

## HEALTHSOUTH Reports Third Quarter Earnings Per Share of \$.20

PRNewswire  
BIRMINGHAM, Ala.

HEALTHSOUTH Corporation announced operating results for the quarter and nine months ended September 30, 2001. For the quarter, HEALTHSOUTH's revenues were \$1.076 billion, an increase of 1.5% as compared to \$1.060 billion for the third quarter of 2000. Adjusting in both periods for the effect of the 2001 sale of the company's occupational medicine operations and its Richmond, Virginia, medical center, revenues for the 2001 quarter increased 5.2% over revenues for the 2000 quarter. Net income for the 2001 quarter was \$79.1 million, an increase of 11% compared to net income of \$71.0 million in the 2000 quarter. Earnings per share (assuming dilution) were \$.20 for the 2001 quarter, consistent with consensus Wall Street estimates and representing an increase of 11% as compared to earnings per share (assuming dilution) of \$.18 in the 2000 quarter. For the quarter, the company's earnings before interest, taxes, depreciation and amortization (EBITDA) margin was 27.7%, compared to 27.0% in the third quarter of 2000.

For the nine months ended September 30, 2001, HEALTHSOUTH's revenues were \$3.265 billion, compared to \$3.118 billion for the same period in 2000. Income before unusual and non-recurring items for the 2001 period (all of which were incurred in the second quarter of 2001) was \$237.5 million, compared to net income of \$201.6 million for the 2000 period. The comparable income per share (assuming dilution) for the 2001 period was \$.60, a 15% increase compared to earnings per share (assuming dilution) of \$.52 for the 2000 period.

"We are very pleased that we again met Wall Street's earnings expectations as we continued implementing our strategic plan," said Richard M. Scrusby, Chairman of the Board and Chief Executive Officer of HEALTHSOUTH. "We saw same-store growth across all of our ambulatory services lines of business, as well as continued favorable pricing trends. In addition, despite the disruption in the capital markets, we successfully completed a private placement of \$600 million in five-year and ten-year senior notes in September. We also strengthened our management team with the promotion of Bill Owens to President and Chief Operating Officer and the consolidation of all of our ambulatory services into a single division, along with the other management changes we announced in August. We believe that these changes further strengthen our experienced management team and position us well as we move forward with our focus on providing exceptional service to the physicians, patients and payors that we serve."

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 Thursday, October 25. 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 at <http://www.prnewswire.com/> via an Internet link under the "Multimedia" section. A replay of the call will be available at the same Internet site addresses until 5:00 p.m. Central Time on November 9, 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)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2001	2000	2001	2000
Revenues	\$1,075,874	\$1,060,457	\$3,265,324	\$3,118,115

Net income	\$79,126	\$71,037	\$134,489	\$201,579
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Weighted average common shares outstanding	390,455	385,615	389,135	385,960
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Weighted average common shares outstanding - assuming dilution	401,074	390,033	399,077	391,382
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Net income per common share	\$0.20	\$0.18	\$0.35	\$0.52
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Net income per common share - assuming dilution	\$0.20	\$0.18	\$0.34	\$0.52
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ADJUSTMENT TO EXCLUDE UNUSUAL AND NON-RECURRING ITEMS IN 2001

Net income	\$79,126	\$71,037	\$134,489	\$201,579
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Unusual and non-recurring items, net of minority interests	---	---	164,906	---
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Income tax benefit of unusual and non-recurring items	---	---	(61,880)	---
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Income excluding effects of unusual and non-recurring items	\$79,126	\$71,037	\$237,515	\$201,579
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Weighted average common shares outstanding - assuming dilution	401,074	390,033	399,077	391,382
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Income per common share excluding effects of unusual and non-recurring items - assuming dilution	\$0.20	\$0.18	\$0.60	\$0.52
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HEALTHSOUTH Corporation and Subsidiaries  
CONSOLIDATED STATEMENTS OF INCOME  
(UNAUDITED - In thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2001	2000	2001	2000

Revenues	\$1,075,874	\$1,060,457	\$3,265,324	\$3,118,115
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Operating unit expenses	714,750	711,872	2,173,500	2,106,326
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Corporate general and administrative expenses	38,958	37,403	122,827	107,130
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Provision for doubtful accounts	23,980	24,971	83,221	72,482
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Depreciation and amortization	95,790	89,160	280,231	269,100
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Impairment of unamortized loan fee costs	---	6,475	---	---
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Loss on sale of assets	---	---	139,883	---
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Interest expense	50,914	60,261	165,580	161,880
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Interest income	(1,430)	(2,398)	(5,742)	(7,334)
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	922,962	921,269	2,965,975	2,709,584
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Income before net loss				
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on sales of facilities and long-term investments, income taxes and minority interests	152,912	139,188	299,349	408,531
Net loss on sales of facilities and long-term investments		---	---	
Provision for income taxes	51,659	46,380	93,193	131,609
Income before minority interests	101,253	92,808	206,156	276,922
Minority interests	(22,127)	(21,771)	(71,667)	(75,343)
Net income	\$79,126	\$71,037	\$134,489	\$201,579

