

HEALTHSOUTH Reports Second Quarter Operating Earnings Per Share of \$.21, Up 24%

PRNewswire
BIRMINGHAM, Ala.

HEALTHSOUTH Corporation announced operating results for the quarter and six months ended June 30, 2001. For the quarter, HEALTHSOUTH's revenues were \$1.099 billion, an increase of 6% as compared to \$1.036 billion for the second quarter of 2000. Adjusting in both periods for the effect of the 2001 sale of the company's occupational medicine operations, revenues for the 2001 quarter would have been up 9% over revenues for the 2000 quarter. Income before unusual and non-recurring items for the 2001 quarter was \$83.1 million, an increase of 27% compared to net income of \$65.2 million in the 2000 quarter. The comparable income per share (assuming dilution) was \$.21 for the 2001 quarter, beating consensus Wall Street estimates and representing an increase of 24% as compared to earnings per share (assuming dilution) of \$.17 in the 2000 quarter. For the quarter, the company's earnings before interest, taxes, depreciation and amortization (EBITDA) margin, excluding unusual and non-recurring items, was 28.1%, compared to 26.6% in the second quarter of 2000.

For the six months ended June 30, 2001, HEALTHSOUTH's revenues were \$2.189 billion, compared to \$2.058 billion for the same period in 2001. Income before unusual and non-recurring items for the 2001 period was \$158.4 million, compared to net income of \$130.5 million for the 2000 period. The comparable income per share (assuming dilution) for the 2001 period was \$.40, compared to earnings per share (assuming dilution) of \$.33 for the 2000 period.

Unusual and non-recurring items in the second quarter of 2001 totaled approximately \$103 million for the quarter and six months, net of income taxes. Those items included a loss of approximately \$84.3 million on the sale of the company's occupational medicine operations, an increase of approximately \$6.2 million in bad debt reserves in connection with the sale of its Richmond, Virginia, medical center, approximately \$8.2 million paid in settlement of a lawsuit with the U.S. Department of Justice, and approximately \$4.0 million relating to the company's early termination of its \$400 million secondary credit facility. The company elected to terminate its secondary credit facility because of its confidence that cash from operations and availability under its primary credit facility would provide it with ample flexibility.

"Our second quarter results demonstrate the continued successful execution of our strategic plan," said Richard M. Scrushy, Chairman of the Board and Chief Executive Officer of HEALTHSOUTH. "In a quarter full of milestones, we achieved record quarterly revenues, continued the improvement in our EBITDA margin, and saw same-store volume and pricing increases in all lines of business, while completing the planned divestitures of our occupational medicine business and our Richmond medical center. In addition, our disciplined financial policies allowed us to reduce our indebtedness by \$152 million as compared to the end of the first quarter, while our accounts receivable days declined four days from the first quarter. We look forward to continuing our success in the remainder of 2001."

HEALTHSOUTH is the nation's largest provider of outpatient surgery, diagnostic imaging and rehabilitative healthcare services, with over 1,900 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 9:00 a.m. Central Time on Tuesday, July 31. Simultaneously with the conference call, a "webcast" of the call will be available to interested parties at <http://www.healthsouth.com/> via an Internet link under the "Investor Relations" section and also at <http://www.streetfusion.com/>. A replay of the call will be available at the same Internet site addresses until 5:00 p.m. Central Time on August 15, 2001.

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, 2000 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.

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

	3 Months Ended June 30,		6 Months Ended June 30,	
	2001	2000	2001	2000
Revenues	\$1,098,989	\$ 1,036,322	\$ 2,189,451	\$2,057,658
Net income	\$(19,947)	\$65,213	\$55,364	\$130,539
Weighted average common shares outstanding	388,665	385,404	388,463	385,524
Weighted average common shares outstanding - assuming dilution	388,665	390,376	397,993	389,705
Net income per common share	\$(0.05)	\$ 0.17	\$0.14	\$0.34
Net income per common share - assuming dilution	\$ (0.05)	\$ 0.17	\$ 0.14	\$ 0.33
ADJUSTMENT TO EXCLUDE UNUSUAL AND NON-RECURRING ITEMS IN 2001				
Net income	\$(19,947)	\$ 65,213	\$55,364	\$130,539
Unusual and non-recurring items, net of minority interests	164,906	---	164,906	---
Income tax benefit of unusual and non-recurring items	(61,880)	---	(61,880)	---
Income excluding effects of unusual and non-recurring items	\$83,079	\$65,213	\$158,390	\$ 130,539
Weighted average common shares outstanding - assuming dilution	397,500	390,376	397,993	389,705
Income per common share excluding effects of unusual and non-recurring items - assuming dilution	\$0.21	\$0.17	\$0.40	\$0.33

