Second Quarter 2009 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 views with respect to future events and financial performance. 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 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 our Form 10-K for the fiscal year ended December 31, 2008, the Form 10-Q for quarters ended March 31, 2009 and June 30, 2009, when filed, and in other documents we previously filed with the SEC, many of which are beyond our control, that may cause actual 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. A schedule is attached that reconciles 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 August 4, 2009, 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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Highlights (Q2 2009)

- ✓ Achieved 5.6% quarter-over-quarter discharge growth.
  - Same store discharge growth was 4.7%.
- ✓ Revenue growth of 5.9%.
  - Driven by higher discharge volume which more than offset lower outpatient revenue.
- ✓ High-quality, cost-effective, patient care.
  - Driven by effective management of hospital expenses and improved labor productivity.
- ✓ Reduced debt by $26 million during the quarter.
- ✓ Moody's credit upgrade during the quarter.
- ✓ S & P changed outlook to positive.
- ✓ Leverage ratio reduced to 4.7x [(1)] from 5.3x at year end.

[(1)] Based on trailing four quarter Adjusted Consolidated EBITDA of $359.6 million; reconciliation to GAAP provided on slides 30 through 33.

Revenues (Q2 2009 vs. Q2 2008)

(Millions)	2nd Qtr. 2009	2nd Qtr. 2008	Favorable (Unfavorable) Change
Inpatient	$ 439.0	$ 410.4	7.0%
Outpatient and other	44.7	46.2	(3.2%)
Consolidated net operating	$ 483.7	$ 456.6	5.9%
(Actual Amounts)			
Discharges	28,494	26,990	5.6%
Net patient revenue / discharge	$ 15,407	$ 15,206	1.3%

- **Inpatient revenue growth was driven by strong discharge volumes.**
  - Volume growth was driven by the sustained TeamWorks effort and disciplined development.
  - Same store discharge growth was 4.7%.
- **Net patient revenue / discharge was higher in Q209 due to an increasing trend within our patient mix towards higher acuity neurological patients.**
- **Outpatient revenue declined as a result of 15 fewer outpatient satellites quarter over quarter.**

Expenses (Q2 2009 vs. Q2 2008)

(Millions)	2nd Qtr. 2009	2nd Qtr. 2008	Change
Salaries and benefits	$ 239.1	$ 234.1	(2.1%)
Percent of net operating revenues	49.4%	51.3%	190bps
EPOB (employees per occupied bed)	3.52	3.65	3.6%
Hospital-related expenses	$ 118.1	$ 109.6	(7.8%)
(other operating, supplies, occupancy, bad debts)			
Percent of net operating revenues	24.4%	24.0%	(40)bps
General and administrative	$ 22.0	$ 22.5	2.2%
(excludes 123(R) compensation)			
Percent of net operating revenues	4.5%	4.9%	40bps

- **Continued progress on labor productivity demonstrated by lower EPOB.**
- **Hospital related expenses:**
  - Comparison for Q2 affected by a reduction of self-insurance costs resulting from revised actuarial estimates in Q208.
  - Increased provision for doubtful accounts to reflect aging of pending Medicare appeals.

Adjusted Consolidated EBITDA [1] (2Q 2009)

(Millions)

2nd Qtr. 2009	2nd Qtr. 2008	Change $	Change %
$ 94.0	$ 85.9	$ 8.1	9.4%

- **Improvements driven by:**
  - Increased volumes
  - Improved labor productivity
  - Lower G&A
- **Improvements offset by:**
  - Higher operating expense related to a self-insurance reduction in Q208 offset by lower TeamWorks expenses.

[1] Reconciliation to GAAP provided on slides 30 through 33.

Adjusted Consolidated EBITDA [1] (6 months)

(Millions)

		Change	
6 Months 2009	6 Months 2008	$	%
$ 192.7	$ 174.8	$ 17.9	10.2%

- **Improvements driven by:**
  - Increased volumes
  - Improved labor productivity
  - Lower G&A
- **Improvements offset by:**
  - Higher operating expense related to a self-insurance reduction in Q208 offset by lower TeamWorks expenses.
- **Strong volume growth YTD helped offset the Medicare price roll-back.**
  - Medicare market basket update: $7-8 million benefit in Q108.

(1) Reconciliation to GAAP provided on slides 30 through 33.

Adjusted Income per Diluted Share (2Q 2009)

(Millions, except per share data)	2nd Qtr. 2009	2nd Qtr. 2008	Change $	Change %
(Loss) income from continuing operations attributable to HealthSouth	$ (6.7) [1]	$ 48.3 [1]	$ (55.0)	(113.9%)

[1] Includes a charge of $48.7 million and a gain of $8.6 million, respectively, for "government, class action, and related settlements expense" primarily relecting the change in value of our common stock.

