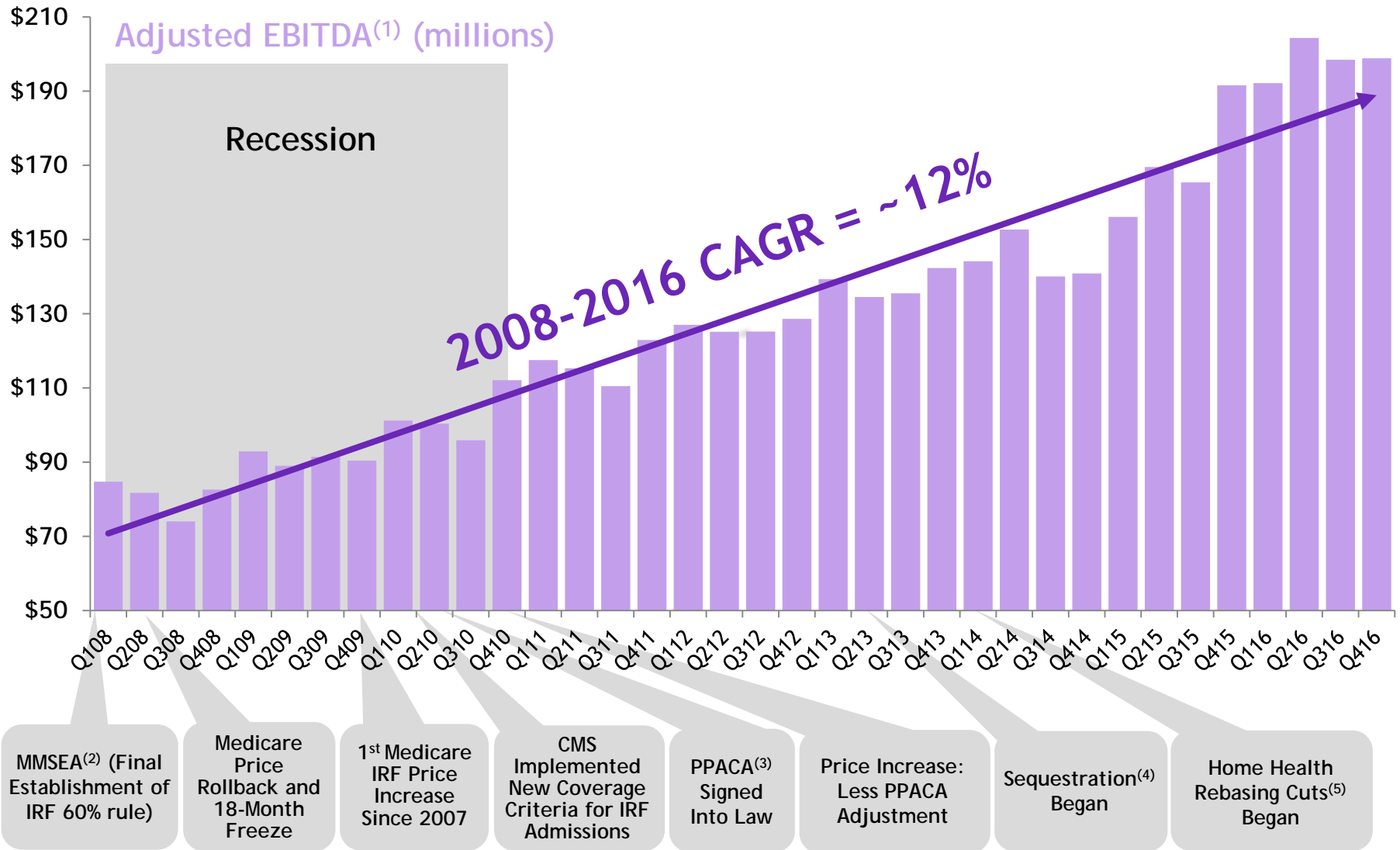


# A Historical Perspective of



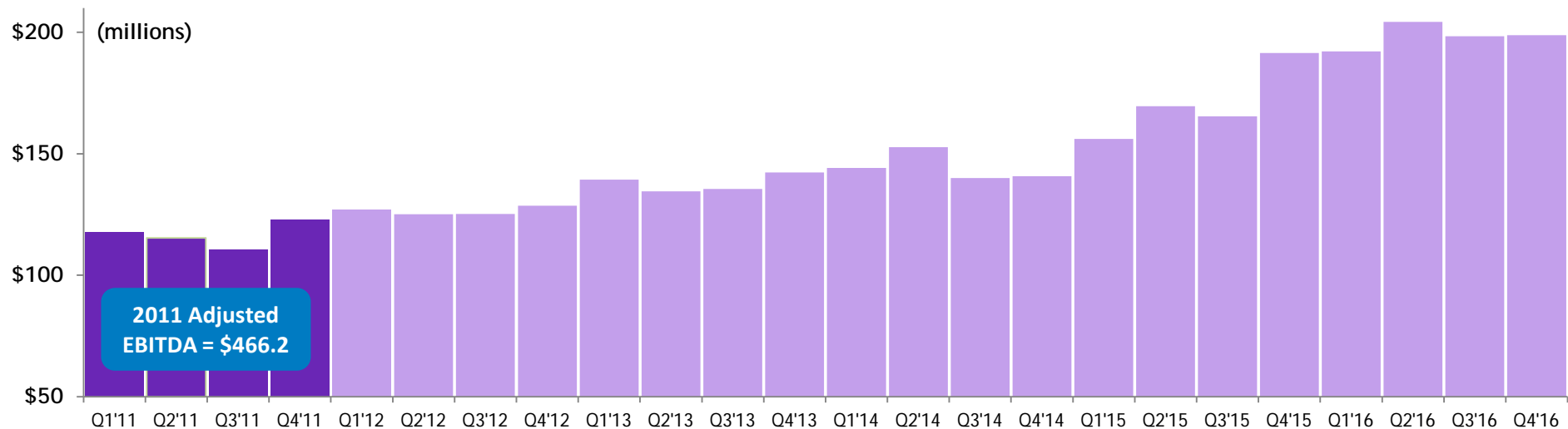
# Encompass Health has successfully managed through Medicare payment cuts, regulatory changes, and an economic recession...



# Historical Perspective

## 2011: Focused on Accelerating Organic Growth and Deployment of Free Cash Flow

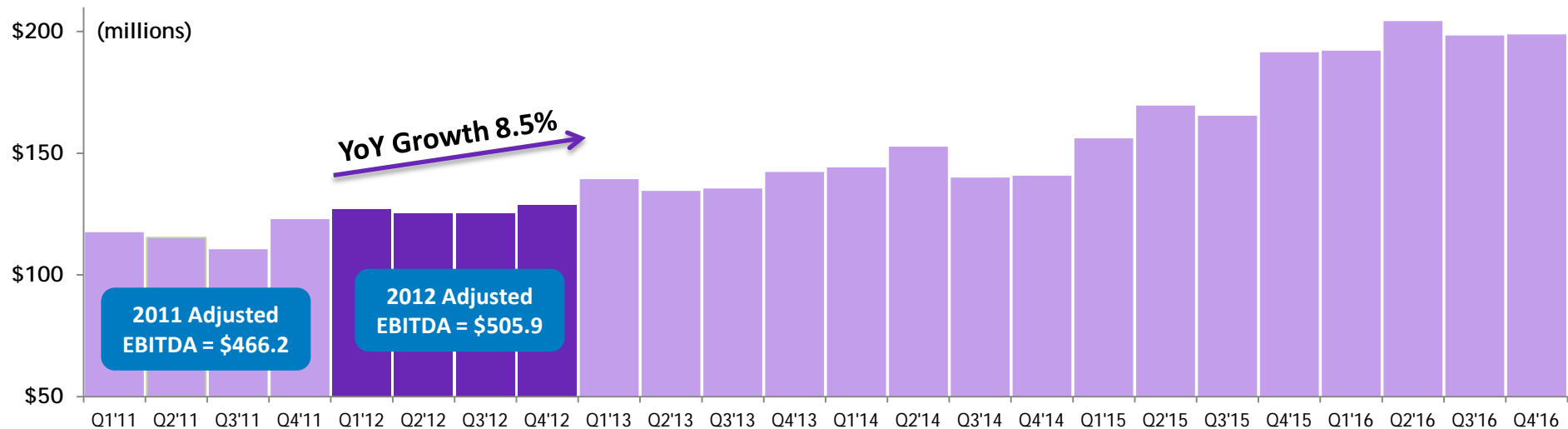
- Grew IRF volumes 5.2% (same-store<sup>(6)</sup> 3.3%)
- Sold five long-term acute care hospitals (LTCHs); closed remaining LTCH
- Raised \$122 million by reopening 2018 and 2022 Senior Notes
- Retired ~\$501 million of 10.75% Senior Notes due 2016
- Opened one de novo (Cypress); acquired Drake; received approval for two CONs
- Slowed development efforts due to regulatory uncertainty; reinstated development efforts once the outcome of The Budget Control Act of 2011 (2% sequestration) was known.