Additional Financial Details Follow

HEALTHSOUTH Corporation and Subsidiaries
Consolidated Statements of Income
(UNAUDITED - In thousands, except per share amounts)

3 Months Ended June 30, 6 Months Ended June 30,

	2001	2000	2001	2000
Revenues	\$1,098,989	\$1,036,322	\$2,189,451	\$2,057,658
Operating unit expenses	722,705	700,462	1,458,750	1,394,454
Corporate general and administrative expenses	51,214	35,706	83,868	69,727
Provision for doubtful accounts	34,858	24,256	59,241	47,512
Depreciation and amortization	93,223	90,286	184,442	179,941
Impairment of unamortized loan fee costs	6,475	---	6,475	---
Loss on sale of assets	139,883	---	139,883	---
Interest expense	55,247	52,059	114,667	101,619
Interest income	(1,591)	(2,102)	(4,312)	(4,936)
	1,102,014	900,667	2,043,014	1,788,317
Income before income taxes and minority interests	(3,025)	135,655	146,437	269,341
Provision for income taxes	(7,636)	42,577	41,534	85,229
Income before minority interests	4,611	93,078	104,903	184,112
Minority interests	(24,558)	(27,865)	(49,539)	(53,573)
Net income	\$(19,947)	\$65,213	\$55,364	\$130,539
Weighted average common shares outstanding	388,665	385,404	388,463	385,524
Net income per common share	\$(0.05)	\$0.17	\$0.14	\$0.34
Weighted average common shares outstanding - assuming dilution	388,665	390,376	397,993	389,705
Net income per common share - assuming dilution:	\$(0.05)	\$0.17	\$0.14	\$0.33
Add-back to income for diluted earnings per share:				
Interest and amortization on convertible debt	---	---	---	---
	*	*	*	*

* The effect of these securities was antidilutive.

HEALTHSOUTH Corporation and Subsidiaries
Consolidated Statements of Income Before Unusual and Non-Recurring Items
(UNAUDITED - In thousands, except per share amounts)

3 Months Ended June 30, 6 Months Ended June 30,
2001 2000 2001 2000

Revenues	\$1,098,989	\$1,036,322	\$2,189,451	\$2,057,658
Operating unit expenses	722,705	700,462	1,458,750	1,394,454
Corporate general and administrative expenses	42,966	35,706	75,620	69,727
Provision for doubtful accounts	24,558	24,256	48,941	47,512
Depreciation and				

amortization	93,223	90,286	184,442	179,941
Interest expense	55,247	52,059	114,667	101,619
Interest income	(1,591)	(2,102)	(4,312)	(4,936)
	937,108	900,667	1,878,108	1,788,317
Income before income taxes and minority interests	161,881	135,655	311,343	269,341
Provision for income taxes	54,244	42,577	103,414	85,229
Income before minority interests	107,637	93,078	207,929	184,112
Minority interests	(24,558)	(27,865)	(49,539)	(53,573)
Net income	\$83,079	\$65,213	\$158,390	\$130,539

Weighted average common shares outstanding	388,665	385,404	388,463	385,524
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Net income per common share	\$0.21	\$0.17	\$0.41	\$0.34
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Weighted average common shares outstanding - assuming dilution	397,500	390,376	397,993	389,705
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Net income per common share - assuming dilution	\$0.21	\$0.17	\$0.40	\$0.33
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Add-back to income for diluted earnings per share:

Interest and amortization on convertible debt	---	---	---	---
	*	*	*	*

* The effect of these securities was antidilutive.

HEALTHSOUTH Corporation and Subsidiaries
Consolidated Statements of Income
Three Months Ended June 30, 2001
(UNAUDITED - In thousands, except per share amounts)

	3 Months Ended June 30, 2001 Before			
	3 Months Ended June 30, 2001	Less Unusual and Non- Recurring Items	Unusual and Non- Recurring Items	
Revenues	\$1,098,989			\$1,098,989
Operating unit expenses	722,705			722,705
Corporate general and administrative expenses	51,214	8,248	(1)	42,966
Provision for doubtful accounts	34,858	10,300	(3)	24,558
Depreciation and amortization	93,223			93,223
Impairment of unamortized loan fee costs	6,475	6,475	(2)	---
Loss on sale of assets	139,883	139,883	(3)	---
Interest expense	55,247			55,247
Interest income	(1,591)			(1,591)
	1,102,014	164,906		937,108
Income before income taxes and minority interests	(3,025)	(164,906)		161,881
Provision for income taxes	(7,636)	(61,880)		54,244
Income before minority interests	4,611	(103,026)		107,637
Minority interests	(24,558)			(24,558)