	2nd Qtr. 2009	2nd Qtr. 2008	Change $	Change %
Adjusted income from continuing operations [2]	$ 39.8	$ 16.1	$ 23.7	147.2%
	Per Share			
Adjusted income from continuing operations per diluted share [2]	$ 0.39	$ 0.17	$ 0.22	129.4%

- **Major drivers were:**
  - Increased Adjusted Consolidated EBITDA
  - Lower floating-rate interest expense (results in higher cash payments on swap)
  - Lower interest expense as a result of lower debt balances
- **Increase in income was offset by:**
  - Higher operating expense related to a self-insurance reduction in Q208 offset by lower TeamWorks expenses.

[2] Reconciliation to GAAP provided on slides 30 through 33.

Adjusted Income per Diluted Share (6 Months)

(Millions, except per share data)	6 Months 2009	6 Months 2008	Change $	Change %
Income from continuing operations attributable to HealthSouth	$ 41.3 [1]	$ 52.9 [1]	$ (11.6)	(21.9%)

[1] Includes a charge of $32.8 million and a gain of $45.0 million, respectively, for "government, class action, and related settlements expense" primarily reflecting the change in value of our common stock.

	6 Months 2009	6 Months 2008	Change $	Change %
Adjusted income from continuing operations [2]	$ 79.6	$ 33.1	$ 46.5	140.5%
	Per Share			
Adjusted income from continuing operations per diluted share [2]	$ 0.79	$ 0.36	$ 0.43	119.4%

- **Major drivers were:**
  - Increased Adjusted Consolidated EBITDA
  - Lower floating-rate interest expense (results in higher cash payments on swap)
  - Lower interest expense as a result of lower debt balances.
- **Increase offset by:**
  - Higher pricing in Q108
  - Higher operating expense related to a self-insurance reduction in Q208, offset by lower TeamWorks expenses.

[2] Reconciliation to GAAP provided on slides 30 through 33.

Free Cash Flow

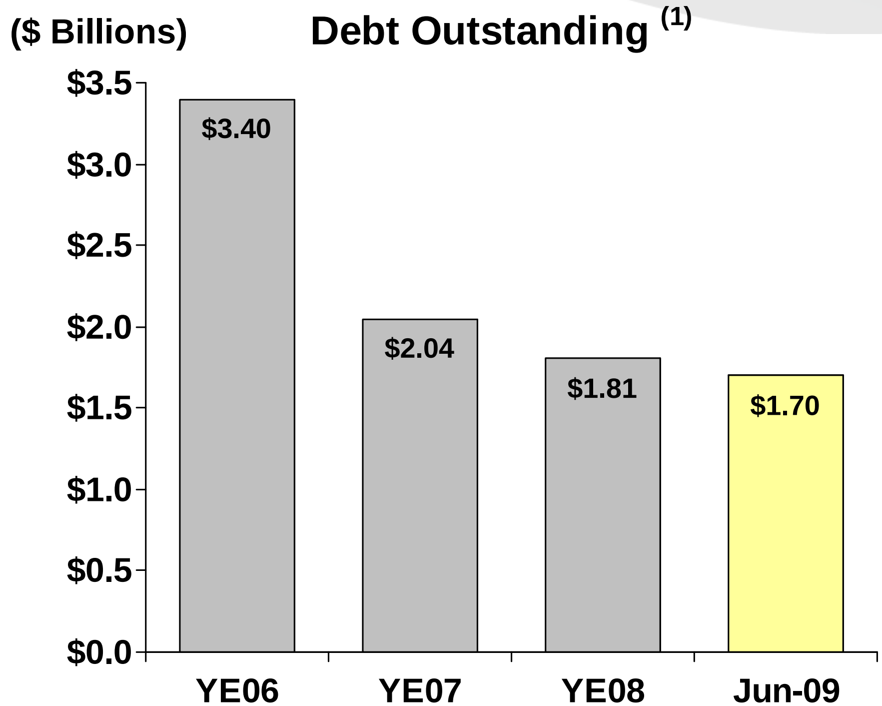
(Millions)	Adjusted Free Cash Flow 3 Months Ended June 30, 2009	 6 Months Ended June 30, 2009	 Year Ended December 31, 2008
Net cash provided by operating activities	$ 46.1	$ 229.2	$ 227.2
Impact of discontinued operations	6.8	7.0	(6.6)
Net cash provided by operating activities of continuing operations	52.9	236.2	220.6
Incremental income tax expense	(1.4)	(1.7)	(5.0)
Capital expenditures for maintenance [(1)]	(7.5)	(15.0)	(37.3)
Net settlements on interest rate swap	(10.6)	(19.1)	(20.7)
Dividends paid on convertible perpetual preferred stock	(6.5)	(13.0)	(26.0)
Distributions paid to noncontrolling interests of consolidated affiliates	(7.3)	(15.8)	(33.4)
Non-recurring items:			
UBS Settlement proceeds, less fees to derivative plaintiffs' attorneys	-	(73.8)	-
Federal income tax refunds	-	(41.6)	(47.6)
Cash paid for professional fees - accounting, tax, and legal	3.2	8.0	18.2
Cash paid for government, class action, and related settlements	7.0	8.7	7.4
Adjusted free cash flow	**$ 29.8**	**$ 72.9**	**$ 76.2**