# Historical Perspective

## 2012: Focused on Accelerating Organic Growth and Deployment of Free Cash Flow

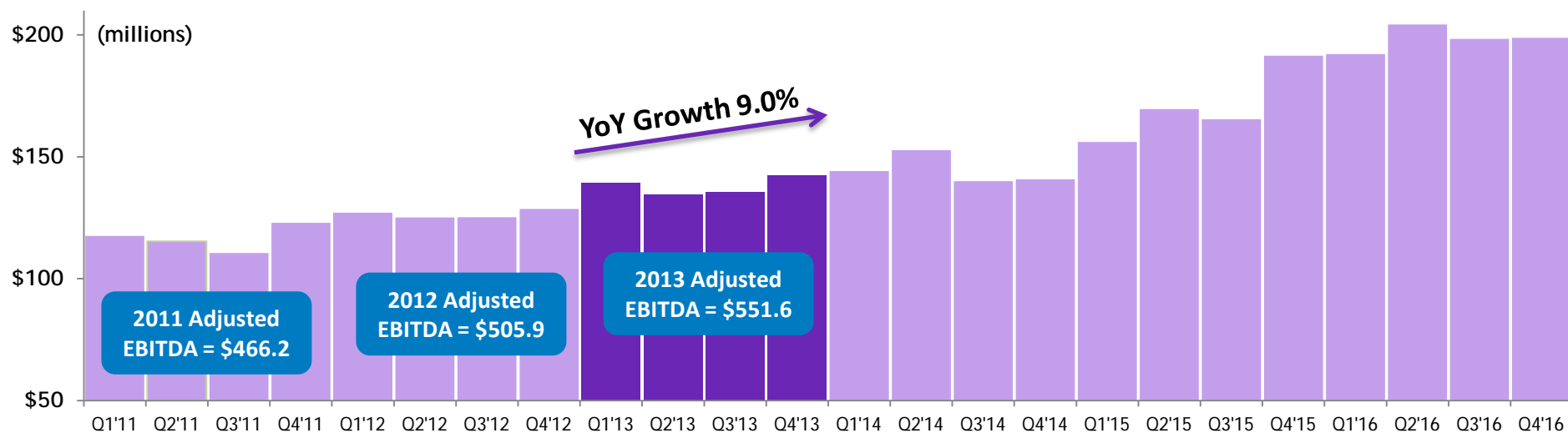
- Grew IRF volumes 4.6% (same-store 2.9%)
- Purchased 46,645 shares of convertible perpetual preferred stock for \$46.5 million
- Upgraded to Ba3 and BB- by Moody's and S&P, respectively
- Amended senior secured credit facility
- Issued \$275 million of 5.75% Senior Notes maturing 2024
- Redeemed 10% of the 2018 and 2022 Senior Notes (~\$65 million in Q4)
- Continued development efforts: one de novo, two unit consolidations



