5	$ 140.8	$ 682.5	$ 577.6

Reconciliation of Net Cash Provided by Operating Activities to Adjusted Free Cash Flow[1]

($millions)	Q4 2015	Q4 2014	Full Year 2015	Full Year 2014
Net cash provided by operating activities	$ 116.6	$ 70.2	$ 484.8	$ 444.9
Impact of discontinued operations	(0.1)	0.2	0.7	1.2
Net cash provided by operating activities of continuing operations	116.5	70.4	485.5	446.1
Capital expenditures for maintenance[3]	(27.1)	(26.1)	(83.1)	(92.0)
Dividends paid on convertible perpetual preferred stock[4]	—	(1.6)	(3.1)	(6.3)
Distributions paid to noncontrolling interests of consolidated affiliates	(14.8)	(14.5)	(54.4)	(54.1)
Unusual and nonrecurring items:				
Cash paid for professional fees - accounting, tax, and legal	0.3	1.3	4.1	8.6
Encompass transaction costs and related assumed liabilities	—	2.0	17.9	2.0
Reliant and CareSouth transaction costs	6.5	—	10.4	—
Net premium on bond issuance/repayment	1.9	10.6	4.0	4.3
Cash (received) paid for government, class action, and related settlements	(0.3)	3.3	7.7	2.7
Adjusted free cash flow	**$ 83.0**	**$ 45.4**	**$ 389.0**	**$ 311.3**
Cash dividends on common stock	**$ 21.0**	**$ 18.4**	**$ 77.2**	**$ 65.8**

Refer to pages 24-25 for end notes.

Adjusted EPS[(2)] - Full-Year 2015

	For the Year Ended December 31, 2015						
		Adjustments					
	As Reported	Gov't, Class Action, & Related Settlements	Pro. Fees - Acct., Tax, & Legal	Income Tax Valuation Allowance & Other Adj.	Transaction Costs	Loss on Early Exting. of Debt	As Adjusted
	(In Millions, Except Per Share Amounts)						
Adjusted EBITDA*	**$ 682.5**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 682.5**
Depreciation and amortization	(139.7)	—	—	—	—	—	(139.7)
Government, class action, and related settlements	(7.5)	7.5	—	—	—	—	—
Professional fees - accounting, tax, and legal	(3.0)	—	3.0	—	—	—	—
Loss on early extinguishment of debt	(22.4)	—	—	—	—	22.4	—
Interest expense and amortization of debt discounts and fees	(142.9)	—	—	—	—	—	(142.9)
Stock-based compensation	(26.2)	—	—	—	—	—	(26.2)
Loss on disposal or impairment of assets	(2.6)	—	—	—	—	—	(2.6)
Reliant/CareSouth transaction costs	(12.3)	—	—	—	12.3	—	—
Income from continuing operations before income tax expense	325.9	7.5	3.0	—	12.3	22.4	371.1
Provision for income tax expense	(141.9)	(3.0)	(1.2)	4.7	(4.1)	(9.0)	(154.5)
Income from continuing operations attributable to HealthSouth	**$ 184.0**	**$ 4.5**	**$ 1.8**	**$ 4.7**	**$ 8.2**	**$ 13.4**	**$ 216.6**
Add: Interest on convertible debt, net of tax	9.4						9.4
Numerator for diluted earnings per share	**$ 193.4**						**$ 226.0**
Diluted earnings per share from continuing operations**	**$ 1.92**	**$ 0.04**	**$ 0.02**	**$ 0.05**	**$ 0.08**	**$ 0.13**	**$ 2.24**
Diluted shares used in calculation	**101.0**						

* Reconciliation to GAAP provided on page 19; Refer to pages 24-25 for end notes.
** Adjusted EPS may not sum across due to rounding.

HEALTHSOUTH

End Notes

(1) Definition of adjusted free cash flow is net cash provided by operating activities of continuing operations minus capital expenditures for maintenance, dividends paid on preferred stock, distributions to noncontrolling interests, and nonrecurring items. Common stock dividends are not included in the calculation of adjusted free cash flow.