[(1)] Includes capital expenditures for the hospital refresh program.

Debt Reduction

- **No near-term refinancing**
  - Revolver = 2012
  - Term Loan = 2013
  - Bonds = 2014 & 2016

- **Future deleveraging**
  - Excess cash from operations
  - Derivative proceeds
    - E&Y arbitration
    - Scrushy asset recovery



Debt to EBITDA	6.3x	6.3x	5.3x	4.7x [2]

Year-End 2012 Goal: 3.5x to 4.0x

[1] Credit Agreement limits debt pay down on non–term loan balances. We have the right to buy back non-term loan debt with the discretionary cash available to the Company.

[2] Based on four quarter trailing Adjusted Consolidated EBITDA of $359.6 million; see related debt schedule on slide 27, and reconciliation to GAAP on slides 30 through 33.

Liquidity

(Millions)

	June 30, 2009	December 31, 2008
Cash		
Available	$ 49.8	$ 32.2
Revolver		
Total line	$ 400.0	$ 400.0
Less:		
– Draws	-	(40.0)
– Letters of credit	-	(52.7)
Available	$ 400.0	$ 307.3
Total Liquidity (available cash and revolver)	$ 449.8	$ 339.5

2009 Guidance - Adjusted Consolidated EBITDA [1]

Previous	**Revised**
$342 to $352 million	$354 to $362 million

Key Drivers:
- ✓ Sustainable discharge growth
  - Bed expansions
  - New hospitals
- ✓ High-quality, cost-effective patient care

Unknown:
- ✓ Market basket update

[1] Reconciliation to GAAP provided on slides 30 through 33.

2009 Guidance - Adjusted Earnings per Diluted Share [1]

Previous	**Revised**
$0.85 to $90 per share	$1.15 to $1.25 per share

Key Drivers:

- ✓ Increased Adjusted Consolidated EBITDA
- ✓ Deleveraging
- ✓ Lower floating-rate interest expense (results in higher cash payment on the swap)

Unknown:

- ✓ Market basket update

(1) Adjusted income from continuing operations per diluted share.

