HEALTHSOUTH®

Fourth Quarter 2011 Earnings Call

Supplemental Slides

Forward-Looking Statements

The information contained in this presentation includes certain estimates, projections and other forward-looking information that reflect our current outlook, views and plans with respect to future events, including legislative and regulatory developments, strategy, capital expenditures, development activities, dividend strategies, effective tax rates, financial performance, and business model. These estimates, projections and other forward-looking information are based on assumptions that HealthSouth believes, as of the date hereof, are reasonable. Inevitably, there will be differences between such estimates and actual events or results, and those differences may be material.

There can be no assurance that any estimates, projections or forward-looking information will be realized.

All such estimates, projections and forward-looking information speak only as of the date hereof. HealthSouth undertakes no duty to publicly update or revise the information contained herein.

You are cautioned not to place undue reliance on the estimates, projections and other forward-looking information in this presentation as they are based on current expectations and general assumptions and are subject to various risks, uncertainties and other factors, including those set forth in the Form 10-K for the year ended December 31, 2011, when filed, and in other documents we previously filed with the SEC, many of which are beyond our control, that may cause actual events or results to differ materially from the views, beliefs and estimates expressed herein.

Note Regarding Presentation of Non-GAAP Financial Measures

The following presentation includes certain "non-GAAP financial measures" as defined in Regulation G under the Securities Exchange Act of 1934. Schedules are attached that reconcile the non-GAAP financial measures included in the following presentation to the most directly comparable financial measures calculated and presented in accordance with Generally Accepted Accounting Principles in the United States. Our Form 8-K, dated February 23, 2012, to which the following supplemental slides are attached as Exhibit 99.2, provides further explanation and disclosure regarding our use of non-GAAP financial measures and should be read in conjunction with these supplemental slides.

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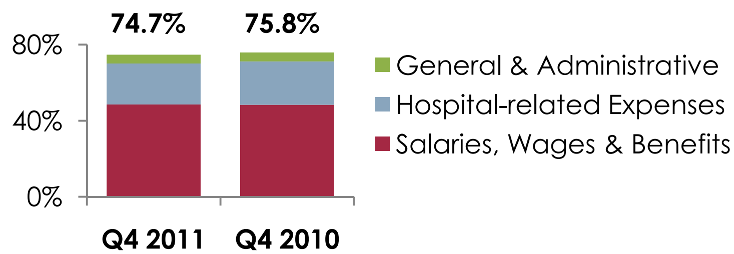
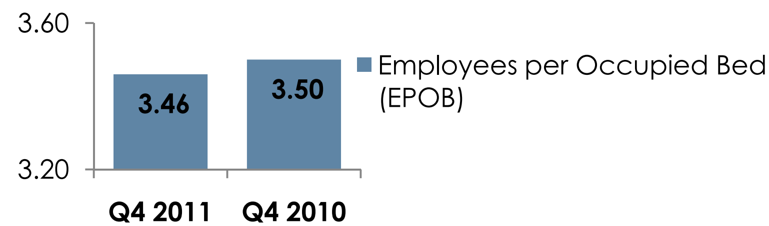
Q4 2011 Summary (Q4 2011 vs. Q4 2010)

✓ **Revenue growth of 5.5%**
- Inpatient revenue growth of 6.1%
  - Discharge growth of 2.1%; same-store discharge growth of 1.7%
  - Revenue per discharge increase of 4.0%

✓ **Improved operating leverage and labor productivity**





✓ **Adjusted EBITDA[1] for the quarter of $122.9 million reflects growth of 9.6%.**

✓ **Adjusted free cash flow[1] for the quarter of $99.2 million, benefited from:**
- Higher Adjusted EBITDA
- The absence of swap-related payments ($17.9 million in Q4 2010)
- Approx. $16 million for timing of interest payments (paid in Q3 2011)
- Lower interest expense

(1) Reconciliation to GAAP provided on slides 34, 35, 36, 38, and 39.

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Q4 2011 Summary (Q4 2011 vs. Q4 2010) (cont.)

- ✓ **Completed clinical information system (CIS) pilot**
  - Five-year, system wide roll-out beginning in 2012
- ✓ **Strengthened the balance sheet**
  - Reduced debt by approx. $73 million
  - Exercised option to purchase the property associated with the lease on HealthSouth Mountain View Regional Rehabilitation Hospital in Morgantown, WV

Reduced leverage ratio to 2.7x [1]

- ✓ **Diluted earnings[2] per share of $0.50 reflect strong operational results and an effective tax rate of approx. 22%[3] for the quarter (see table on slide 10)**

(1) Based on 2011 Adjusted EBITDA of $466.2 million; reconciliation to GAAP provided on slides 35, 38, and 39.
(2) Income from continuing operations attributable to HealthSouth.
(3) Estimated effective tax rate using pre-tax income from continuing operations attributable to HealthSouth

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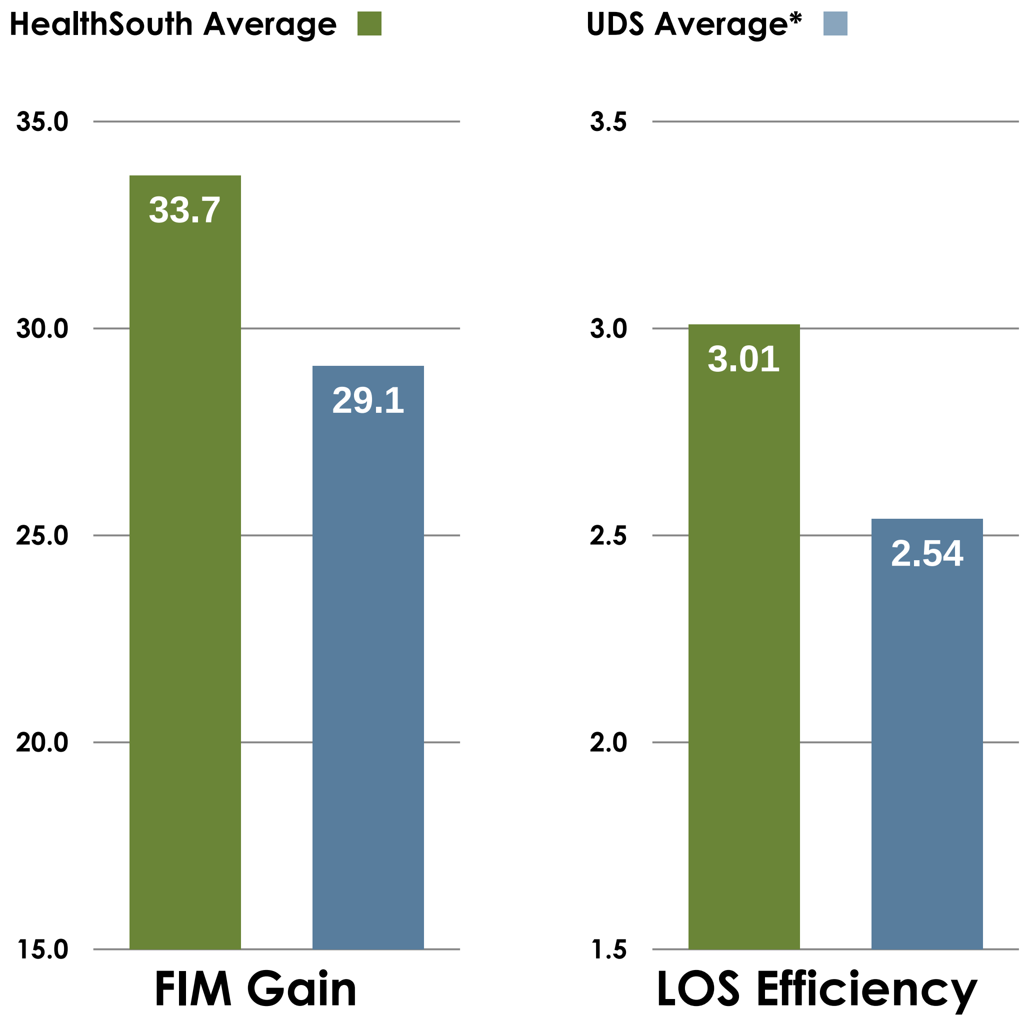
Q4 2011 Summary (Q4 2011 vs. Q4 2010) (cont.)

✓ **HealthSouth Functional Outcomes Continue to Outpace Industry Average**



FIM Gain
Change in Functional Independence Measurement (based on an 18 point assessment) from admission to discharge.