(2) HealthSouth is providing adjusted earnings per share from continuing operations attributable to HealthSouth ("adjusted earnings per share"), which is a non-GAAP measure. The Company believes the presentation of adjusted earnings per share provides useful additional information to investors because it provides better comparability of ongoing performance to prior periods given that it excludes the impact of government, class action, and related settlements, professional fees - accounting, tax, and legal, gains or losses related to hedging instruments, loss on early extinguishment of debt, adjustments to its income tax provision (such as valuation allowance adjustments and settlements of income tax claims), items related to corporate and facility restructurings, and certain other items. It is reasonable to expect that one or more of these excluded items will occur in future periods, but the amounts recognized can vary significantly from period to period and may not directly relate to the Company's ongoing operations. Accordingly, they can complicate comparisons of the Company's results of operations across periods and comparisons of the Company's results to those of other healthcare companies. Adjusted earnings per share should not be considered as a measure of financial performance under generally accepted accounting principles in the United States as the items excluded from it are significant components in understanding and assessing financial performance. Because adjusted earnings per share is not a measurement determined in accordance with GAAP and is thus susceptible to varying calculations, it may not be comparable as presented to other similarly titled measures of other companies.

(3) Capital expenditures for maintenance in 2014 were negatively impacted by approx. $12 million for equipment purchases that were invoiced in Q4 2013 and paid in early 2014.

(4) In April 2015, HealthSouth forced conversion of all of its remaining convertible perpetual preferred stock. The 96,245 preferred shares outstanding were converted into 3,271,415 shares of the Company's common stock.

(5) On July 17, 2014, the board of directors approved a $0.03 per share, or 16.7%, increase to the quarterly cash dividend on our common stock, bringing the quarterly cash dividend to $0.21 per common share. On July 16, 2015, the board of directors approved a $0.02 per share, or 9.5%, increase to the quarterly cash dividend on our common stock, bringing the quarterly cash dividend to $0.23 per common share.

(6) In accordance with the provisions of Accounting Standards Update No. 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs," the Company has reclassified its debt issuance costs from other assets to a direct deduction from each applicable debt liability (similar to the presentation of debt discounts). This reclassification, that was made retrospectively to the balance sheet, resulted in a reduction to the Company's total debt liability of $39.6 million and $20.4 million as of December 31, 2015 and 2014, respectively.

(7) In December 2014, the Encompass acquisition was initially funded using a combination of draws under the revolving credit facility and expanded term loan facility. In January 2015, the Company issued an additional $400 million of its 5.75% senior notes due 2024 and used $250 million of the net proceeds to repay borrowings under its term loan facilities, with the remainder used to repay borrowings under its revolving credit facility.

(8) HealthSouth drew from its term loan facilities and revolving credit facility to fund a portion of the Reliant and CareSouth acquisitions.

(9) In March 2015, the Company issued $300 million of 5.125% senior notes due 2023 and called all of its 8.125% senior notes due 2020 (approx. $290 million), which were funded in April 2015.

(10) In November 2015, the Company completed the optional redemption of $50 million of the outstanding principal amount of its existing 7.75% senior notes due 2022. Pursuant to the terms of the notes, the redemption was made at a price of 103.875%. The redemption was funded using a draw under the Company's revolving credit facility.

End Notes, con't.

(11) In August 2015, the Company issued an additional $350 million of its 5.75% senior notes due 2024. In September 2015, the Company issued $350 million of 5.75% senior notes due 2025. The proceeds from both offerings were used to fund a portion of the Reliant acquisition.

(12) The difference between the basic and diluted shares outstanding is primarily related to the convertible senior subordinated notes (convertible into 8.2 million common shares) and convertible perpetual preferred stock (converted into 3.3 million common shares on April 23, 2015).

a. On November 18, 2013, the Company closed separate, privately negotiated exchanges in 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. 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 approx. 26.2583 shares per $1,000 in principal amount, which is equal to a conversion price of approximately $38.08 per share, subject to customary antidilution 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% ($45.70) 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.

b. There were 96,245 shares of preferred stock outstanding after the exchange transaction. On April 22, 2015, the Company delivered notice of the exercise of its rights to force conversion of all outstanding shares of the perpetual preferred stock (par value of $0.10 per share and liquidation preference of $1,000 per share) pursuant to the underlying certificate of designations. The effective date of the conversion was April 23, 2015. On that date, each share of preferred stock automatically converted into 33.9905 shares of common stock (par value of $0.01 per share). The Company completed the forced conversion by issuing and delivering in the aggregate 3,271,415 shares of common stock to the registered holders of the 96,245 shares of the preferred stock outstanding and paying cash in lieu of fractional shares due to those holders.

(13) The leverage ratio is based on trailing four quarter Adjusted EBITDA of $682.5 million and $577.6 million for 2015 and 2014, respectively. Pro forma 2015 leverage with full-year Adjusted EBITDA estimates for Reliant and CareSouth included would be approx. 4.2x.

(14) 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.

(15) 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.