# Historical Perspective

## 2013: Focused on Growth and Shareholder Value

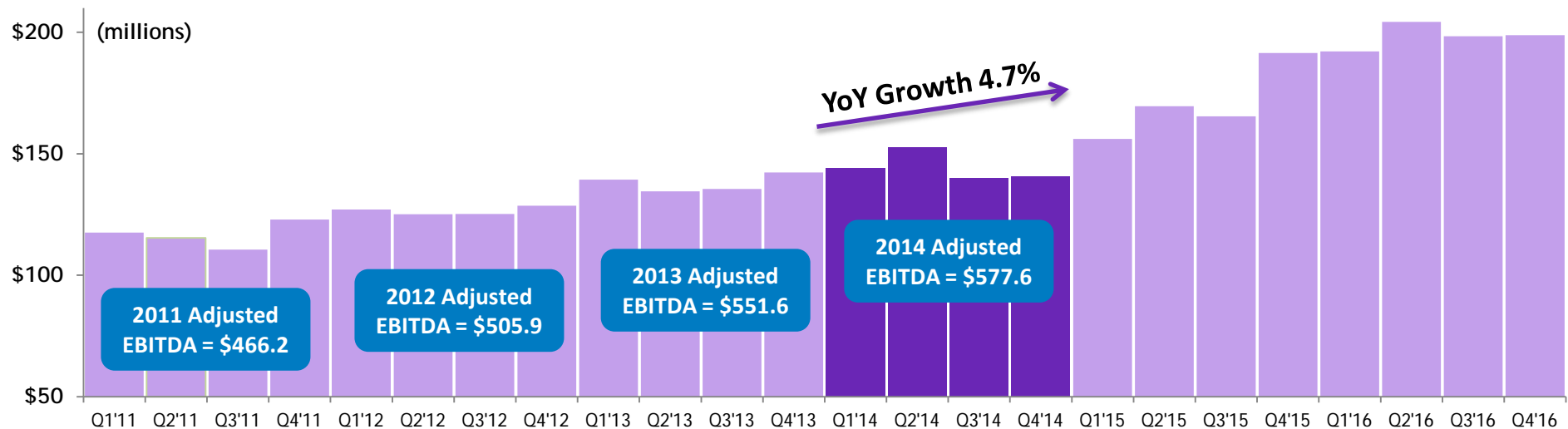
- Grew IRF volumes 5.0% (same-store 2.5%)
- Adjusted EBITDA negatively impacted by \$25 million for sequestration
- Completed tender offer for 9.5% of then-outstanding common shares (Q1)
- Initiated quarterly cash dividend on common stock of \$0.18 per share
- Entered into agreements with the IRS resulting in increase of gross federal NOL by ~\$283 million
- Amended senior secured credit facility, extending maturity date and increasing flexibility (restricted payments)
- Redeemed 10% of the 2018 and 2022 Senior Notes (~\$58 million in Q4)
- Exchanged 257,110 shares of Convertible Perpetual Preferred Stock for \$320 million of newly issued 2.0% Convertible Senior Subordinated Notes due 2043 (Q4)
- Opened two de novo hospitals (Q2); acquired 58-bed inpatient rehabilitation hospital in Augusta, GA (April)