LOS Efficiency
Functional gain divided by length of stay.

* Average = Expected, Risk-adjusted

Source: UDSmr Database – On Demand Report: **Q4 2011 Report**

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Revenues (Q4 2011 vs. Q4 2010)

(Millions)	Q4 2011	Q4 2010	Increase/ (Decrease)
Inpatient	$ 480.1	$ 452.3	6.1%
Outpatient and other	38.0	38.6	(1.6%)
Consolidated net operating	$ 518.1	$ 490.9	5.5%

(Actual Amounts)			
Discharges	30,066	29,462	2.1%
Net patient revenue / discharge	$15,968	$15,352	4.0%

- ✓ **Revenue increase of 5.5% driven by inpatient revenue growth of 6.1%**
  - Discharge growth of 2.1%; same-store discharge growth of 1.7%
  - Revenue per discharge increased 4.0%
    - Price adjustments (Medicare and managed care)
    - Higher percentage of Medicare patients
    - Higher percentage of neurological cases increased the average acuity (CMI) for the patients we served
  - Outpatient revenue declined primarily as a result of six fewer outpatient rehabilitation satellite clinics in 2011 than 2010.

Expenses (Q4 2011 vs. Q4 2010)

(Millions)	Q4 2011	Q4 2010	Increase/ (Decrease)
Salaries and benefits	$ 251.4	$ 237.5	5.9%
Percent of net operating revenues	48.5%	48.4%	10 bps
EPOB (employees per occupied bed)	3.46	3.50	(1.1%)
Hospital-related expenses (other operating, supplies, occupancy, bad debts)	$ 111.8	$ 111.7	0.1%
Percent of net operating revenues	21.6%	22.8%	(120 bps)
General and administrative (excludes stock-based compensation)	$ 23.9	$ 23.1	3.5%
Percent of net operating revenues	4.6%	4.7%	(10 bps)

✓ **Improved operating leverage and labor productivity**
- Improved labor productivity as measured by EPOB
- SWB as a percent of revenue impacted by:
  - Ramp-up costs at two new hospitals (Cypress and Drake),
  - An extra half day of paid time off (PTO) for all of our employees
  - Higher group health and workers' compensation insurance expense
- Hospital-related expenses impacted by:
  - Favorable general and professional liability insurance accruals and franchise tax refunds
  - Offset by higher bad debt expense

Adjusted EBITDA [1]

(Millions)	Q4 2011	Q4 2010	Full Year 2011	Full Year 2010
Net operating revenues	$ 518.1	$ 490.9	$ 2,026.9	$ 1,877.6
Operating expenses:				
Salaries and benefits [2]	(251.4)	(237.5)	(982.0)	(921.5)
Hospital-related expenses:				
Other operating expenses	(67.4)	(72.1)	(284.0)	(269.5)
Supplies	(26.1)	(26.1)	(102.8)	(99.4)
Occupancy costs	(12.2)	(11.9)	(48.4)	(44.9)
Provision for doubtful accounts	(6.1)	(1.6)	(21.0)	(16.4)
	(111.8)	(111.7)	(456.2)	(430.2)
General and administrative expenses [3]	(23.9)	(23.1)	(90.2)	(89.8)
Equity in nonconsolidated affiliates	3.2	2.6	12.0	10.1
Other income	1.2	1.5	2.7	4.3
Noncontrolling interests [4]	(12.5)	(10.6)	(47.0)	(40.9)
Adjusted EBITDA	**$ 122.9**	**$ 112.1**	**$ 466.2**	**$ 409.6**

(1) Reconciliation to GAAP provided on slides 35, 36, 38, and 39.

	Q4 2011	Q4 2010	Full Year 2011	Full Year 2010
In arriving at Adjusted EBITDA, the following were excluded:				
(2) Retructuring charges	-	-	-	0.2
(3) Stock-based compensation expense	5.9	5.2	20.3	16.4
(4) Noncontrolling interests related to discontinued operations	-	0.1	(1.1)	(0.1)

Adjusted EBITDA Change

Q4	Full Year
+$10.8M	+$56.6M
+9.6%	+13.8%

- **Revenue growth driven by higher volumes and price**
- **Improved operating leverage and labor productivity**

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Earnings per Share

(In Millions, Except Per Share Data)	Q4 2011	Q4 2010	Full Year 2011	Full Year 2010
Adjusted EBITDA	$ 122.9	$ 112.1	$ 466.2	$ 409.6
Interest expense and amortization of debt discounts and fees	(23.1)	(34.2)	(119.4)	(125.6)
Depreciation and amortization	(20.2)	(19.4)	(78.8)	(73.1)
Stock-based compensation expense	(5.9)	(5.2)	(20.3)	(16.4)
Other, including non-cash loss on disposal of assets	(0.4)	(0.9)	(4.3)	(1.6)
	73.3	52.4	243.4	192.9
Certain nonrecurring expenses:				
Government, class action, and related settlements	1.7	(0.3)	12.3	(1.1)
Professional fees - accounting, tax, and legal	(4.8)	(3.4)	(21.0)	(17.2)
Loss on interest rate swaps	-	(0.3)	-	(13.3)
Loss on early extinguishment of debt	-	(11.9)	(38.8)	(12.3)
Pre-tax income	70.2	36.5	195.9	149.0
Income tax (expense) benefit	(15.2) (2)	741.5	(37.1) (2)(3)	740.8
Income from continuing operations (1)	$ 55.0	$ 778.0	$ 158.8 (3)	$ 889.8
Basic shares	93.3	92.8	93.3	92.8
Diluted shares	109.1	108.8	109.2	108.5
Basic earnings per share (4)	$ 0.52	$ 8.31	$ 1.42	$ 9.31
Diluted earnings per share	$ 0.50	$ 7.15	$ 1.42 (5)	$ 8.20

Earnings per Share from Continuing Operations (1)

Q4 2011 reflects:

- Higher Adjusted EBITDA
- Decreased interest expense
- Approx. 22%(6) effective tax rate

Full-year 2011 reflects:

- Higher Adjusted EBITDA
- Decreased interest expense
- Approx. 19%(6) effective tax rate

(1) Income from continuing operations attributable to HealthSouth
(2) Cash income taxes for the 3 and 12 months ended December 31, 2011 were $2.3 million and $9.1 million, respectively.
(3) Includes an approx. $46 million, or $0.49 per share, benefit primarily related to the Company's settlement with the IRS for tax years 2007 and 2008, a decrease in the valuation allowance, and a reduction in unrecognized tax benefits due to the lapse of the statute of limitations for certain federal and state claims
(4) The $6.5 million and $26.0 million dividends related to our convertible perpetual preferred stock in the 3 and 12 months ended December 31, 2011 and 2010, respectively, must be subtracted from income from continuing operations when calculating basic earnings per share.
(5) Diluted earnings per share on a GAAP basis are the same as basic earnings per share due to the antidilutive impact in the period.
(6) Estimated effective tax rate using pre-tax income from continuing operations attributable to HealthSouth

Adjusted Free Cash Flow

(Millions)	Q4 2011	Q4 2010	Full Year 2011	Full Year 2010
Net cash provided by operating activities	$ 129.6	$ 67.1	$ 342.7	$ 331.0
Impact of discontinued operations	0.3	(2.8)	(9.1)	(13.2)
Net cash provided by operating activities of continuing operations	129.9	64.3	333.6	317.8
Capital expenditures for maintenance	(15.7)	(13.3)	(50.8)	(37.9)
Net settlements on interest rate swaps	-	(11.0)	(10.9)	(44.7)
Dividends paid on convertible perpetual preferred stock	(6.5)	(6.5)	(26.0)	(26.0)
Distributions paid to noncontrolling interests of consolidated affiliates	(10.3)	(8.1)	(44.2)	(34.4)
Non-recurring items:				
Cash paid for professional fees - accounting, tax and legal	4.8	3.4	21.0	17.2
Net premium on bond issuance/repayment	-	-	22.8	-
Cash (received) paid for government, class action and related settlements	(2.0)	2.1	5.7	2.9
Income tax refunds related to prior periods	(1.0)	(1.6)	(7.9)	(13.5)
Adjusted free cash flow	**$ 99.2**	**$ 29.3**	**$ 243.3**	**$ 181.4**

