

## HEALTHSOUTH Reports Record Revenues; Earnings Per Share Up 13% for Third Quarter

PRNewswire  
BIRMINGHAM, Ala.

HEALTHSOUTH Corporation announced operating results for the quarter and nine months ended September 30, 2000. For the quarter, HEALTHSOUTH's revenues were \$1.060 billion, an increase of 7% as compared to \$993.3 million for the third quarter of 1999. Net income for the 2000 quarter was \$71.0 million, compared to income before non-recurring expenses of \$66.9 million in the 1999 quarter. Earnings per share (assuming dilution) were \$.18 for the 2000 quarter, consistent with consensus Wall Street estimates, an increase of 13% as compared to income per share before non-recurring expenses (assuming dilution) of \$.16 in the 1999 quarter. For the quarter, the company's earnings before interest, taxes, depreciation and amortization (EBITDA) margin was 27.0%, marking the third consecutive quarter of increase in its EBITDA margin.

For the nine months ended September 30, 2000, HEALTHSOUTH's revenues were \$3.118 billion, compared to \$3.072 billion in the 1999 period. Net income for the 2000 period was \$201.6 million, compared to income before non-recurring expenses of \$290.8 million in the 1999 period. Earnings per share (assuming dilution) for the 2000 period were \$.52, compared to income per share before non-recurring expenses (assuming dilution) of \$.69 for the same period in 1999.

"We are very pleased with the many positive developments we saw in the third quarter," said Richard M. Scrushy, Chairman of the Board and Chief Executive Officer of HEALTHSOUTH. "Record quarterly revenues translated into a 13% increase in earnings per share over the same quarter of last year. We saw strong year-over-year volume growth in all of our product lines, as well as continued positive pricing trends in outpatient and inpatient rehabilitation and outpatient surgery. Our days' sales outstanding continued to decrease, dropping by one-and-a-half days for the quarter. In addition, our \$350 million placement of subordinated debt was well-received by the market. We expect to continue to build on these positive operating and financial trends in the fourth quarter."

HEALTHSOUTH is the nation's largest provider of outpatient surgery, diagnostic imaging and rehabilitative healthcare services, with over 2,000 locations in all 50 states, the United Kingdom, Australia, Puerto Rico and Canada. HEALTHSOUTH can be found on the Web at <http://www.healthsouth.com/>.

HEALTHSOUTH will hold a conference call to discuss its third quarter results at 10:00 a.m. Central Time on Tuesday, October 31. Simultaneously with the conference call, a "webcast" of the call will be available to interested parties at <http://www.streetfusion.com/> and also via an Internet link at <http://www.healthsouth.com/> under the "Investor Relations" section. A replay of the call will be available at the same Internet site addresses for 30 days following the call.

Statements contained in this press release which are not historical facts are forward-looking statements. Without limiting the generality of the preceding statement, all statements in this press release concerning or relating to estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. In addition, HEALTHSOUTH, through its senior management, may from time to time make forward-looking public statements concerning the matters described herein. Such forward-looking statements are necessarily estimates reflecting the best judgment of HEALTHSOUTH's senior management based upon current information, involve a number of risks and uncertainties and are made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. HEALTHSOUTH's actual results may differ materially from the results anticipated in these forward-looking statements as a result of a variety of factors, including those identified in this press release and in the public filings made by HEALTHSOUTH with the Securities and Exchange Commission, including HEALTHSOUTH's Annual Report on Form 10-K for the year ended December 31, 1999 and its Quarterly Reports on Form 10-Q, and forward-looking statements contained in this press release or in other public statements of HEALTHSOUTH or its senior management should be considered in light of those factors. There can be no assurance that such factors or other factors will not affect the accuracy of such forward-looking statements.