# Historical Perspective

## 2014: Focused on Growth and Shareholder Value

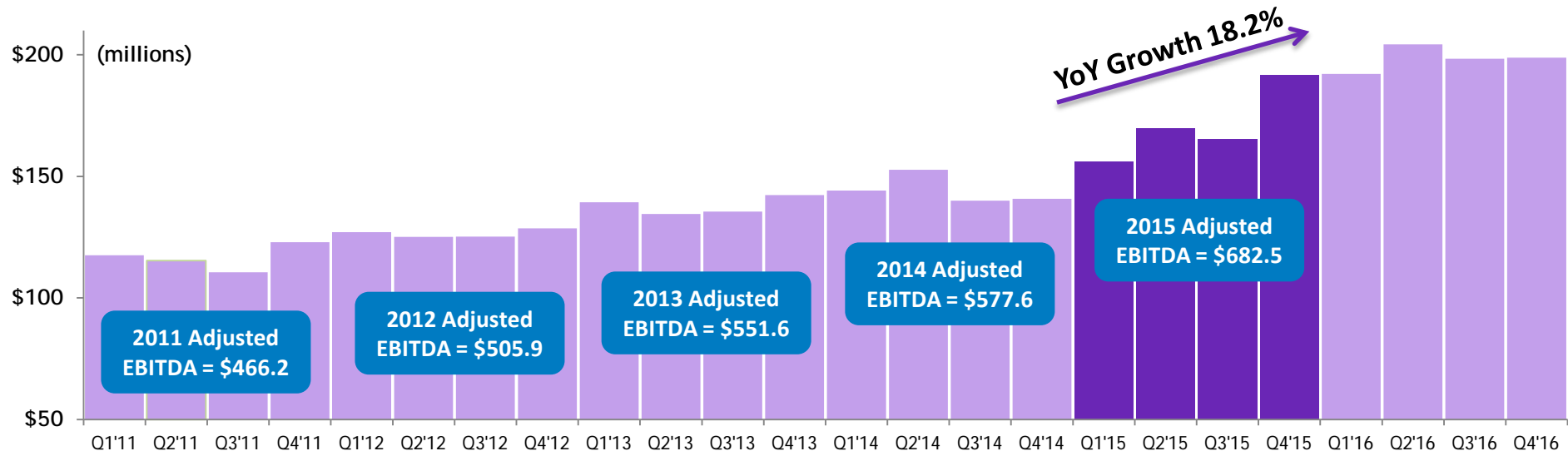
- Grew IRF volumes 3.5% (same-store 1.3%)
- Adjusted EBITDA negatively impacted by \$8 million for sequestration
- Repurchased \$43.1 million of common stock (~1.3 million shares)
- Increased quarterly cash dividend on common stock from \$0.18 per share to \$0.21 per share
- Amended credit facility; added \$150 million term loan and extended maturity to 2019
- Issued additional \$175 million of existing 5.75% senior notes due 2024 and redeemed all \$271 million of 7.75% senior notes due 2018
- Increased ownership and consolidated Fairlawn Rehabilitation Hospital (110 beds)
- Opened two 50-bed de novo hospitals (October, December), finalized 26-bed joint venture (November), and opened a 34-bed de novo hospital (December)
- Acquired Encompass Home Health and Hospice on December 31, 2014



# Historical Perspective

## 2015: Focused on Growth and Shareholder Value

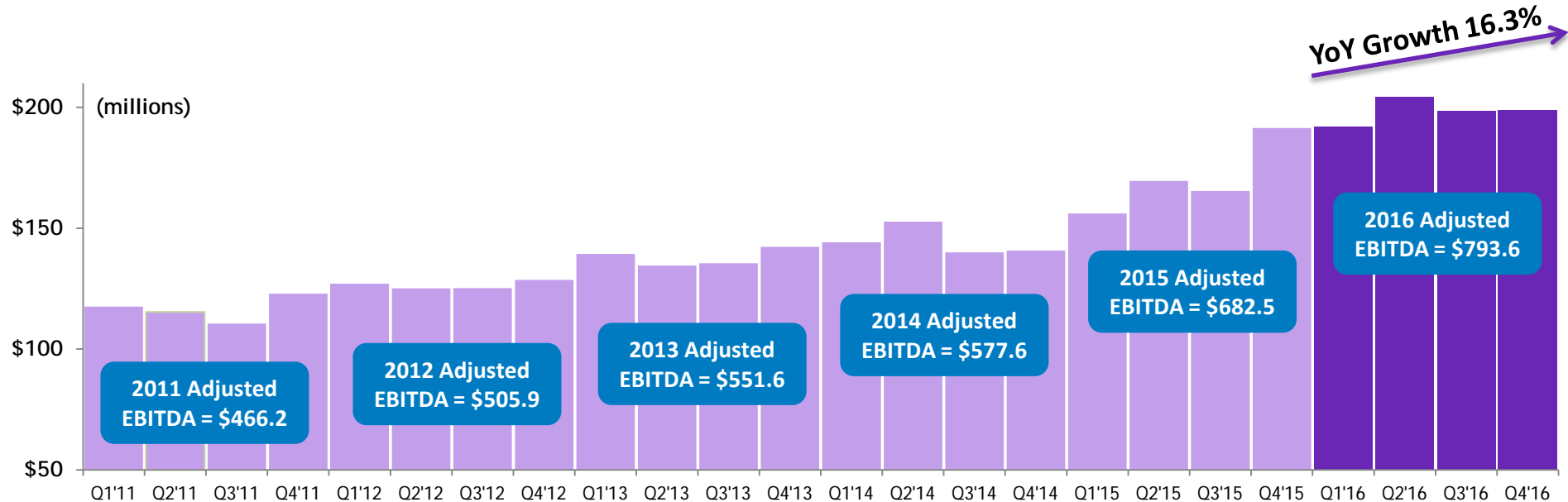
- Grew IRF volumes 10.9% (same-store 3.2%)
- Repurchased \$45.3 million of common stock (~1.3 million shares)
- Increased quarterly cash dividend on common stock from \$0.21 per share to \$0.23 per share
- Amended credit facility; added \$500 million of new term loan facilities and extended maturity to 2020
- Issued \$750 million of existing 5.75% Senior Notes due 2024 to repay borrowings under revolving credit facility and fund acquisitions
- Redeemed all the outstanding principal of 8.125% Senior Notes due 2020 using proceeds from a \$300 million issuance of 5.125% Senior notes due 2023
- Issued \$350 million of 5.75% Senior Notes due 2025 to fund a portion of the Reliant acquisition
- Redeemed \$50 million of 7.75% Senior Notes due 2022
- Began operating a 50-bed joint venture hospital in Savannah, GA (April), acquired a 232-bed hospital in Lexington, KY (May), and opened a 40-bed de novo hospital in Franklin, TN (December)
- Acquired Reliant Hospital Partners on October 1, 2015 (11 hospitals; 902 beds) and the home health agency operations of CareSouth Health System on November 2, 2015 (44 home health locations; 3 hospice locations)