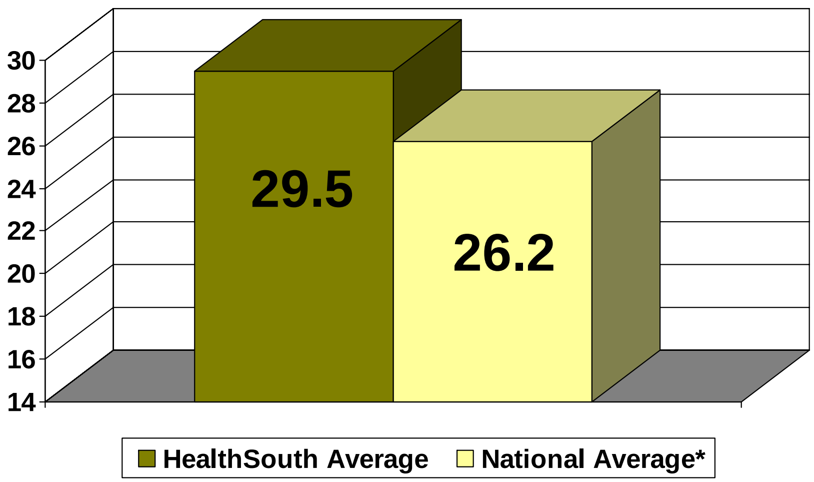
Appendix

Operational Excellence = "High-Quality" Care

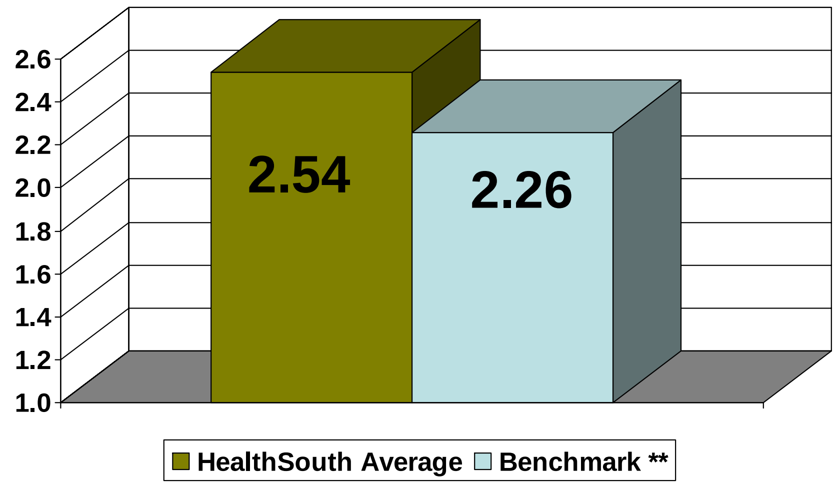
FIM Gain = Change in Functional Independent Measurement (based on an 18 point assessment) from Admission to Discharge

LOS Efficiency = Functional gain divided by length of stay

FIM Gain



LOS Efficiency



***Benchmark = Expected Risk Adjusted FIM Change Avg.**
Source: UDSmr Database – On Demand Reports 2008 Year End Report

**** Benchmark = Expected, Risk Adjusted LOS Efficiency**

Operational Excellence = “Cost-Effective” Care

CMS Fiscal Year 2010 IRF Rate Setting File Analysis [1]

	Freestanding [2]	Units [2]	Total	HealthSouth Hospitals [2]
Number of IRFs	227	978	1,205	93
Average # of Discharges per IRF	616	242	312	747
Outlier Payments as % of Total Payments	1.72%	3.76%	3.00%	0.56%
Average Estimated Total Payment per Discharge for FY 2010	$16,423	$16,395	$16,405	$16,051
Average Estimated Cost per Discharge for FY 2010	$14,426	$16,370	$15,647	$13,192

Notes:

(1) All data provided was filtered and compiled from the Centers for Medicare and Medicaid Services (CMS) Fiscal Year 2010 IRF rate setting proposed rule file found at http://www.cms.hhs.gov/InpatientRehabFacPPS/07_DataFiles.asp#TopOfPage. The data presented was developed entirely by CMS and is based on its definitions which are different in form and substance from the criteria HealthSouth uses for external reporting purposes. Because CMS does not provide its detailed methodology, HealthSouth is not able to reconstruct the CMS projections or the calculation.

(2) The CMS file contains data for each of the 1,205 inpatient rehabilitation facilities used to estimate the proposed policy updates for the FY 2010 proposed IRF-PPS rule. Most of the data represents historical information from the CMS fiscal year 2007 period and does not reflect the same HealthSouth hospitals in operation today. The data presented was separated into three categories: Freestanding, Units, and HealthSouth. HealthSouth is a subset of Freestanding and the Total.

Revenue (6 months)

(Millions)		6 Months 2009		6 Months 2008	Favorable (Unfavorable) Change
Inpatient	$	872.1	$	829.6	5.1%
Outpatient and other		86.7		91.2	(4.9%)
Consolidated net operating	$	958.8	$	920.8	4.1%
(Actual Amounts)					
Discharges		56,301		53,299	5.6%
Net patient revenue / discharge	$	15,490	$	15,565	(0.5%)

Expenses (6 months)

(Millions, except percent)	6 Months 2009	6 Months 2008	Favorable/ (Unfavorable) Change
Salaries and benefits	$ 473.8	$ 464.5	(2.0%)
Percent of net operating revenues	49.4%	50.4%	100 bps
EPOB (employees per occupied bed)	3.50	3.59	2.5%
Hospital related expenses	$ 232.7	$ 225.4	(3.2%)
(other operating, supplies, occupancy, bad debts)			
Percent of net operating revenues	24.3%	24.5%	20 bps
General and administrative	$ 43.8	$ 47.3	7.4%
(excludes 123(R) compensation)			
Percent of net operating revenues	4.6%	5.1%	50 bps

Revenues (Sequential)

(Millions, except percent)	2nd Qtr. 2009	1st Qtr. 2009	Favorable (Unfavorable) Change
Inpatient	$ 439.0	$ 433.1	1.4%
Outpatient and other	44.7	42.0	6.4%
Consolidated net operating	$ 483.7	$ 475.1	1.8%
(Actual Amounts)			
Discharges	28,494	27,807	2.5%
Net patient revenue / discharge	$ 15,407	$ 15,575	(1.1%)

- **Inpatient revenue growth was driven by strong discharge growth offset by lower revenue/ discharge.**
  - Lower revenue/discharge is related to seasonal discharge flow.