- ✓ **Adjusted free cash flow for Q4 2011 benefited from:**
  - Higher Adjusted EBITDA
  - The absence of swap-related payments ($17.9 million Q4 2010)
  - Approx. $16 million for timing of interest payments (paid in Q3 2011)
  - Lower interest expense

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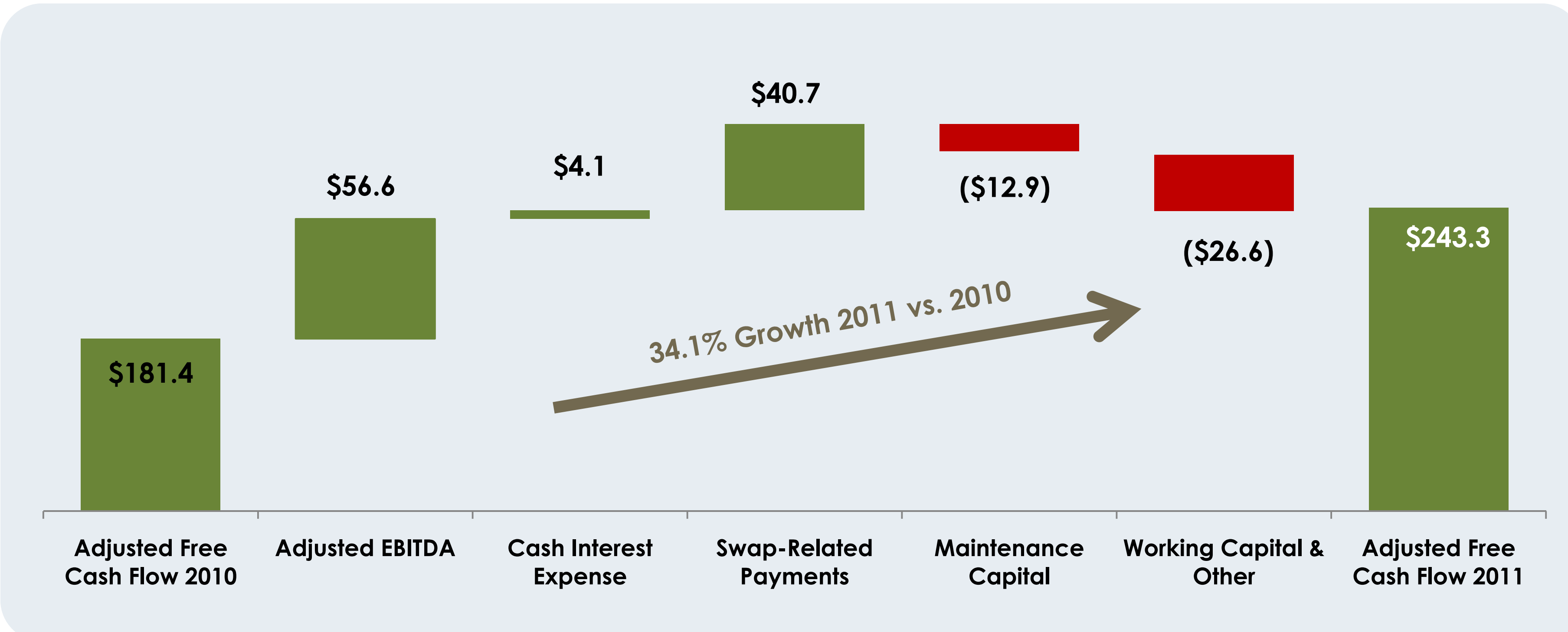
Adjusted Free Cash Flow[1] (cont.)

(Millions, except per share data)	Full Year 2011	Full Year 2010	Change $	Change %
Adjusted free cash flow [1]	$ 243.3	$ 181.4	$ 61.9	34.1%



(1) Reconciliation to GAAP provided on slide 34.

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2012 Guidance – Adjusted EBITDA [(1)]

2012 Adjusted EBITDA
$475 million to $485 million

Reflects:

- **1.9% to 4.0%** growth over 2011
- **7.7% to 8.8%** two year CAGR since 2010

Considerations:

- ✓ **Revenue growth of 3.8% to 5.2%**
  - Discharge growth between 2.5% and 3.5%
  - Revenue per discharge growth between 2.0% and 2.5%
  - Home health revenues subject to approx. $1.0 million reduction related to the 2012 Medicare Home Health rule
- ✓ **Higher bad debt expense of approx. 1.3% of revenues (approx. $6 million more than 2011)**
- ✓ **Installation of new clinical information system in twelve existing hospitals expected to increase operating expenses by approx. $4 million in 2012**
- ✓ **Higher workers' compensation expense of approx. $5 million primarily as a result of favorable actuarial adjustments in 2011**
- ✓ **Q1 2011 Adjusted EBITDA benefited by approx. $1.5 million for nonrecurring net state provider tax revenue**
- ✓ **Q4 2011 Adjusted EBITDA benefited by $2.4 million for nonrecurring franchise tax recovery**

[(1)] Reconciliation to GAAP provided on slides 35, 36, 38, and 39.

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2012 Guidance - EPS

Earnings per Share from Continuing Operations Attributable to HealthSouth [1]

$1.32 to $1.39

Diluted earnings per share on a GAAP basis are the same as basic earnings per share due to the antidilutive impact in the period.

Considerations:

- ✓ Assumes provision for income tax of approx. 40% in 2012 vs. approx. 19%[2] in 2011
- ✓ Cash taxes expected to be $7 to $10 million
- ✓ Basic share count of 94.5 million shares

	EPS Guidance		
	Actual	Low	High
(In Millions, Except Per Share Data)	2011	2012	
Adjusted EBITDA	**$ 466.2**	**$ 475**	**$ 485**
Interest expense and amortization of debt discounts and fees	(119.4)	(96)	
Depreciation and amortization	(78.8)	(82)	
Stock-based compensation expense	(20.3)	(23)	
Other, including non-cash loss on disposal of assets	(4.3)	(7)	
	243.4	267	277
Certain Nonrecurring Expenses:			
Government, class action and related settlements	12.3	-	
Professional fees - accounting, tax and legal	(21.0)	(15)	
Loss on early extinguishment of debt	(38.8)	-	
Pre-tax income	**195.9**	**252**	**262**
Income tax (assumes 40% in 2012)	(37.1) [3]	(101)	(105)
Income from continuing operations [1]	**$ 158.8**	**$ 151**	**$ 157**
Basic shares	93.3	94.5	94.5
Earnings per share [1][4]	**$ 1.42**	**$ 1.32**	**$ 1.39**

(1) Income from continuing operations attributable to HealthSouth
(2) Estimated effective tax rate using pre-tax income from continuing operations attributable to HealthSouth
(3) Includes an approx. $46 million, or $0.49 per share, benefit primarily related to the Company's settlement with the IRS for tax years 2007 and 2008, a decrease in the valuation allowance, and a reduction in unrecognized tax benefits due to the lapse of the statute of limitations for certain federal and state claims
(4) The $26.0 million dividends related to our convertible perpetual preferred stock in 2011 and 2012 must be subtracted from income from continuing operations when calculating basic earnings per share.

Income Tax Considerations

GAAP Considerations:

- As of 12/31/11, the Company had an ending balance of approx. $1.3 billion in federal NOLs and a remaining valuation allowance of approx. $50 million, primarily related to state NOLs.
- 2011 effective tax rate was approx. 19%(1)(2)
- Expect effective tax rate of approx. 40%(1) going forward

Future Cash Tax Payments:

- The Company expects to pay approx. $7 million to $10 million per year of income tax.
- HealthSouth is not currently subject to an annual use limitation ("AUL") under Internal Revenue Code Section 382 ("Section 382"). A "change of ownership," as defined by Section 382, would subject the Company to an AUL, which is equal to the market capitalization of the Company at the time of the "change of ownership" multiplied by the long-term tax exempt rate.

(1) Estimated effective tax rate using pre-tax income from continuing operations attributable to HealthSouth

(2) Includes an approx. $46 million, or $0.49 per share, benefit primarily related to the Company's settlement with the IRS for tax years 2007 and 2008, a decrease in the valuation allowance, and a reduction in unrecognized tax benefits due to the lapse of the statute of limitations for certain federal and state claims

Adjusted Free Cash Flow [1] Considerations

- **2012 adjusted free cash flow growth will be impacted by increased maintenance capital expenditures and working capital.**
- **Multi-year adjusted free cash flow CAGR of 12% to 17%**

The increase in 2012 maintenance CAPEX is driven by the clinical information system roll-out, two major hospital renovations, and increased hospital refresh projects.

