

HealthSouth Announces Agreement With Banks To Waive Payment Blockage Of Past Due Interest

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HealthSouth Corporation (OTC Pink Sheets: HLSH) today announced that its lending banks have waived a payment blockage to allow past due interest to be paid to the holders of the Company's subordinated indebtedness. The banks had previously issued a payment blockage notice with respect to the Company's subordinated indebtedness, which blockage would have precluded holders of those instruments from receiving past due interest.

The Company also announced that it will transfer sufficient funds to the trustees for holders of all of its outstanding notes to permit payment of interest on past due interest owed to these holders in accordance with the terms of the relevant indentures. It is expected that payment of the past due interest will be made to the holders of Company's notes shortly after the record date of August 29, 2003.

"We're pleased to have received this waiver, representing the culmination of active negotiations by the Company with our bank lenders to pay past due interest owed to our subordinated noteholders," said Joel C. Gordon, HealthSouth's Interim Chairman. "We greatly appreciate the support our banks have shown in our turnaround efforts. These interest payments represent another step in addressing our financial situation and restoring our financial credibility."

As previously announced, on August 12, 2003, HealthSouth paid \$117 million to its lending banks and the trustees under its indentures, representing payment of all past due interest owed by the Company under its various borrowing agreements.

HealthSouth is the nation's largest provider of outpatient surgery, diagnostic imaging and rehabilitative healthcare services, with nearly 1,700 locations in all 50 states and abroad. HealthSouth can be found on the Web at www.healthsouth.com.

Statements contained in this press release which are not historical facts 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. While it is impossible to identify all such factors, factors which could cause actual results to differ materially from those estimated by HEALTHSOUTH include, but are not limited to: the investigations by the Department of Justice and the Securities Exchange Commission into HEALTHSOUTH's financial reporting and related activity calling into question the accuracy of the Company's previously filed financial statements; HEALTHSOUTH's statement that as a result of the investigations, the Company's previously filed financial statements should no longer be relied upon and may result in the Company restating its prior financial statements; the withdrawal by HEALTHSOUTH's former accountants of their audit reports on all of the Company's previously filed financial statements; the outcome of pending litigation relating to these matters; significant changes in HEALTHSOUTH's management team; HEALTHSOUTH's ability to successfully amend, restructure and/or renegotiate its existing indebtedness or cure or receive a waiver of the events of default under such agreements, the failure of which may result in HEALTHSOUTH filing a voluntary petition for bankruptcy; HEALTHSOUTH's ability to continue to operate in the ordinary course and manage its relationships with its creditors, including its lenders, bondholders, vendors and suppliers, employees and customers; changes, delays in or suspension of reimbursement for HEALTHSOUTH's services by governmental or private payors; changes in the regulation of the healthcare industry at either or both of the federal and state levels; changes to or delays in the implementation of the prospective payment system for inpatient rehabilitation services; competitive pressures in the healthcare industry and HEALTHSOUTH's response thereto; HEALTHSOUTH's ability to obtain and retain favorable arrangements with third-party payors; general conditions in the economy and capital markets; and other factors which may be identified from time to time in the Company's SEC filings and other public announcements.

For more information contact Andy Brimmer at 205-410-2777.

SOURCE: HealthSouth Corporation

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Web site: <http://www.healthsouth.com/>

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