Summary Operating Results  
(unaudited; in thousands, except per share data)

|          | Three Months Ended |            | Nine Months Ended |              |
|----------|--------------------|------------|-------------------|--------------|
|          | September 30,      |            | September 30,     |              |
|          | 2000               | 1999       | 2000              | 1999         |
| Revenues | \$ 1,060,457       | \$ 993,341 | \$ 3,118,115      | \$ 3,071,520 |

|            |           |            |            |            |
|------------|-----------|------------|------------|------------|
| Net income | \$ 71,037 | \$ (4,330) | \$ 201,579 | \$ 219,582 |
|------------|-----------|------------|------------|------------|

|  |         |         |         |         |
|--|---------|---------|---------|---------|
| Weighted average<br>common shares<br>outstanding | 385,615 | 412,874 | 385,960 | 415,341 |
|--|---------|---------|---------|---------|

|   |         |         |         |         |
|---|---------|---------|---------|---------|
| Weighted average<br>common shares and<br>common equivalent<br>shares outstanding<br>-- assuming<br>dilution | 390,033 | 418,404 | 391,382 | 422,622 |
|---|---------|---------|---------|---------|

|                                |         |           |         |         |
|--------------------------------|---------|-----------|---------|---------|
| Net income<br>per common share | \$ 0.18 | \$ (0.01) | \$ 0.52 | \$ 0.53 |
|--------------------------------|---------|-----------|---------|---------|

|  |         |           |         |         |
|--|---------|-----------|---------|---------|
| Net income per common<br>share -- assuming<br>dilution | \$ 0.18 | \$ (0.01) | \$ 0.52 | \$ 0.52 |
|--|---------|-----------|---------|---------|

ADJUSTMENT TO EXCLUDE  
NON-RECURRING EXPENSES IN 1999

|            |           |            |            |            |
|------------|-----------|------------|------------|------------|
| Net Income | \$ 71,037 | \$ (4,330) | \$ 201,579 | \$ 219,582 |
|------------|-----------|------------|------------|------------|

|   |    |        |    |        |
|---|----|--------|----|--------|
| Income effect of non-recurring<br>expenses, net of taxes<br>Provision for additional<br>accounts receivable<br>reserves | -- | 71,240 | -- | 71,240 |
|---|----|--------|----|--------|

|  |           |           |            |            |
|--|-----------|-----------|------------|------------|
| Income excluding<br>effects of non-recurring<br>expenses | \$ 71,037 | \$ 66,910 | \$ 201,579 | \$ 290,822 |
|--|-----------|-----------|------------|------------|

|   |         |         |         |         |
|---|---------|---------|---------|---------|
| Weighted average<br>common shares and<br>common equivalent<br>shares outstanding<br>-- assuming<br>dilution | 390,033 | 418,404 | 391,382 | 422,622 |
|---|---------|---------|---------|---------|

|  |         |         |         |         |
|--|---------|---------|---------|---------|
| Income per common share<br>excluding effects of<br>non-recurring<br>expenses -- assuming<br>dilution | \$ 0.18 | \$ 0.16 | \$ 0.52 | \$ 0.69 |
|--|---------|---------|---------|---------|

HEALTHSOUTH Corporation and Subsidiaries  
Consolidated Statements of Income - Unaudited  
Three Months Ended September 30, 2000 and 1999  
(In thousands, except per share amounts)

|  | 2000        | 1999       |
|--|-------------|------------|
| Revenues   | \$1,060,457 | \$993,341  |
| Operating unit expenses                              | 711,872     | 671,060    |
| Corporate general and<br>administrative expenses     | 37,403      | 29,352     |
| Provision for doubtful accounts                      | 24,971      | 138,726(a) |
| Depreciation and amortization                        | 89,160      | 94,695     |
| Interest expense                                     | 60,261      | 42,502     |
| Interest income                                      | (2,398)     | (2,798)    |
|  | 921,269     | 973,537    |
| Income before income taxes<br>and minority interests | 139,188     | 19,804     |
| Provision for income taxes                           | 46,380      | (2,826)    |
|  | 92,808      | 22,630     |
| Minority interests                                   | (21,771)    | (26,960)   |
| Net income   | \$71,037    | \$(4,330)  |