Certain Cash Flow Items [2] (millions)	2010 Actual	2011 Actual	2012 Assumptions
Cash interest expense[3]	$119.3	$115.2	$92
Cash income taxes	$10.0	$9.1	$7 to $10
Working capital	($16.7)	$10.6	$30-$40
Maintenance CAPEX	$37.9	$50.8	$75 to $85
Net cash swap-related settlements	$51.6	$10.9	$0
Dividends paid on preferred stock	$26	$26	$26

(1) Reconciliation to GAAP provided on slide 34.
(2) Definition of adjusted free cash flow is net cash provided by operating activities of continuing operations minus capital expenditures for maintenance, net settlements on interest rate swaps, dividends paid on preferred stock, distributions to noncontrolling interests, and nonrecurring items.
(3) Net of amortization of debt and discounts and fees

Priorities for Reinvesting HealthSouth's Free Cash Flows

Priorities / Alternate Opportunities		
Priorities	Growth	• **Growth in core business** ▪ Bed expansions ▪ De novo hospitals ▪ Acquisitions – Free standing IRFs – Hospital unit IRFs
Alternate Opportunities	Debt Reduction	• **Debt prepayment** • **Purchase leased properties (limited opportunity)**
	Shareholder Distribution	• **Share repurchase ($125 million authorization)** • **Cash dividends (one time or regular)**

Priorities for Reinvesting HealthSouth's Free Cash Flows (cont.)

Priorities

Growth

• **Growth in core business**	**2012 Assumptions (millions)**
▪ Bed expansions (80-100 beds)	$20 to $25
▪ De novo hospitals (complete Ocala; start 4 others)	$50 to $70
▪ Acquisitions (target 2/year)	TBD
– Free standing IRFs	
– Hospital unit	
	$70 to $95, excluding acquisitions

Capital Allocation Considerations:

- Financial leverage (subject to operating environment)
- Relative risk/return characteristics (e.g. cash payback period, IRR, etc.)
- Required cash outlay
- Nature of opportunity (unique; time sensitive; otherwise limited; etc.)
- External factors (regulatory, macro-economic)

Priorities for Reinvesting HealthSouth's Free Cash Flows (cont.)

Capital Allocation Considerations:

- Relative risk/return characteristics (e.g. cash payback period, IRR, etc.)
- Financial leverage (subject to operating environment)
- Depth of liquidity in the market
- External factors (regulatory, macro-economic)

Alternate Opportunities

Debt Reduction	• **Debt prepayment** • **Purchase leased properties (limited opportunity)**
Shareholder Distribution	• **Share repurchase ($125 million authorization)** • **Cash dividends (one time or regular)**

Appendix

Business Outlook: 2012 to 2014

Business Model
- **Adjusted EBITDA CAGR: 5-8%** (1)(2)
- **Adjusted Free Cash Flow CAGR: 12-17%** (1)(2)

Strategy	2011	2012	2013	2014
Delevering (3)	Achieved **< 3.0x** Debt to EBITDA	**< 3.0x** Debt to EBITDA (subject to operating environment)		
Growth	**Same-store Growth** (Includes bed expansions and unit consolidations)			
	De novos 1- Cypress, TX	**De novos** 1- Ocala, FL	**De novos** (target of 4/year)	
	IRF Acquisitions 1- Drake, OH	**IRF Acquisitions** (target of 2/year)		
			Opportunistic, disciplined acquisitions of complementary post-acute services	
			Key Criteria: • Regulatory clarity • Market conditions • Purchase price and terms and conditions	
Key Operational Initiatives	• **Clinical Information System (CIS)** Pilot	• **CIS** Company-wide Implementation		
	• **Beacon** (Management Reporting Software) = Labor / outcomes / quality optimization • **TeamWorks** = Care Management • **"CPR"** (Comfort, Professionalism, Respect) Initiative			

(1) Reconciliation to GAAP provided on slides 34, 35, 38, and 39.
(2) These are multi-year CAGRs; annual results may fall outside the range.
(3) Exclusive of any E&Y recovery.

Business Outlook: Revenue Assumptions

Revenue

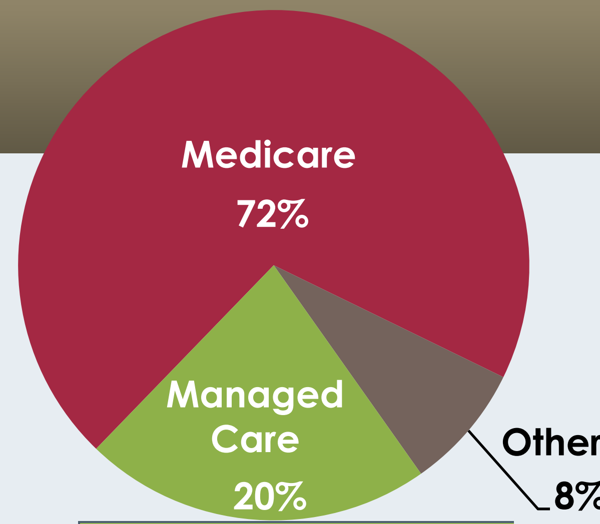
Volume

- 2.5% to 3.5% annual growth (excludes acquisitions)
- Includes bed expansions, de novos and unit consolidations

Medicare Pricing	FY 2012 [1] Q4 11 - Q3 12	FY 2013 Q4 12 - Q3 13	FY 2014 Q4 13 - Q3 14
Market basket update [2]	2.9%	2.8%	2.9%
Healthcare reform reduction	10 bps	10 bps	30 bps
Productivity adjustment [2]	100 bps	120 bps	~ 110 bps

2% Sequestration [3]

Pricing



Managed Care Expected Price Increases		
2012	2013	2014
3-5%	3-5%	3-5%

(1) We believe based on the Medicare IRF-PPS Rule for FY 2012, HealthSouth should realize a net increase of approximately 1.6% in 2012.
(2) Medicare IRF-PPS Rule for FY 2012 and management estimates for FY 2013 and FY 2014.
(3) The Budget Control Act of 2011 includes a reduction of up to 2% to Medicare payments for all providers upon executive order of the President in January 2013. The reduction would be made from whatever level of payment would otherwise be provided under Medicare law and regulation. We currently estimate this automatic reduction, known as "sequestration," will result in a net decrease to our net operating revenues of approx. $32 million in 2013.

Business Outlook: Expense Assumptions

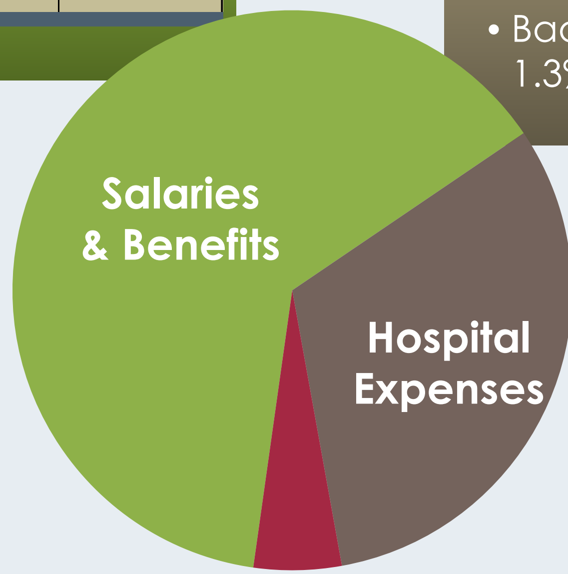
Expense

Salaries & Benefits [1]

	2012	2013	2014
Merit increases [2]	2.25-2.5%	2.25-2.5%	2.25-2.5%
Benefit costs increases	5-8%	5-8%	5-8%

Hospital Expenses

- Other operating expenses and supply costs tracking with inflation
- Occupancy costs relatively constant as percent of revenue
- Bad debt expense of approx. 1.3% to1.5%



