HEALTHSOUTH®

First 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 views and plans with respect to future events, strategy, capital expenditures 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 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, 2010, our Form 10-Q for the quarter ended March 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 April 28, 2011, 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.

Table of Contents

HEALTHSOUTH.

Q1 2011 Summary (Q1 2011 vs. Q1 2010)

✓ **Revenue growth of 9.6%**

- Inpatient revenue growth of 9.2% driven by volume and price
  - Discharge growth 7.1%; same-store discharge growth 4.5%
    - Against soft volume growth in Q1 2010
    - Continued positive contribution from hospitals opened or acquired in the last 12 months

Location	# of Beds	Transaction	Date
Loudoun County, VA	40	De Novo	Q2 2010
Las Vegas, NV	50	Acquired new IRF	Q2 2010
Bristol, VA	25	De Novo	Q3 2010
Houston, TX	50	Acquired new IRF	Q3 2010

  - Revenue per discharge increase of 1.9%; Medicare and managed care price adjustments
    - 25 bps reduction in Medicare market basket price on April 1, 2010
- Revenue benefited by $4.3 million for net state provider tax refunds ($5.1 million outpatient and other revenue and ($0.8) million inpatient revenue).

HEALTHSOUTH

Q1 2011 Summary (Q1 2011 vs. Q1 2010) (cont.)

- ✓ **SWB as a percent of revenue decreased 110 bps.**
  - — Higher volumes and improved productivity
  - — Revenue related to state provider tax refunds contributed 30 bps to the improvement.
- ✓ **Hospital-related expenses as a percent of revenue declined 10 bps.**
  - — Provision for bad debt benefited from recovery of prior period write offs.
  - — Offset by state provider tax expenses of $3.2 million
- ✓ **Adjusted EBITDA(1) grew 16.0%.**
  - — Revenue growth driven by volume and pricing, disciplined expense management, lower general and administrative expense, and lower bad debt expense
  - — Net benefit related to state provider taxes refunds of net $1.1 million

(1) Reconciliation to GAAP provided on slides 30, 31, 34, and 38.

Q1 2011 Summary (Q1 2011 vs. Q1 2010) (cont.)

- ✓ **Income from continuing operations attributable to HealthSouth was $0.60 per diluted share.**
  - Increase driven by an income tax benefit, higher Adjusted EBITDA, and lower nonrecurring items
    - The income tax benefit of $0.27 per diluted share is related to the Company's settlement with the IRS for tax years 2007 and 2008, and a reduction in unrecognized tax benefits.
    - The settlement resulted in an increase to federal NOLs, which had an ending balance of approx. $1.45 billion as of 3/31/11.
    - Cash income taxes in Q1 2011 were $2.6 million.
  - Offset by higher interest expense, depreciation, and stock-based compensation

- ✓ **Strong adjusted free cash flow generation (1)**
  - Higher Adjusted EBITDA
  - Offset by anticipated increase in working capital, interest expense, and maintenance capital expenditures
  - The final swap payment of $10.9 million was made in March 2011.

(1) Reconciliation to GAAP provided on slide 37.

Q1 2011 Summary (Q1 2011 vs. Q1 2010) (cont.)

- ✓ **Additional capital structure enhancements**
  - — Raised $122 million by reopening the 2018 and 2022 senior notes
    - Utilized proceeds to repay $45 million outstanding under the revolving credit facility
    - Held $77 million in cash for repayment of the 10.75 % senior notes