Net income	\$ (19,947)	\$ (103,026)	\$ 83,079
Weighted average common shares outstanding	388,665		388,665
Net income per common share	\$ (0.05)		\$ 0.21
Weighted average common shares outstanding -- assuming dilution	388,665		397,500
Net income per common share - assuming dilution	\$ (0.05)		\$ 0.21
Add-back to income for diluted earnings per share:			
Interest and amortization on convertible debt *	---	---	---
	*	*	

* The effect of these securities was antidilutive

- (1) Charge related to settlement agreement with the United States Department of Justice.
- (2) Impairment charge related to the write-off of the unamortized balance of loan fees on retired debt.
- (3) Loss and expenses related to the sale of certain facilities.

HEALTHSOUTH Corporation and Subsidiaries
Consolidated Statements of Income
Six Months Ended June 30, 2001
(UNAUDITED - In thousands, except per share amounts)

	6 Months Ended June 30, 2001 Before		
	Less Unusual 6 Months Ended June 30, 2001	and Non- Recurring Items	Unusual and Non- Recurring Items
Revenues	\$2,189,451		\$2,189,451
Operating unit expenses	1,458,750		1,458,750
Corporate general and administrative expenses	83,868	8,248 (1)	75,620
Provision for doubtful accounts	59,241	10,300 (3)	48,941
Depreciation and amortization	184,442		184,442
Impairment of unamortized loan fee costs	6,475	6,475 (2)	---
Loss on sale of assets	139,883	139,883 (3)	---
Interest expense	114,667		114,667
Interest income	(4,312)		(4,312)
	2,043,014	164,906	1,878,108
Income before income taxes and minority interests	146,437	(164,906)	311,343
Provision for income taxes	41,534	(61,880)	103,414
Income before minority interests	104,903	(103,026)	207,929
Minority interests	(49,539)		(49,539)
Net income	\$55,364	\$ (103,026)	\$ 158,390
Weighted average common shares outstanding	388,463		388,463
Net income per common share	\$ 0.14		\$ 0.41

Weighted average common shares outstanding -- assuming dilution	397,993	397,993
Net income per common share - assuming dilution	\$0.14	\$0.40
Add-back to income for diluted earnings per share: Interest and amortization on convertible debt *	---	---
	*	*

* The effect of these securities was antidilutive

- (1) Charge related to settlement agreement with the United States Department of Justice.
- (2) Impairment charge related to the write-off of the unamortized balance of loan fees on retired debt.
- (3) Loss related to the sale of certain facilities.

HEALTHSOUTH Corporation
Quarterly Statistics (Unaudited)

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
Outpatient Division Total Visits: (Revised to Exclude Occupational Medicine Operations)					
1999	1,991,523	2,123,275	2,140,242	2,196,678	8,451,718
2000	2,212,042	2,266,260	2,195,908	2,271,269	8,945,479
2001	2,198,772	2,249,908	4,448,680		
Inpatient Division Total Patient Days:					
1999	614,686	626,262	608,878	621,349	2,471,175
2000	647,575	643,441	668,451	650,987	2,610,454
2001	653,434	661,635	1,315,069		
Medical Center Division Total Patient Days:					
1999	30,537	30,254	27,837	27,621	116,249
2000	32,288	29,626	30,934	31,470	124,318
2001	37,154	31,158	68,312		
Surgery Center Division Total Cases:					
1999	215,139	220,699	208,468	218,988	863,294
2000	217,505	220,593	212,647	219,321	870,066
2001	219,777	225,512	445,289		
Diagnostic Division Total Procedures:					
1999	200,496	205,909	191,493	198,728	796,626
2000	213,505	221,052	242,647	250,621	927,825
2001	268,645	274,623		543,268	

For more information, contact Richard M. Scrushy, Chairman & CEO, or Tadd McVay, Senior Vice President and Treasurer, at 205-967-7116

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SOURCE: HEALTHSOUTH Corporation

Contact: Richard M. Scrushy, Chairman & CEO, or Tadd McVay, Senior Vice President and Treasurer both of HEALTHSOUTH, +1-205-967-7116

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

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