General and Administrative

~4.5% of revenue

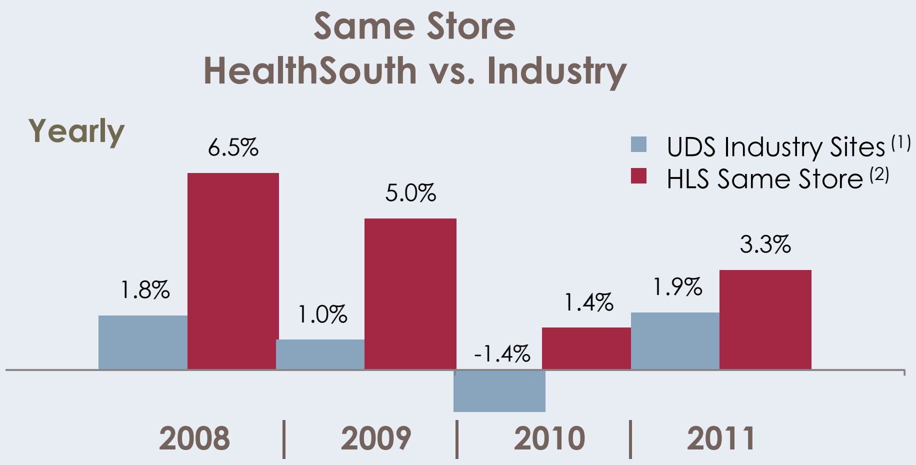
(excludes stock-based compensation)

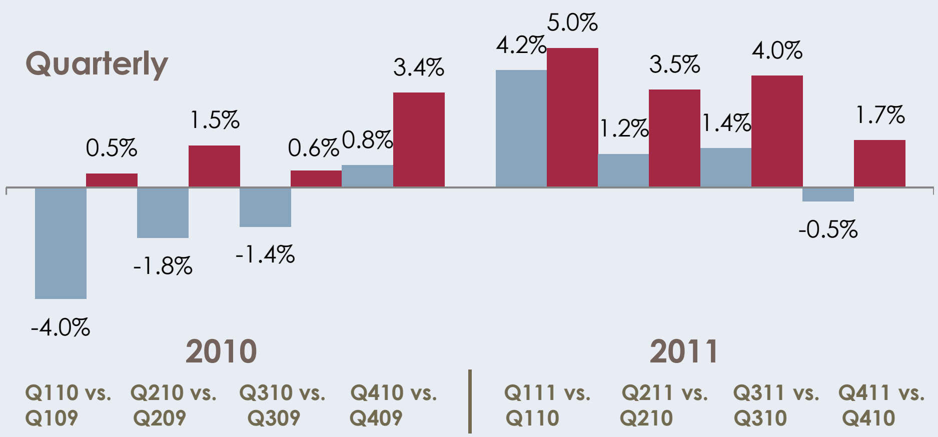
(1) Salaries, Wages and Benefits: ~ 90% Salaries and Wages; ~10% Benefits.

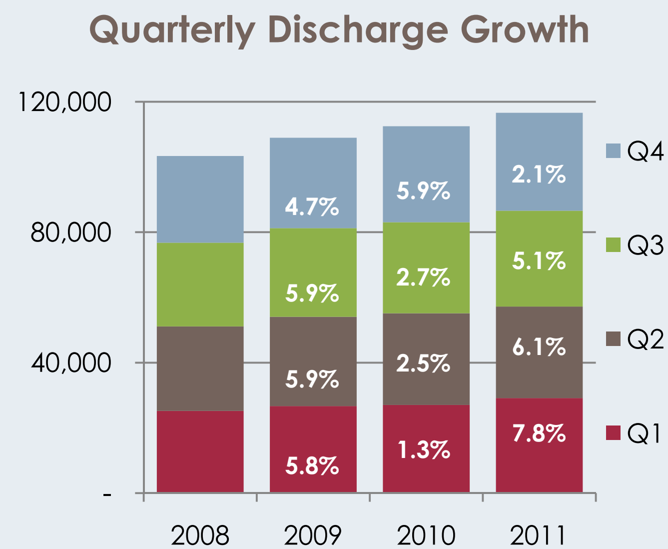
(2) May be adjusted to offset the Budget Control Act of 2011 or other Medicare reduction legislation

Historic Discharge Growth vs. Industry

HealthSouth's volume growth has outpaced competitors'







Yearly Discharge Growth	**6.9%**	**5.6%**	**3.1%**	**5.2%**

- TeamWorks = standardized and enhanced sales & marketing
- Bed additions will help facilitate continued organic growth

(1) Data provided by UDSMR, a data gathering and analysis organization for the rehabilitation industry; represents ~ 65-70% of industry, including HealthSouth sites.
(2) Includes consolidated HealthSouth inpatient rehabilitation hospitals classified as same store during that time period.

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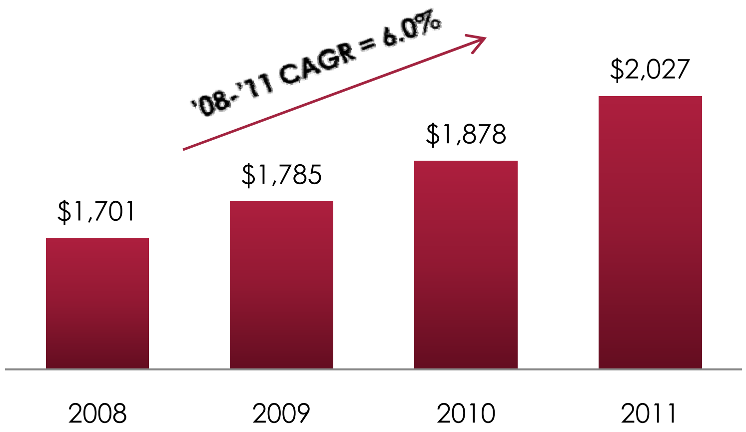
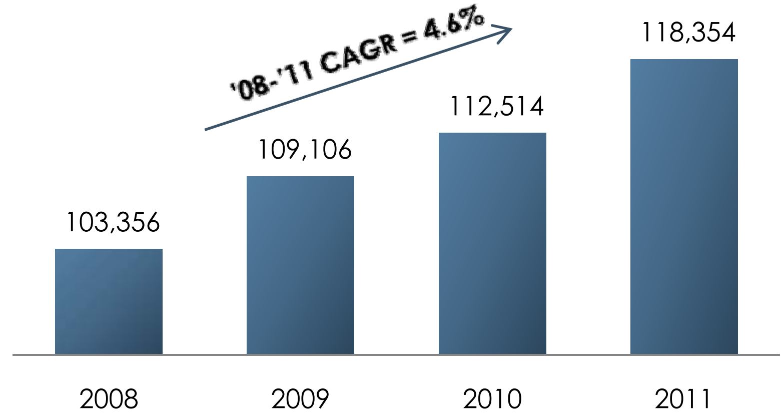
Our Track Record

($ in millions, except EPS)

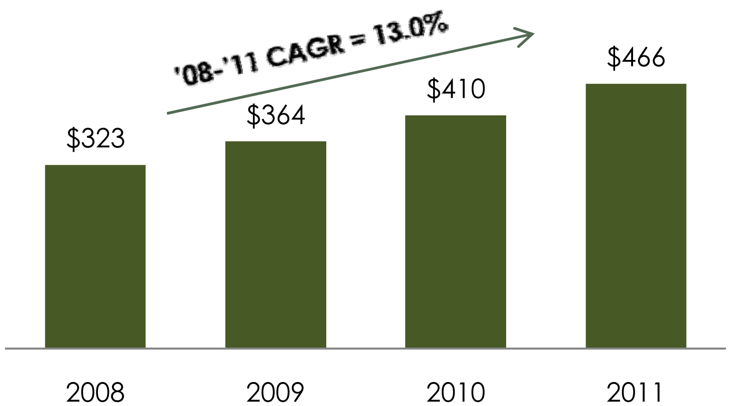
Revenue



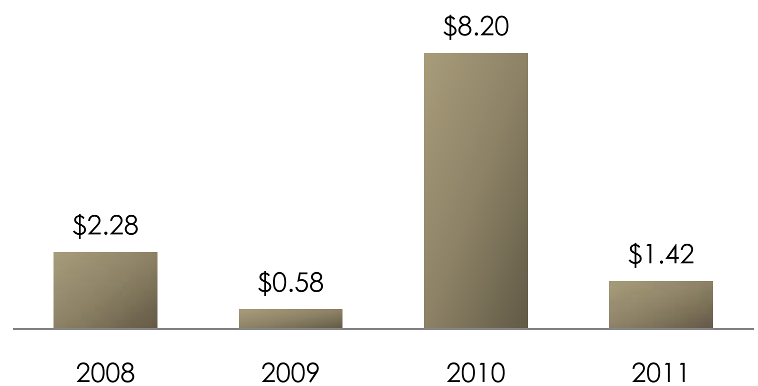
Discharge Growth



Adjusted EBITDA (1)