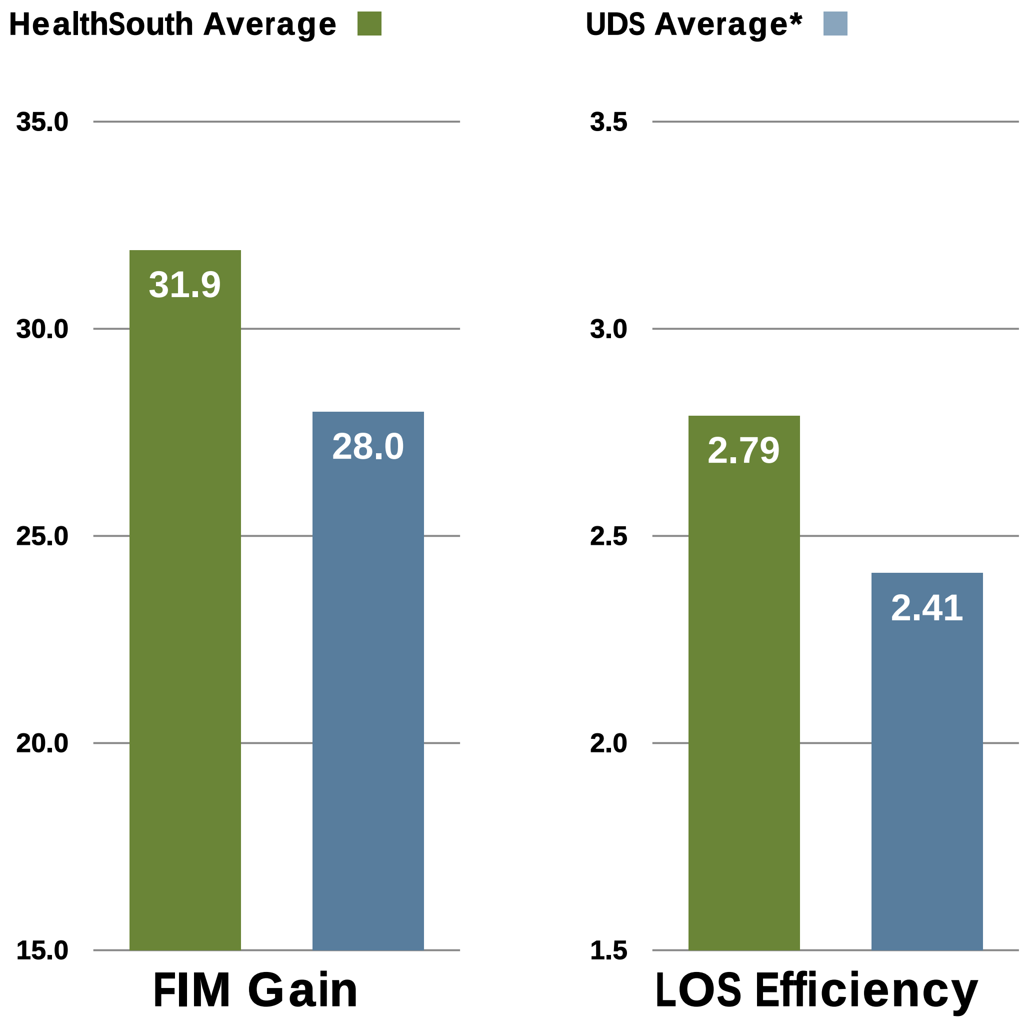
- ✓ **Growth**
  - — Received final approval for CON in Marion County (Ocala),FL; expect to begin accepting patients Q1 2013.
  - — Added 31 new licensed beds during the quarter

- ✓ **TeamWorks Care Management implementation completed in 39 hospitals**

- ✓ **Returned to positive shareholders' equity of $72.3 million**

High-Quality Care

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: **Q1 2011 Report**

HEALTHSOUTH

Revenues (Q1 2011 vs. Q1 2010)

(Millions)	Q1 2011	Q1 2010	Increase/ (Decrease)
Inpatient	$ 493.4	$ 451.8	9.2%
Outpatient and other	44.7	39.2	14.0%
Consolidated net operating	$ 538.1	$ 491.0	9.6%

(Actual Amounts)			
Discharges	29,996	27,998	7.1%
Net patient revenue / discharge	$16,449	$16,137	1.9%

✓ **Revenue growth of 9.6%**

- Inpatient revenue growth of 9.2% driven by volume and price
  - Discharge growth of 7.1%; same-store discharge growth of 4.5%
    - Against soft volume growth in Q1 2010
    - Continued positive contribution from hospitals opened or acquired in the last 12 months
  - Revenue per discharge increased 1.9%; Medicare and managed care price adjustments
    - 25 bps reduction in the Medicare market basket on April 1, 2010
- Revenue benefited by $4.3 million for net state provider tax refunds ($5.1 million outpatient revenue and other, ($0.8) million inpatient revenue).

Expenses (Q1 2011 vs. Q1 2010)

(Millions)	Q1 2011	Q1 2010	Increase/ (Decrease)
Salaries and benefits	$ 259.1	$ 241.9	7.1%
Percent of net operating revenues	48.2%	49.3%	(110 bps)
EPOB (employees per occupied bed)	3.40	3.41	(0.3%)
Hospital-related expenses (other operating, supplies, occupancy, bad debts)	$ 124.3	$ 113.7	9.3%
Percent of net operating revenues	23.1%	23.2%	(10 bps)
General and administrative (excludes stock-based compensation)	$ 22.7	$ 22.5	0.9%
Percent of net operating revenues	4.2%	4.6%	(40 bps)

- ✓ **SWB as a percent of revenue decreased 110 bps.**
  - Higher volumes and improved productivity
  - Revenue related to state provider tax refunds contributed to the improvement.
- ✓ **Hospital-related expenses as a percent of revenue declined 10 bps.**
  - Provision for bad debt benefited from recovery of prior period write offs.
  - Offset by state provider tax expenses of $3.2 million

HEALTHSOUTH

Adjusted EBITDA (1)