Expenses (Sequential)

(Millions, except percent)	2nd Qtr. 2009	1st Qtr. 2009	Favorable (Unfavorable) Change
Salaries and benefits	$ 239.1	$ 234.7	(1.9%)
Percent of net operating revenues	49.4%	49.4%	0 bps
EPOB (employees per occupied bed)	3.52	3.47	(1.4%)
Hospital related expenses	$ 118.1	$ 114.6	(3.1%)
(other operating, supplies, occupancy, bad debts)			
Percent of net operating revenues	24.4%	24.1%	(30) bps
General and administrative	$ 22.0	$ 21.8	(0.9%)
(excludes 123(R) compensation)			
Percent of net operating revenues	4.5%	4.6%	10 bps

- **Higher expenses were driven by 2.5% greater volume discharges.**

HEALTHSOUTH

Operational and Labor Metrics

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
	(In Millions)		(In Millions)	
Net patient revenue-inpatient	$ 439.0	$ 410.4	$ 872.1	$ 829.6
Net patient revenue-outpatient and other revenues	44.7	46.2	86.7	91.2
Net operating revenues	$ 483.7	$ 456.6	$ 958.8	$ 920.8
	(Actual Amounts)		(Actual Amounts)	
Discharges [1]	28,494	26,990	56,301	53,299
Outpatient visits	293,264	319,728	578,365	625,873
Average length of stay	14.4	14.7	14.5	15.0
Occupancy %	68.8%	66.9%	69.0%	67.2%
# of licensed beds	6,534	6,521	6,534	6,521
Occupied beds	4,495	4,363	4,508	4,382
Full-time equivalents (FTEs) [2]	15,688	15,706	15,627	15,513
Contract labor	120	218	132	210
Total FTE and contract labor	15,808	15,924	15,759	15,723
EPOB [3]	3.52	3.65	3.50	3.59

(1) Represents discharges from HealthSouth's 90 consolidated hospitals.

(2) Excludes 388 and 399 full-time equivalents for the three months ended June 30, 2009 and 2008, respectively, and 392 and 422 full-time equivalents for the six months ended June 30, 2009 and 2008, respectively, who are considered part of corporate overhead with their salaries and benefits included in general and administrative expenses in the Company's condensed 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.

(3) 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.

