

## **HEALTHSOUTH Suspends Surgery Division Transaction**

PRNewswire-FirstCall  
BIRMINGHAM, Ala.

HEALTHSOUTH Corporation announced that it has suspended its previously- announced plan to effect a tax-free separation of its surgery center division into a new publicly traded company, which was given preliminary approval by the Board of Directors on August 27. HEALTHSOUTH's surgery center division constitutes the largest affiliated network of surgery centers in the United States.

"Based on comments we have received from some of our investors and lenders and conditions in the debt and equity markets, we have determined that it does not make economic sense at this time to proceed with a separation transaction," said Richard M. Scrushy, HEALTHSOUTH's Chairman of the Board. "Our surgery center business is strong, and there is no reason for us to move forward with any transaction at a time when we do not believe it is prudent to do so."

"We believe the enhanced focus we have brought to our surgery center operations during this process will help us improve those operations while they continue as part of our national network," said William T. Owens, President and Chief Executive Officer of HEALTHSOUTH. "While we are suspending plans for a tax-free separation at this time, we retain the flexibility to resume the transaction if capital market conditions become more favorable and to consider other strategic alternatives for the surgery center business if and when that is in the best interests of our stockholders and other constituencies. Right now, we are committed to running the largest and best group of surgery centers in the United States."

As previously announced, HEALTHSOUTH is also continuing to evaluate the sale of non-core assets and business operations. Any transaction will be contingent upon the receipt of necessary governmental and third-party approvals and the satisfaction of customary conditions, which will vary depending upon the form of the transaction. Any transaction is also subject to final approval by HEALTHSOUTH's Board of Directors.

HEALTHSOUTH is the nation's largest provider of outpatient surgery, diagnostic imaging and rehabilitative healthcare services, with approximately 1,900 locations in all 50 states, the United Kingdom, Australia, Puerto Rico and Canada. HEALTHSOUTH can be found on the Web at [www.healthsouth.com](http://www.healthsouth.com).

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 revenues, earnings, margins, costs, expenditures, cash flows, growth rates and financial results, as well as to the consummation of the transactions described herein, 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 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, 2001 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.

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SOURCE: HEALTHSOUTH Corporation

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