GAAP EPS (2)

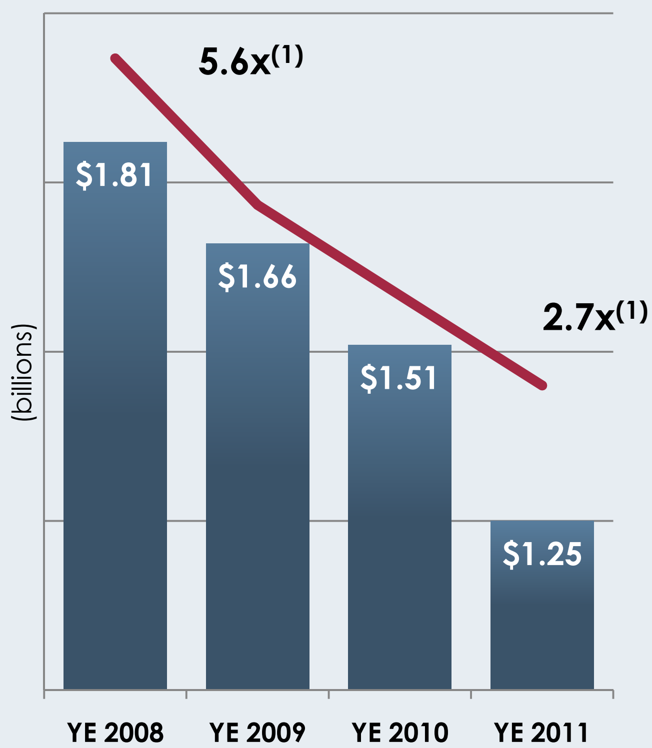


(1) Reconciliation to GAAP provided on slides 35 – 39.
(2) 2010 income from continuing operations attributable to HealthSouth includes an income tax benefit of ~$741 million primarily due to the reversal of a substantial portion of the valuation allowance against deferred tax assets.

HEALTHSOUTH

Debt and Liquidity

Debt Outstanding



Liquidity

	Dec. 31, 2011	Dec. 31, 2010
Cash Available	$ 30.1	$ 48.3
Revolver Total Line	$ 500.0	$ 500.0
Less:		
– Draws	(110.0)	(78.0)
– Letters of credit	(44.6)	(45.6)
Available	$ 345.4	$ 376.4
Total Liquidity	$ 375.5	$ 424.7

Credit Ratings

	S&P	Moodys
Corporate Rating	B+ Positive	B1 Positive
Revolver Rating	BB	Ba1
Senior Notes Rating	B+	B2

(1) Based on 2008 and 2011 Adjusted EBITDA of $322.6 million and $466.2 million, respectively; reconciliation to GAAP provided on slides 35 – 39.

Debt Schedule

(Millions) Corporate	Credit Rating S&P B+	Moody B1	Dec. 31, 2011	Dec. 31, 2010	Change in Debt vs. YE 2010
Advances under $500 million revolving credit facility, May 2016 - 3 Month LIBOR +225bps	BB	Ba1	$ 110.0	$ 78.0	$ 32.0
Term loan facility, May 2016 - 3 Month LIBOR +225bps	BB	Ba1	97.5	-	97.5
Bonds Payable:					
10.75% Senior Notes due 2016	B+	B2	-	495.5	(495.5)
7.25% Senior Notes due 2018	B+	B2	336.7	275.0	61.7
8.125% Senior Notes due 2020	B+	B2	285.8	285.5	0.3
7.75% Senior Notes due 2022	B+	B2	312.0	250.0	62.0
Other bonds payable			1.5	1.8	(0.3)
Other notes payable			35.3	36.4	(1.1)
Capital lease obligations			75.9	89.1	(13.2)
Long-term debt			**$ 1,254.7**	**$ 1,511.3**	**$ (256.6)**
Debt to Adjusted EBITDA (1)			**2.7x**	**3.7x**	

(1) Based on 2011 and 2010 Adjusted EBITDA of $466.2 million and $409.6 million, respectively; reconciliation to GAAP provided on slides 35, 36, 38, and 39.

HEALTHSOUTH

Revenues & Expenses (2011 vs. 2010)

	Full Year		Increase/
Revenues (millions)	**2011**	**2010**	**(Decrease)**
Inpatient	$ 1,866.4	$ 1,722.7	8.3%
Outpatient and other	160.5	154.9	3.6%
Consolidated net operating	$ 2,026.9	$ 1,877.6	8.0%
(Actual Amounts)			
Discharges	118,354	112,514	5.2%
Net patient revenue / discharge	$ 15,770	$ 15,311	3.0%
Expenses (millions)			
Salaries and benefits	$ 982.0	$ 921.7	6.5%
Percent of net operating revenues	48.4%	49.1%	(70 bps)
EPOB (employees per occupied bed)	3.47	3.49	(0.6%)
Hospital-related expenses	$ 456.2	$ 430.2	6.0%
(other operating, supplies, occupancy, bad debts)			
Percent of net operating revenues	22.5%	22.9%	(40 bps)
General and administrative	$ 90.2	$ 89.8	0.4%
(excludes stock-based compensation)			
Percent of net operating revenues	4.5%	4.8%	(30 bps)

Revenues & Expenses (Sequential)

Revenues (millions)	Q4 2011	Q3 2011	Increase/ (Decrease)
Inpatient	$ 480.1	$ 458.8	4.6%
Outpatient and other	38.0	38.9	(2.3%)
Consolidated net operating	$ 518.1	$ 497.7	4.1%
(Actual Amounts)			
Discharges	30,066	29,350	2.4%
Net patient revenue / discharge	$ 15,968	$ 15,632	2.1%
Expenses (millions)			
Salaries and benefits	$ 251.4	$ 245.0	2.6%
Percent of net operating revenues	48.5%	49.2%	(70 bps)
EPOB (employees per occupied bed)	3.46	3.53	(2.0%)
Hospital-related expenses	$ 111.8	$ 112.6	(0.7%)
(other operating, supplies, occupancy, bad debts)			
Percent of net operating revenues	21.6%	22.6%	(100 bps)
General and administrative	$ 23.9	$ 21.5	11.2%
(excludes stock-based compensation)			
Percent of net operating revenues	4.6%	4.3%	30 bps

Payment Sources (Percent of Revenues)

	Q4		Full Year	
	2011	2010	2011	2010
Medicare	72.8%	71.6%	72.0%	70.5%
Medicaid	1.4%	1.6%	1.6%	1.8%
Workers' compensation	1.5%	1.5%	1.6%	1.6%
Managed care and other discount plans (1)	19.5%	20.6%	19.8%	21.3%
Other third-party payors	2.0%	2.2%	2.0%	2.3%
Patients	1.2%	1.3%	1.2%	1.3%
Other income	1.6%	1.2%	1.8%	1.2%
Total	100.0%	100.0%	100.0%	100.0%

(1) Managed Medicare revenues represent ~ 8%, 8%, 7%, and 8% of total revenues for Q4 2011, Q4 2010, full year 2011, and full year 2010, respectively, and are included in "Managed care and other discount plans."

Operational and Labor Metrics (1)

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Full Year 2011	Full Year 2010
					(In Millions)					
Net patient revenue-inpatient	$ 480.1	$ 458.8	$ 465.4	$ 462.1	$ 452.3	$ 422.6	$ 427.6	$ 420.2	$ 1,866.4	$ 1,722.7
Net patient revenue-outpatient and other revenues	38.0	38.9	39.7	43.9	38.6	38.2	39.7	38.4	160.5	154.9
Net operating revenues	$ 518.1	$ 497.7	$ 505.1	$ 506.0	$ 490.9	$ 460.8	$ 467.3	$ 458.6	$ 2,026.9	$ 1,877.6
					(Actual Amounts)					
Discharges (2)	30,066	29,350	29,811	29,127	29,462	27,931	28,098	27,023	118,354	112,514
Outpatient visits	225,062	236,969	244,647	236,761	244,719	253,837	260,374	250,467	943,439	1,009,397
Average length of stay	13.4	13.4	13.4	13.8	13.4	13.8	13.7	14.2	13.5	13.8
Occupancy %	67.7%	67.2%	69.0%	70.2%	67.8%	66.0%	67.8%	69.3%	67.7%	67.0%
# of licensed beds	6,461	6,376	6,356	6,350	6,331	6,331	6,250	6,129	6,461	6,331
Occupied beds	4,374	4,285	4,386	4,458	4,292	4,178	4,238	4,247	4,374	4,242
Full-time equivalents (FTEs) (3)	15,079	15,081	15,150	15,044	14,958	14,785	14,628	14,450	15,089	14,705
Contract labor	56	60	76	89	84	71	84	74	70	79
Total FTE and contract labor	15,135	15,141	15,226	15,133	15,042	14,856	14,712	14,524	15,159	14,784
EPOB (4)	3.46	3.53	3.47	3.39	3.50	3.56	3.47	3.42	3.47	3.49

(1) All metrics have been reclassified to reflect current continuing operations.