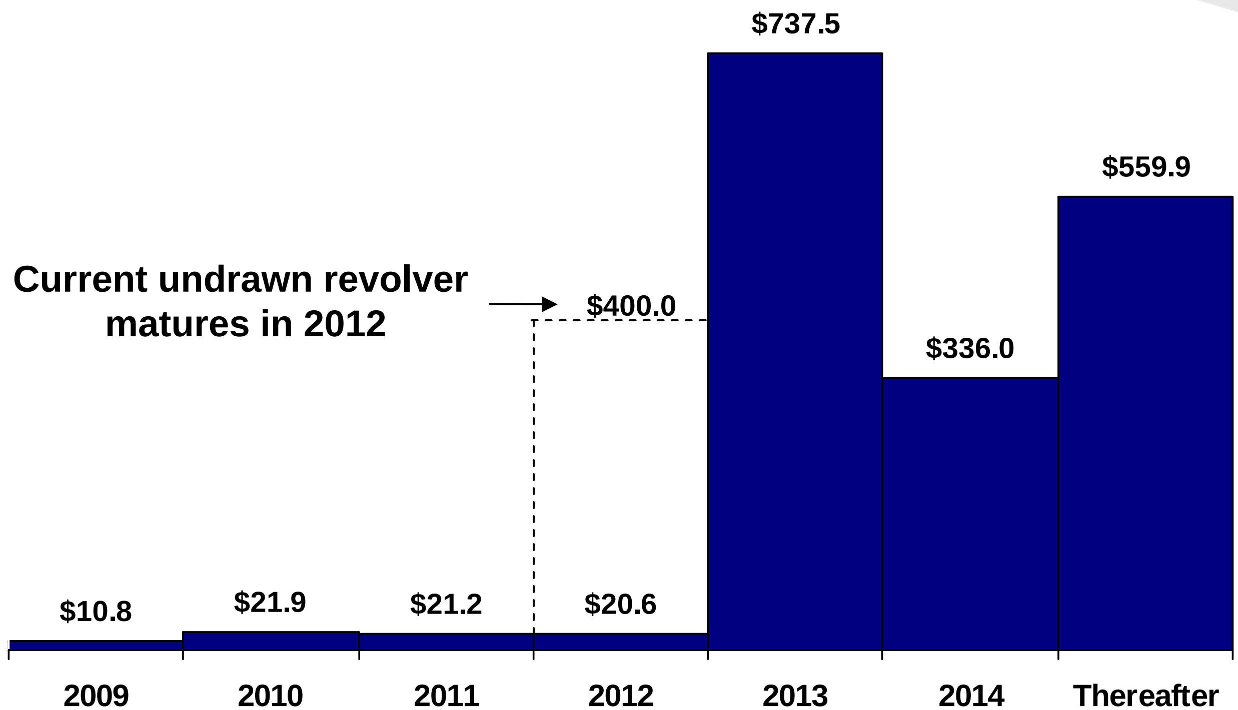
Payment Sources

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Medicare	67.6%	67.5%	67.9%	67.3%
Medicaid	2.2%	2.1%	2.2%	2.2%
Workers' compensation	1.5%	2.2%	1.6%	2.2%
Managed care and other discount plans [(1)]	23.7%	22.7%	23.0%	22.5%
Other third-party payors	2.8%	3.5%	3.0%	3.7%
Patients	0.7%	0.4%	0.8%	0.4%
Other income	1.5%	1.6%	1.5%	1.7%
Total	100.0%	100.0%	100.0%	100.0%

[(1)] Managed Medicare revenues are included in “Managed care and other discount plans.”

Debt Maturities

(Millions)



- **Minimal amortization and no near-term financing risk.**
- **As of June 30, 2009, we were in compliance with the covenants under our Credit Agreement.**

Interest Rate Swaps

(Millions)

Floating Rate Debt Balances	June 30, 2009	Floating Interest Rate
Advances under $400 million revolving credit facility	$ -	Libor plus 325 (1)
Term Loan facility	755.1	Libor plus 225 (1) (2)
Floating Rate Senior Notes due 2014	329.6	6 month Libor
Total	$ 1,084.7	

Swap Settlement	June 2009	March 2010	March 2011
Net notional amount of interest rate swaps (3)	$ 956.0	$ 884.0	$ -
Received 3 month Libor and pay 5.22% fixed			
Notional amount of the interest rate swap			100.0 (4)
Receive 3 month Libor and pay 2.6% fixed			
Notional amount of the interest rate swap			100.0 (4)
Receive 3 month Libor and pay 2.9% fixed			

(1) We have the flexibility to peg 1,2,3 or 6 month Libor, or Prime.

(2) Lower interest rate on term loan as a result of the Moody's upgrade.

(3) In June 2009, we entered into a received-fixed rate swap as a mirror offset to $100.0 million of the $1,056 million interest rate swap.

(4) Forward-starting interest rate swaps (designated as cash flow hedges).

Debt Schedule

(Millions)

	Debt Balances		
	June 30, 2009	December 31, 2008	Q209 YTD Debt Reduction [1] [2]
Advances under $400 million revolving credit facility, March 2012	$ -	$ 40.0	$ (40.0)
Term loan facility - March 2013	755.1	783.6	(28.5)
Bonds Payable:			
8.375% Senior Notes due 2011	0.3	0.3	-
7.625% Senior Notes due 2012	1.5	1.5	-
Floating Rate Senior Notes due 2014 (6 month Libor plus 600)	329.6	366.0	(36.4)
10.75% Senior Notes due 2016	494.6	494.3	0.3
Other notes payable at interest rates from 8.1% to 12.9%	12.5	12.8	(0.3)
Capital lease obligations	108.3	114.7	(6.4)
Total	$ 1,701.9	$ 1,813.2	$ (111.3)
Year-to-date debt reduction [1] [2]	**$ 111.3**		

[1] The Company had $49.8 million in cash and cash equivalents as of June 30, 2009.

[2] Credit Agreement limits debt pay down on non–term loan balances. We have the ability to buy back non-term loan debt with the discretionary cash available to the Company.

Non-Operating Cash/Tax Position

Cash Refunds as of June 30, 2009

- Federal tax recoveries virtually complete.
  - Approx. $42 million received.
- State tax refunds in progress.
  - Approx. $11 million received.
  - Approx. $10.5 million net receivable on the balance sheet.

GAAP Considerations

- HealthSouth's balance sheet currently reflects a valuation allowance for the potential value of NOLs and future deductions. The valuation allowance is approximately $1.0 billion.
- GAAP tax rate will net to small amount for foreseeable future as there will be a reduction in the valuation allowance when NOLs are utilized.