# Historical Perspective

## 2016: Focused on Growth and Shareholder Value

- Grew IRF volumes 10.8% (same-store 1.7%)
- Grew home health admissions 43.6% (same-store 13.7%)
- Repurchased \$65.6 million of common stock (~1.7 million shares)
- Increased quarterly cash dividend on common stock from \$0.23 per share to \$0.24 per share
- Redeemed the outstanding principal balance of \$176 million of the 7.75% Senior Notes due 2022
- Began operating a 40-bed joint venture hospital in Hot Springs, AR (July), a 49-bed joint venture hospital in Bryan, TX (August), and a 22-bed joint venture hospital in Broken Arrow, OK (August). Opened a 50-bed de novo hospital in Modesto, CA (October). Expanded existing hospitals by 83 beds.
- Acquired or opened 10 home health locations





# End Notes

- (1) Adjusted EBITDA is a non-GAAP financial measure. Management and some members of the investment community utilize Adjusted EBITDA as a financial measure on an ongoing basis. This measure is not recognized in accordance with GAAP and should not be viewed as an alternative to a GAAP measure of performance. In evaluating Adjusted EBITDA, the reader should be aware that in the future Encompass Health may incur expenses similar to the adjustments set forth. Reconciliations to GAAP can be found in the Company's annual and quarterly filings located at: <http://investor.encompasshealth.com/financial-information/sec-filings/default.aspx>
- (2) The Medicare, Medicaid, and State Children's Health Insurance Program Extension Act of 2007 (MMSEA) stipulated that the IRF compliance threshold should be set no higher than 60 percent.
- (3) The Patient Protection and Affordable Care Act of 2010 (PPACA) was signed into law by the President on March 23, 2010.
- (4) The Budget Control Act of 2011 included a reduction of up to 2% to Medicare payments for all providers that began on April 1, 2013 (as modified by H.R. 8). The reduction was made from whatever level of payment would otherwise have been provided under Medicare law and regulation.
- (5) Home health rebasing cuts mandated by PPACA were phased in over four years (2014-2017) and averaged -2.75% each year.
- (6) The Company uses "same-store" comparisons to explain the changes in certain performance metrics and line items within its financial statements. Same-store comparisons are calculated based on inpatient rehabilitation hospitals or home health locations open throughout both the full current and prior periods presented. These comparisons include the financial results of market consolidation transactions in existing markets, as it is difficult to determine, with precision, the incremental impact of these transactions on the Company's results of operations.