(2) Represents discharges from HealthSouth's 96 consolidated hospitals in Q4 2011, 94 consolidated hospitals in Q3 2011, Q2 2011, Q1 2011, Q4 2010 and Q3 2010, 92 consolidated hospitals in Q2 2010, and 90 consolidated hospitals prior to Q2 2010.

(3) Excludes approximately 400 full-time equivalents who are considered part of corporate overhead with their salaries and benefits included in general and administrative expenses in the Company's consolidated statements of operations. Full-time equivalents included in the above table represent HealthSouth employees who participate in or support the operations of the Company's hospitals.

(4) Employees per occupied bed, or "EPOB," is calculated by dividing the number of full-time equivalents, including an estimate of full-time equivalents from the utilization of contract labor, by the number of occupied beds during each period. The number of occupied beds is determined by multiplying the number of licensed beds by the Company's occupancy percentage.

Outstanding Share Summary and Warrant Information

(Millions)

	Weighted Average for the Period			
	Q4 2011	Q4 2010	FY 2011	FY 2010
Basic Shares outstanding (1) (2)	93.3	92.8	93.3	92.8
Diluted Shares outstanding (1) (2) (3)	109.1	108.8	109.2	108.5

	End of Period			
	Q4 2011	Q4 2010	FY 2011	FY 2010
Basic Shares outstanding (1) (2)	93.3	92.8	93.3	92.8
Diluted Shares outstanding (1) (2) (3)	109.1	108.8	109.3	108.5

Notes:

(1) Does not include 2.0 million warrants issued in connection with a January 2004 loan repaid to Credit Suisse First Boston. In connection with this transaction, we issued warrants to the lender to purchase two million shares of our common stock. Each warrant has a term of ten years from the date of issuance (expire January 16, 2014) and an exercise price of $32.50 per share. The warrants were not assumed exercised for dilutive shares outstanding because they were antidilutive in the periods presented.

(2) The agreement to settle our class action securities litigation received final court approval in January 2007. These shares of common stock and warrants were issued on September 30, 2009. The 5.0 million of common shares are now included in the outstanding shares. The warrants to purchase approx. 8.2 million shares of common stock at a strike price of $41.40 (expire January 17, 2017) were not assumed exercised for the dilutive shares outstanding because they are antidilutive in the periods presented.

(3) The difference between the basic and diluted shares outstanding is primarily related to our convertible perpetual preferred stock (13.1 million common shares). The preferred stock is convertible, at the option of the holder, at any time into shares of common stock at an initial conversion price of $30.50 per share, which is equal to an initial conversion rate of approximately 32.7869 shares of common stock per share of preferred stock, subject to a specified adjustment. We may at any time cause the shares of preferred stock to be automatically converted into shares of our common stock at the conversion rate then in effect if the closing price of our common stock for 20 trading days within a period of 30 consecutive trading days ending on the trading day before the date we give the notice of forced conversion exceeds 150% of the conversion price of the preferred stock.

HEALTHSOUTH

Adjusted EBITDA [1] History

(Millions)	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Full Year 2011	Full Year 2010
Net operating revenues	$ 518.1	$ 497.7	$ 505.1	$ 506.0	$ 490.9	$ 460.8	$ 467.3	$ 458.6	$ 2,026.9	$ 1,877.6
Operating expenses:										
Salaries and benefits [2]	(251.4)	(245.0)	(241.6)	(244.0)	(237.5)	(231.5)	(226.2)	(226.3)	(982.0)	(921.5)
Hospital-related expenses:										
Other operating expenses	(67.4)	(70.3)	(75.4)	(70.9)	(72.1)	(65.4)	(70.8)	(61.2)	(284.0)	(269.5)
Supplies	(26.1)	(24.7)	(26.2)	(25.8)	(26.1)	(24.1)	(25.0)	(24.2)	(102.8)	(99.4)
Occupancy costs	(12.2)	(12.5)	(12.1)	(11.6)	(11.9)	(11.4)	(10.7)	(10.9)	(48.4)	(44.9)
Provision for doubtful accounts	(6.1)	(5.1)	(5.0)	(4.8)	(1.6)	(3.7)	(5.2)	(5.9)	(21.0)	(16.4)
	(111.8)	(112.6)	(118.7)	(113.1)	(111.7)	(104.6)	(111.7)	(102.2)	(456.2)	(430.2)
General and administrative expenses [3]	(23.9)	(21.5)	(22.1)	(22.7)	(23.1)	(21.5)	(22.7)	(22.5)	(90.2)	(89.8)
Equity in nonconsolidated affiliates	3.2	3.1	3.2	2.5	2.6	2.3	2.6	2.6	12.0	10.1
Other income	1.2	0.2	0.7	0.6	1.5	0.7	1.4	0.7	2.7	4.3
Noncontrolling interests [4]	(12.5)	(11.4)	(11.3)	(11.8)	(10.6)	(10.3)	(10.3)	(9.7)	(47.0)	(40.9)
Adjusted EBITDA	**$ 122.9**	**$ 110.5**	**$ 115.3**	**$ 117.5**	**$ 112.1**	**$ 95.9**	**$ 100.4**	**$ 101.2**	**$ 466.2**	**$ 409.6**

(1) Reconciliation to GAAP provided on slides 35, 36, 38, and 39.

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Full Year 2011	Full Year 2010
In arriving at Adjusted EBITDA, the following were excluded:										
(2) Restructuring charges	$ -	$ -	$ -	$ -	$ -	$ 0.2	$ -	$ -	$ -	$ 0.2
(3) Stock-based compensation expense	5.9	4.9	5.3	4.2	5.2	3.4	4.0	3.8	20.3	16.4
(4) Noncontrolling interests related to discontinued operations	-	(0.1)	(0.9)	(0.1)	0.1	(0.2)	(0.1)	0.1	(1.1)	(0.1)

HEALTHSOUTH.

Adjusted Free Cash Flow

Reconciliation of Net Cash Provided by Operating Activities to Adjusted Free Cash Flow

	Q4		Full Year			
(Millions)	**2011**	**2010**	**2011**	**2010**	**2009**	**2008**
Net cash provided by operating activities	$ 129.6	$ 67.1	$ 342.7	$ 331.0	$ 406.1	$ 227.2
Impact of discontinued operations	0.3	(2.8)	(9.1)	(13.2)	(5.7)	(32.5)
Net cash provided by operating activities of continuing operations	129.9	64.3	333.6	317.8	400.4	194.7
Capital expenditures for maintenance [1]	(15.7)	(13.3)	(50.8)	(37.9)	(33.2)	(41.5)
Net settlements on interest rate swaps [2]	-	(11.0)	(10.9)	(44.7)	(42.2)	(20.7)
Dividends paid on convertible perpetual preferred stock	(6.5)	(6.5)	(26.0)	(26.0)	(26.0)	(26.0)
Distributions paid to noncontrolling interests of consolidated affiliates	(10.3)	(8.1)	(44.2)	(34.4)	(32.6)	(33.4)
Non-recurring items:						
UBS Settlement proceeds, less fees to derivative plaintiffs' attorneys	-	-	-	-	(73.8)	-
Net premium paid (received) on bond issuance/redemption	-	-	22.8	-	-	-
Cash paid for professional fees - accounting, tax and legal	4.8	3.4	21.0	17.2	15.3	18.2
Cash paid for government, class action and related settlements	(2.0)	2.1	5.7	2.9	11.2	7.4
Income tax refunds related to prior periods	(1.0)	(1.6)	(7.9)	(13.5)	(63.7)	(89.4)
Adjusted free cash flow	**$ 99.2**	**$ 29.3**	**$ 243.3**	**$ 181.4**	**$ 155.4**	**$ 9.3**

(1) Maintenance capital expenditures are expected to be $75 to $85 million in 2012.