Weighted average common shares outstanding	390,455	385,615	389,135	385,960
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Net income (loss) per common share	\$0.20	\$0.18	\$0.35	\$0.52
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Weighted average common shares outstanding -- assuming dilution	401,074	390,033	399,077	391,382
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Net income (loss) per common share -- assuming dilution	\$0.20	\$0.18	\$0.34	\$0.52
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Net income	\$79,126	\$71,037	\$134,489	\$201,579
Add back non-recurring items (net of taxes):				
Non - recurring items	0	164,906		
Tax benefit	0	(61,880)		
Adjusted net income	\$79,126	\$71,037	\$237,515	\$201,579

Weighted average common shares outstanding	390,455	385,615	389,135	385,960
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Weighted average common shares outstanding -- assuming dilution	401,074	390,033	399,077	391,382
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Net income per common share	\$0.20	\$0.18	\$0.61	\$0.52
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Net income per common share - assuming dilution	\$0.20	\$0.18	\$0.60	\$0.52
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HEALTHSOUTH Corporation and Subsidiaries  
Consolidated Statements of Income Before Unusual and Non-Recurring Items  
(UNAUDITED - In thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30, 2001	2000	September 30, 2001	2000
Revenues	\$1,075,874	\$1,060,457	\$3,265,324	\$3,118,115
Operating unit expenses	714,750	711,872	2,173,500	2,106,326
Corporate general and administrative expenses	38,958	37,403	114,579	107,130
Provision for doubtful accounts	23,980	24,971	72,921	72,482

Depreciation and amortization	95,790	89,160	280,231	269,100
Interest expense	50,914	60,261	165,580	161,880
Interest income	(1,430)	(2,398)	(5,742)	(7,334)
	922,962	921,269	2,801,069	2,709,584
Income before income taxes and minority interests	152,912	139,188	464,255	408,531
Provision for income taxes	51,659	46,380	155,073	131,609
Income before minority interests	101,253	92,808	309,182	276,922
Minority interests	(22,127)	(21,771)	(71,667)	(75,343)
Net income	\$79,126	\$71,037	\$237,515	\$201,579

Weighted average common shares outstanding	390,455	385,615	389,135	385,960
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Net income per common share	\$0.20	\$0.18	\$0.61	\$0.52
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Weighted average common shares outstanding - assuming dilution	401,074	390,033	399,077	391,382
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Net income per common share - assuming dilution	\$0.20	\$0.18	\$0.60	\$0.52
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Add-back to income for diluted earnings per share:				
Interest and amortization on convertible debt	*	---	---	---
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\* The effect of these securities was antidilutive.

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

	Nine Months Ended Sept. 30, 2001		
	Less		Before
	Unusual and	Unusual and	Unusual and
	Nine Months	Non-	Non-
	Ended	Recurring	Recurring
	Sept. 30, 2001	Items	Items
Revenues	\$3,265,324		\$3,265,324
Operating unit expenses	2,173,500		2,173,500
Corporate general and administrative expenses	122,827	8,248 (a)	114,579
Provision for doubtful accounts	83,221	10,300 (c)	72,921
Depreciation and amortization	280,231		280,231
Impairment of unamortized loan fee costs	6,475	6,475 (b)	-
Loss on sale of assets	139,883	139,883 (c)	-
Interest expense	165,580		165,580
Interest income	(5,742)		(5,742)
	2,965,975	164,906	2,801,069
Income before income taxes and minority interests	299,349	(164,906)	464,255
Provision for income taxes	93,193	(61,880)	155,073
Income before minority interests	206,156	(103,026)	309,182
Minority interests	(71,667)		(71,667)
Net income	\$134,489	\$(103,026)	\$237,515

Weighted average common shares outstanding	389,135	389,135
Net income per common share	\$0.35	\$0.61
Weighted average common shares outstanding -- assuming dilution	399,077	399,077
Net income per common share - assuming dilution	\$0.34	\$0.60
Add-back to income for diluted earnings per share:		
Interest and amortization on convertible debt *	---	---
	*	*

\* The effect of these securities was antidilutive

- (a) Charge related to settlement agreement with the United States Department of Justice.
- (b) Impairment charge related to the write-off of the unamortized balance of loan fees on retired debt.
- (c) 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)					
2000	2,212,042	2,266,260	2,195,908	2,271,269	8,945,479
2001	2,198,772	2,249,908	2,243,112		6,691,792
Inpatient Division Total Patient Days:					
2000	647,575	643,441	668,451	650,987	2,610,454
2001	653,434	661,635	659,515		1,974,584
Medical Center Division Total Patient Days: (Revised to Exclude Richmond Medical Center)					
2000	24,390	22,283	24,355	24,000	95,028
2001	29,271	24,243	24,238		77,752
Surgery Center Division Total Cases:					
2000	217,505	220,593	212,647	219,321	870,066
2001	219,777	225,512	211,570		656,859
Diagnostic Division Total Procedures:					
2000	213,505	221,052	242,647	250,621	927,825
2001	268,645	274,623	275,908		819,176

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

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SOURCE: HEALTHSOUTH Corporation

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