Future Cash Tax Payments

- Expect to pay about $5-7 million per year of income tax.
  - State income tax.
  - Alternative Minimum Tax (AMT).
- With over $2.5 billion in NOLs and tax deductions, we do not expect to pay significant federal income taxes for approximately the next 10-12 years.
  - At this time, we do not believe the use of NOLs will be limited before they expire, however, no assurances can be provided.
- HealthSouth is not currently subject to an annual use limitation (AUL) under the Internal Revenue Code section 382.
- If we experienced a "change of ownership" as defined by the Internal Revenue Code section 382, we would be subject to an AUL, which is equal to the value of the company at the time of the "change of ownership" multiplied by the long-term tax exempt rate.

Outstanding Share Summary

(Millions)

	2nd Qtr. [1] 2009	2nd Qtr. 2008	6 Months 2009	6 Months 2008	Year-End [1] 2008
	Weighted Average for the Period				
Basic Shares outstanding [2] [3]	87.6	79.5	87.5	79.2	83.0
Diluted Shares outstanding [2] [3] [4]	101.5	93.0	101.2	92.6	96.4
	End of Period				
Basic Shares outstanding [2] [3]	87.6	87.4	87.6	87.4	87.4
Diluted Shares outstanding [2] [3] [4]	101.5	100.9	101.3	100.8	100.8

Notes:

(1) Completed an equity offering for 8.8 million shares on June 27, 2008.

(2) 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 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.

(3) Does not include approximately 5.0 million shares of common stock and warrants to purchase approximately 8.2 million shares of common stock at a strike price of $41.40 to settle our class action securities litigation. This agreement received final court approval in January 2007. As of June 30, 2009, these shares of common stock and warrants have not been issued and are not included in our basic or diluted common shares outstanding. Absent a petition for certiorari, we expect the shares to be distributed in September 2009.

(4) The difference between the basic and diluted shares outstanding is primarily related to our convertible perpetual preferred stock.

Three & Six Months Reconciliation of Net Income to Adjusted Income from Continuing Operations and Adjusted Consolidated EBITDA (1) (3)

(In Millions, Except Per Share Data)	Three Months Ended June 30, 2009		Three Months Ended June 30, 2008		Six Months Ended June 30, 2009		Six Months Ended June 30, 2008	
		Per Share[2]		Per Share[2]		Per Share[2]		Per Share[2]
Net income	$ 3.6	$ 0.04	$ 52.4	$ 0.66	$ 57.1	$ 0.65	$ 78.8	$ 0.99
(Income) loss from discontinued operations, net of tax, attributable to HealthSouth	(1.2)	(0.01)	4.2	0.05	1.9	0.02	(11.0)	(0.14)
Net income attributable to noncontrolling interests	(9.1)	(0.10)	(8.3)	(0.10)	(17.7)	(0.20)	(14.9)	(0.19)
(Loss) income from continuing operations attributable to HealthSouth	(6.7)	(0.08)	48.3	0.61	41.3	0.47	52.9	0.67
Government, class action, and related settlements	48.7	0.56	(8.6)	(0.11)	32.8	0.37	(45.0)	(0.57)
Professional fees - accounting, tax, and legal	(3.3)	(0.04)	5.3	0.07	1.5	0.02	8.9	0.11
Gain on early extinguishment of debt	(1.3)	(0.01)	-	-	(3.1)	(0.04)	-	-
Loss (gain) on interest rate swaps	3.8	0.04	(28.5)	(0.36)	8.8	0.10	8.1	0.10
Accelerated depreciation of corporate campus	-	-	-	-	-	-	10.0	0.13
Provision for income tax (benefit) expense	(0.3)	(0.00)	0.7	0.01	0.9	0.01	0.8	0.01
Estimated income tax expense	(1.1)	(0.01)	(1.1)	(0.01)	(2.6)	(0.03)	(2.6)	(0.03)
Adjusted income from continuing operations[1][3]	39.8	0.45	16.1	0.20	79.6	0.91	33.1	0.42
Adjustment for dilution[2]		(0.06)		(0.03)		(0.12)		(0.06)
Adjusted income from continuing operations per diluted share[2][3]		$ 0.39		$ 0.17		$ 0.79		$ 0.36
Estimated income tax expense	1.1		1.1		2.6		2.6	
Interest expense and amortization of debt discounts and fees	31.1		43.4		65.5		90.8	
Depreciation and amortization	17.7		17.8		35.3		37.4	
	89.7		78.4		183.0		163.9	
Other adjustments per our Credit Agreement:								
Impairment charges, including investments	0.1		0.6		0.8		0.6	
Net noncash loss on disposal of assets	1.3		0.8		2.3		0.6	
Loss on early extinguishment of debt	-		3.4		-		3.7	
Compensation expense under FASB Statement No. 123(R)	2.9		2.7		6.6		6.0	
Adjusted Consolidated EBITDA [1][3][4]	$ 94.0		$ 85.9		$ 192.7		$ 174.8	
Basic weighted average common shares outstanding		87.6		79.5		87.5		79.2
Diluted weighted average common shares		101.5		93.0		101.2		92.6