Weighted average

|                             |         |          |
|-----------------------------|---------|----------|
| common shares outstanding   | 385,615 | 412,874  |
| Net income per common share | \$0.18  | \$(0.01) |
| Weighted average            |         |          |
| common shares outstanding   |         |          |
| - assuming dilution         | 390,033 | 418,404  |
| Net income per common share |         |          |
| - assuming dilution:        | \$0.18  | \$(0.01) |

Add-back to income for diluted earnings per share:

|   |      |      |
|---|------|------|
| Interest and amortization on convertible debt | \$-- | \$-- |
|   | *    | *    |

\* The effect of these securities was antidilutive during the period

(a) Includes non-recurring expenses of \$117,752

HEALTHSOUTH Corporation and Subsidiaries  
Consolidated Statements of Income - Unaudited  
Nine Months Ended September 30, 2000 and 1999  
(In thousands, except per share amounts)

|  | 2000        | 1999        |
|--|-------------|-------------|
| Revenues   | \$3,118,115 | \$3,071,520 |
| Operating unit expenses  | 2,106,326   | 1,965,209   |
| Corporate general and administrative expenses                  | 107,130     | 85,806      |
| Provision for doubtful accounts                                | 72,482      | 177,688(a)  |
| Depreciation and amortization                                  | 269,100     | 284,988     |
| Interest expense   | 161,880     | 127,024     |
| Interest income  | (7,334)     | (7,888)     |
|  | 2,709,584   | 2,632,827   |
| Income before income taxes and minority interests              | 408,531     | 438,693     |
| Provision for income taxes                                     | 131,609     | 143,363     |
|  | 276,922     | 295,330     |
| Minority interests   | (75,343)    | (75,748)    |
| Net income   | \$201,579   | \$219,582   |
| Weighted average common shares outstanding                     |             |             |
|  | 385,960     | 415,341     |
| Net income per common share                                    | \$0.52      | \$0.53      |
| Weighted average common shares outstanding - assuming dilution |             |             |
|  | 391,382     | 422,622     |
| Net income per common share - assuming dilution:               | \$0.52      | \$0.52      |
| Add-back to income for diluted earnings per share:             |             |             |
| Interest and amortization on convertible debt                  | \$--        | \$--        |
|  | *           | *           |

\* The effect of these securities was antidilutive during the period

(a) Includes non-recurring expenses of \$117,752

HEALTHSOUTH Corporation and Subsidiaries  
Consolidated Statements of Income Before Non-Recurring Expenses - Unaudited  
Three Months Ended September 30, 2000 and 1999

(In thousands, except per share amounts)

|  | 2000        | 1999      |  |
|--|-------------|-----------|--|
| Revenues   | \$1,060,457 | \$993,341 |  |
| Operating unit expenses  | 711,872     | 671,060   |  |
| Corporate general and administrative expenses                  | 37,403      | 29,352    |  |
| Provision for doubtful accounts                                | 24,971      | 20,974    |  |
| Depreciation and amortization                                  | 89,160      | 94,695    |  |
| Interest expense   | 60,261      | 42,502    |  |
| Interest income  | (2,398)     | (2,798)   |  |
|  | 921,269     | 855,785   |  |
| Income before income taxes and minority interests              | 139,188     | 137,556   |  |
| Provision for income taxes                                     | 46,380      | 43,686    |  |
|  | 92,808      | 93,870    |  |
| Minority interests   | (21,771)    | (26,960)  |  |
| Net income   | \$71,037    | \$66,910  |  |
| Weighted average common shares outstanding                     | 385,615     | 412,874   |  |
| Net income per common share                                    | \$0.18      | \$0.16    |  |
| Weighted average common shares outstanding - assuming dilution | 390,033     | 418,404   |  |
| Net income per common share - assuming dilution:               | \$0.18      | \$0.16    |  |
| Add-back to income for diluted earnings per share:             |             |           |  |
| Interest and amortization on convertible debt                  | \$--        | \$--      |  |
|  | *           | *         |  |