(2) Final swap payment of $10.9 million was made in March 2011.

Reconciliation of Net Income to Adjusted EBITDA (1)(3)

(in millions, except per share data)	2011 Q1 Total	Q1 Per Share	Q2 Total	Q2 Per Share	Q3 Total	Q3 Per Share	Q4 Total	Q4 Per Share	Full Year Total	Full Year Per Share
Net income	$ 91.5		$ 32.3		$ 68.3		$ 62.5		$ 254.6	
(Income) loss from disc ops, net of tax, attributable to HealthSouth	(17.6)		(2.5)		(34.8)		5.0		(49.9)	
Net income attributable to noncontrolling interests	(11.7)		(10.4)		(11.3)		(12.5)		(45.9)	
Income from continuing operations attributable to HealthSouth (2)	62.2	$ 0.57	19.4	$ 0.14	22.2	$ 0.17	55.0	$ 0.50	158.8	$ 1.42
Gov't, class action, and related settlements	-		(10.6)		-		(1.7)		(12.3)	
Pro fees - acct, tax, and legal	3.8		8.4		4.0		4.8		21.0	
Provision for income tax (benefit) expense	(7.4)		11.2		18.1		15.2		37.1	
Interest expense and amortization of debt discounts and fees	35.1		34.9		26.3		23.1		119.4	
Depreciation and amortization	19.5		19.6		19.5		20.2		78.8	
Loss on early extinguishment of debt	-		26.1		12.7		-		38.8	
Net noncash loss on disposal of assets	0.1		1.0		2.8		0.4		4.3	
Stock-based compensation expense	4.2		5.3		4.9		5.9		20.3	
Adjusted EBITDA (1)(3)	$ 117.5		$ 115.3		$ 110.5		$ 122.9		$ 466.2	
Weighted average common shares outstanding:										
Basic		93.1		93.3		93.3		93.3		93.3
Diluted		109.0		109.5		109.2		109.1		109.2

(1) (2) (3) – Notes on page 38.

Reconciliation of Net Income to Adjusted EBITDA (1)(3)

(in millions, except per share data)	2010 Q1 Total	Q1 Per Share	Q2 Total	Q2 Per Share	Q3 Total	Q3 Per Share	Q4 Total	Q4 Per Share	Full Year Total	Full Year Per Share
Net income	$ 50.5		$ 57.5		$ 41.9		$ 789.9		$ 939.8	
Income from disc ops, net of tax, attributable to HealthSouth	(1.2)		(3.4)		(3.4)		(1.2)		(9.2)	
Net income attributable to noncontrolling interests	(9.8)		(10.2)		(10.1)		(10.7)		(40.8)	
Income from continuing operations attributable to HealthSouth [2]	39.5	$ 0.36	43.9	$ 0.40	28.4	$ 0.24	778.0	$ 7.15	889.8	$ 8.20
Gov't, class action, and related settlements	-		-		0.8		0.3		1.1	
Pro fees - acct, tax, and legal	2.9		5.7		5.2		3.4		17.2	
Loss (gain) on interest rate swaps	4.3		(0.3)		9.0		0.3		13.3	
Provision for income tax expense (benefit)	2.4		(1.3)		(0.4)		(741.5)		(740.8)	
Interest expense and amortization of debt discounts and fees	30.5		30.1		30.8		34.2		125.6	
Depreciation and amortization	17.5		17.8		18.4		19.4		73.1	
Net noncash loss on disposal of assets	-		0.4		0.1		0.9		1.4	
Loss on early extinguishment of debt	0.3		0.1		-		11.9		12.3	
Stock-based compensation expense	3.8		4.0		3.4		5.2		16.4	
Other	-		-		0.2		-		0.2	
Adjusted EBITDA [1][3]	$ 101.2		$ 100.4		$ 95.9		$ 112.1		$ 409.6	
Weighted average common shares outstanding:										
Basic		92.7		92.8		92.8		92.8		92.8
Diluted		108.0		108.2		108.3		108.8		108.5

(1) (2) (3) – Notes on page 38.

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Reconciliation of Net Income to Adjusted EBITDA (1) (3)

(in millions, except per share data)	2008 Total	2008 Per Share	2009 Total	2009 Per Share
	Full Year			
Net income	$ 281.8		$ 128.8	
Income from disc ops, net of tax, attributable to HealthSouth	(32.5)		(17.7)	
Net income attributable to noncontrolling interests	(29.4)		(34.0)	
Income from continuing operations attributable to HealthSouth (2)	219.9	$ 2.28	77.1	$ 0.58
Gain on UBS Settlement	(121.3)		-	
Gov't, class action, and related settlements	(67.2)		36.7	
Pro fees - acct, tax, and legal	44.4		8.8	
Loss on interest rate swaps	55.7		19.6	
Provision for income tax benefit	(69.1)		(2.9)	
Interest expense and amortization of debt discounts and fees	159.3		125.7	
Depreciation and amortization	78.9		67.6	
Other adjustments per the Company's Credit Agreement:				
Impairment charges, including investments	2.4		1.4	
Net noncash loss on disposal of assets	2.0		3.4	
Loss on early extinguishment of debt	5.9		12.5	
Stock-based compensation expense	11.7		13.4	
Other	-		0.4	
Adjusted EBITDA (1)(3)	$ 322.6		$ 363.7	
Weighted average common shares outstanding:				
Basic		83.0		88.8
Diluted		96.4		103.3

(1) (2) (3) – Notes on page 38.

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Reconciliation Notes for Slides 35-37

1. Adjusted EBITDA is a non-GAAP financial measure. The Company's leverage ratio (total consolidated debt to Adjusted EBITDA for the trailing four quarters) is, likewise, a non-GAAP financial measure. Management and some members of the investment community utilize Adjusted EBITDA as a financial measure and the leverage ratio as a liquidity measure on an ongoing basis. These measures are not recognized in accordance with GAAP and should not be viewed as an alternative to GAAP measures of performance or liquidity. In evaluating Adjusted EBITDA, the reader should be aware that in the future HealthSouth may incur expenses similar to the adjustments set forth.
2. Per share amounts for each period presented are based on diluted weighted average shares outstanding unless the amounts are antidilutive, in which case the per share amount is calculated using the basic share count after subtracting the $6.5 million per quarter dividend on the convertible perpetual preferred stock. The difference in shares between the basic and diluted shares outstanding is primarily related to our convertible perpetual preferred stock.
3. Adjusted EBITDA is a component of our guidance.

Adjusted EBITDA Reconciled to Net Cash Provided by Operating Activities

(Millions)	Q4 2011	Q4 2010	Full Year 2011	Full Year 2010	Full Year 2009	Full Year 2008
Net cash provided by operating activities	$ 129.6	$ 67.1	$342.7	$ 331.0	$406.1	$227.2
Provision for doubtful accounts	(6.1)	(1.6)	(21.0)	(16.4)	(30.7)	(23.0)
Professional fees—accounting, tax, and legal	4.8	3.4	21.0	17.2	8.8	44.4
Interest expense and amortization of debt discounts and fees	23.1	34.2	119.4	125.6	125.7	159.3
UBS Settlement proceeds, gross	-	-	-	-	(100.0)	-
Equity in net income of nonconsolidated affiliates	3.2	2.6	12.0	10.1	4.6	10.6
Net income attributable to noncontrolling interests in continuing operations	(12.5)	(10.6)	(47.0)	(40.9)	(33.3)	(29.8)
Amortization of debt discounts and fees	(0.9)	(1.2)	(4.2)	(6.3)	(6.6)	(6.5)
Distributions from nonconsolidated affiliates	(3.3)	(3.4)	(13.0)	(8.1)	(8.6)	(10.9)
Current portion of income tax expense (benefit)	2.1	4.6	0.6	2.9	(7.0)	(72.8)
Change in assets and liabilities	(15.9)	16.9	49.9	2.8	(2.1)	50.6
Net premium paid on bond issuance/redemption	-	-	22.8	-	-	-
Change in government, class action and related settlements liability	(2.0)	2.1	(8.5)	2.9	11.2	7.4
Cash (provided by) used in operating activities of discontinued operations	0.3	(2.8)	(9.1)	(13.2)	(5.7)	(32.5)
Other	0.5	0.8	0.6	2.0	1.3	(1.4)
Adjusted EBITDA	$ 122.9	$112.1	$466.2	$ 409.6	$363.7	$322.6

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