HEALTHSOUTH

2008 Year-End Reconciliation of Net Income to Adjusted Income from Continuing Operations and Adjusted Consolidated EBITDA (1) (3)

	Year Ended December 31,	
(In Millions, Except Per Share Data)	2008	Per Share(2)
Net income	$ 281.8	$ 3.40
Income from discontinued operations, net of tax, attributable to HealthSouth	(16.9)	(0.20)
Net income attributable to noncontrolling interests	(29.4)	(0.35)
Income from continuing operations attributable to HealthSouth	235.5	2.84
Gain on UBS Settlement	(121.3)	(1.46)
Government, class action, and related settlements	(67.2)	(0.81)
Professional fees - accounting, tax, and legal	44.4	0.53
Loss on interest rate swap	55.7	0.67
Accelerated depreciation of corporate campus	10.0	0.12
Interest associated with UBS Settlement	(9.4)	(0.11)
Provision for income tax benefit	(70.1)	(0.84)
Estimated income tax expense	(5.0)	(0.06)
Adjusted income from continuing operations(1)(3)	72.6	0.87
Adjustment for dilution(2)		(0.12)
Adjusted income from continuing operations per diluted share(2)(3)		$ 0.75
Estimated income tax expense	5.0	
Interest expense and amortization of debt discounts and fees, excluding interest associated with the UBS Settlement	168.9	
Depreciation and amortization, excluding accelerated depreciation of corporate campus	73.2	
	319.7	
Other adjustments per our Credit Agreement:		
Impairment charges, including investments	2.4	
Net noncash loss on disposal of assets	2.0	
Loss on early extinguishment of debt	5.9	
Compensation expense under FASB Statement No. 123(R)	11.7	
Adjusted Consolidated EBITDA(1)(3)(4)	$ 341.7	
Weighted average common shares outstanding:		
Basic		83.0
Diluted		96.4

HEALTHSOUTH

YTD Reconciliation of Adjusted Consolidated EBITDA [1] to Net Cash Provided by Operating Activities

(Millions)	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Adjusted Consolidated EBITDA	**$ 192.7**	**$ 174.8**
Provision for doubtful accounts	17.6	13.9
Professional fees - accounting, tax, and legal	(1.5)	(8.9)
Interest expense and amortization of debt discounts and fees	(65.5)	(90.8)
UBS settlement proceeds, gross	100.0	-
Equity in net loss (income) of nonconsolidated affiliates	0.2	(5.1)
Net income attributable to noncontrolling interests	17.7	14.9
Amortization of debt discounts and fees	3.2	3.3
Distributions from nonconsolidated affiliates	3.9	6.0
Current portion of income tax benefit	1.0	0.6
Change in assets and liabilities	(23.7)	(28.0)
Change in government, class action, and related settlements	(8.7)	(7.4)
Other operating cash used in discontinued operations	(7.0)	(6.5)
Other	(0.7)	0.2
Net cash provided by operating activities	**$ 229.2**	**$ 67.0**

Reconciliation Notes

1. Adjusted income from continuing operations and Adjusted Consolidated EBITDA are non-GAAP financial measures. The Company's leverage ratio (Total Consolidated Debt to Adjusted Consolidated EBITDA for the trailing four quarters) is, likewise, a non-GAAP financial measure. Management and some members of the investment community utilize adjusted income from continuing operations as a financial measure and Adjusted Consolidated EBITDA and leverage ratio as liquidity measures 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 these adjusted measures, the reader should be aware that in the future HealthSouth may incur expenses similar to the adjustments set forth above.
2. Per share amounts for each period presented are based on basic weighted average common shares outstanding for all amounts except adjusted income from continuing operations per diluted share, which is based on diluted weighted average shares outstanding. The difference in shares between the basic and diluted shares outstanding is primarily related to our convertible perpetual preferred stock. Per share amounts do not include 5.0 million shares not yet issued under the securities litigation settlement.
3. Adjusted income from continuing operations per diluted share and Adjusted Consolidated EBITDA are two components of our guidance.
4. The Company's Credit Agreement allows certain other items to be added to arrive at Adjusted Consolidated EBITDA, and there may be certain other deductions required.