\* The effect of these securities was antidilutive during the period

HEALTHSOUTH Corporation and Subsidiaries

Consolidated Statements of Income Before Non-Recurring Expenses - Unaudited

Nine Months Ended September 30, 2000 and 1999  
(In thousands, except per share amounts)

|  | 2000        | 1999        |  |
|--|-------------|-------------|--|
| Revenues   | \$3,118,115 | \$3,071,520 |  |
| Operating unit expenses  | 2,106,326   | 1,965,209   |  |
| Corporate general and administrative expenses                  | 107,130     | 85,806      |  |
| Provision for doubtful accounts                                | 72,482      | 59,936      |  |
| Depreciation and amortization                                  | 269,100     | 284,988     |  |
| Interest expense   | 161,880     | 127,024     |  |
| Interest income  | (7,334)     | (7,888)     |  |
|  | 2,709,584   | 2,515,075   |  |
| Income before income taxes and minority interests              | 408,531     | 556,445     |  |
| Provision for income taxes                                     | 131,609     | 189,875     |  |
|  | 276,922     | 366,570     |  |
| Minority interests   | (75,343)    | (75,748)    |  |
| Net income   | \$201,579   | \$290,822   |  |
| Weighted average common shares outstanding                     | 385,960     | 415,341     |  |
| Net income per common share                                    | \$0.52      | \$0.70      |  |
| Weighted average common shares outstanding - assuming dilution | 391,382     | 438,123     |  |
| Net income per common share - assuming dilution:               | \$0.52      | \$0.69      |  |

Add-back to income for diluted earnings per share:  
Interest and amortization on convertible debt \$ -- \$9,336

\* The effect of these securities was antidilutive during the period

HEALTHSOUTH Corporation  
Quarterly Statistics (Unaudited)

|                         | 1st Qtr   | 2nd Qtr   | 3rd Qtr   | 4th Qtr   | Total      |
|-------------------------|-----------|-----------|-----------|-----------|------------|
| Outpatient Division     |           |           |           |           |            |
| Total Visits:           |           |           |           |           |            |
| 1998                    | 2,037,402 | 2,193,435 | 2,349,112 | 2,414,172 | 8,994,121  |
| 1999                    | 2,431,015 | 2,533,341 | 2,590,112 | 2,589,238 | 10,143,706 |
| 2000                    | 2,659,111 | 2,703,664 | 2,625,632 |           | 7,988,407  |
| Inpatient Division      |           |           |           |           |            |
| Total Patient Days:     |           |           |           |           |            |
| 1998                    | 554,234   | 564,466   | 572,863   | 584,152   | 2,275,715  |
| 1999                    | 614,686   | 626,262   | 608,878   | 621,349   | 2,471,175  |
| 2000                    | 647,575   | 643,441   | 668,451   |           | 1,959,467  |
| Medical Center Division |           |           |           |           |            |
| Total Patient Days:     |           |           |           |           |            |
| 1998                    | 30,136    | 30,201    | 29,039    | 29,546    | 118,922    |
| 1999                    | 30,537    | 30,254    | 27,837    | 27,621    | 116,249    |
| 2000                    | 32,288    | 29,626    | 30,934    |           | 92,848     |
| Surgery Center Division |           |           |           |           |            |
| Total Cases:            |           |           |           |           |            |
| 1998                    | 162,220   | 165,705   | 209,265   | 217,937   | 755,127    |
| 1999                    | 215,139   | 220,699   | 208,468   | 218,988   | 863,294    |
| 2000                    | 217,505   | 220,593   | 212,647   |           | 650,745    |
| Diagnostic Division     |           |           |           |           |            |
| Total Procedures:       |           |           |           |           |            |
| 1998                    | 155,730   | 163,789   | 176,380   | 194,942   | 690,841    |
| 1999                    | 200,496   | 205,909   | 191,493   | 198,728   | 796,626    |
| 2000                    | 213,505   | 221,052   | 242,647   |           | 677,204    |

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President and Treasurer, both of HEALTHSOUTH, 205-967-7116

SOURCE: HEALTHSOUTH Corporation

Contact: Richard M. Scruschy, Chairman & CEO, or Tadd McVay, Senior Vice  
President and Treasurer, both of HEALTHSOUTH, 205-967-7116

Website: <http://www.healthsouth.com/>

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