(Millions)	Q1 2011	Q1 2010
Net operating revenues	$ 538.1	$ 491.0
Operating expenses:		
Salaries and benefits	(259.1)	(241.9)
Hospital-related expenses:		
Other operating expenses	(76.7)	(66.9)
Supplies	(29.9)	(28.3)
Occupancy Costs	(12.3)	(11.6)
Provision for doubtful accounts	(5.4)	(6.9)
	(124.3)	(113.7)
General and administrative expenses (2)	(22.7)	(22.5)
Equity in nonconsolidated affiliates	2.5	2.6
Other income	0.6	0.7
Noncontrolling interests	(11.7)	(9.8)
Adjusted EBITDA	**$ 123.4**	**$ 106.4**

Adjusted EBITDA Change

Q1 2011
+$17.0M
+16.0%

Improvements driven by:

- Revenue growth driven by higher volumes and price, disciplined expense management, lower general and administrative expense, and lower bad debt expense

Improvements benefited from:

- Net state provider tax refunds of $1.1 million

(1) Reconciliation to GAAP provided on slides 30, 31, 34, and 38.

(2) In arriving at Adjusted EBITDA, the following stock-based compensation expenses were excluded:

	Q1 2011	Q1 2010
Stock-based compensation expenses	$ 4.2	$ 3.8

HEALTHSOUTH

Earnings per Share

(In Millions, Except Per Share Data)	Prior EPS Measure (1) Q1 2010		GAAP EPS Measure (2) Q1 2010		GAAP EPS Measure (2) Q1 2011	
Adjusted EBITDA	$ 106.4		$ 106.4		$ 123.4	
Interest expense and amortization of debt discounts and fees	(30.5)		(30.5)		(35.1)	
Depreciation and amortization	(18.3)		(18.3)		(20.3)	
Stock-based compensation expense	(3.8)		(3.8)		(4.2)	
Other, including non-cash loss on disposal of assets	-		-		(0.2)	
	53.8		53.8		63.6	
Certain nonrecurring expenses:						
Professional fees - accounting, tax, and legal	-		(2.9)		(3.8)	
Loss on interest rate swaps	-		(4.3)		-	
Loss on early extinguishment of debt	(0.3)		(0.3)		-	
Pre-tax income	53.5		46.3		59.8	
Income tax (expense) benefit	(1.6)	(3)	(2.5)	(4) (5)	5.6	(4) (6)
Income from continuing operations	$ 51.9	(1)	$ 43.8	(2)	$ 65.4	(2) (6)
Diluted shares	108.0		108.0		109.0	
Earnings per share	$ 0.48	(1)	$ 0.40	(2) (7)	$ 0.60	(2) (6)

Earnings per Share from Continuing Operations (1)

Q1 2011
+$0.20
+50%

Increase driven by:

- Income tax benefit(6) , higher Adjusted EBITDA and lower nonrecurring expenses
  - The settlement resulted in an increase to our federal NOLs, which had an ending balance of approx. $1.45 billion as of 3/31/11.
  - Cash income taxes in Q1 2011 were $2.6 million.

Increase offset by:

- Higher interest expense, depreciation and stock-based compensation

(1) Adjusted income from continuing operations. This non-GAAP measure was part of our historical guidance. A reconciliation of adjusted income from continuing operations to the corresponding GAAP measure can be found on slides 35 and 36.
(2) Income from continuing operations attributable to HealthSouth
(3) Current period amounts in income tax provision: can be found on slides 35 and 36
(4) Actual tax provision recorded for the period
(5) During Q1 2010, the Company maintained a valuation allowance against substantially all of its deferred tax assets. A substantial portion of the valuation allowance was released in Q4 2010.
(6) Includes a $0.27 per diluted share benefit related to the Company's settlement with the IRS for tax years 2007 and 2008 and a reduction in unrecognized tax benefits due to the lapse of the statute of limitations for certain federal and state claims. Cash income taxes for Q1 2011 were $2.6 million.
(7) Represents basic earnings per share using 92.7 million shares due to anti-dilutive impact in the period

HEALTHSOUTH

Adjusted Free Cash Flow (Q1 2011 vs. Q1 2010)

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

	Q1		Full Year
(Millions)	2011	2010	2010
Net cash provided by operating activities	$ 89.1	$ 84.8	$ 331.0
Impact of discontinued operations	1.4	2.2	4.7
Net cash provided by operating activities of continuing operations	90.5	87.0	335.7
Capital expenditures for maintenance	(9.4)	(5.6)	(39.5)
Net settlements on interest rate swaps	(10.9)	(11.9)	(44.7)
Dividends paid on convertible perpetual preferred stock	(6.5)	(6.5)	(26.0)
Distributions paid to noncontrolling interests of consolidated affiliates	(13.3)	(11.1)	(34.4)
Non-recurring items: [(1)]	1.0	(2.9)	6.6
Adjusted free cash flow	**$ 51.4**	**$ 49.0**	**$ 197.7**

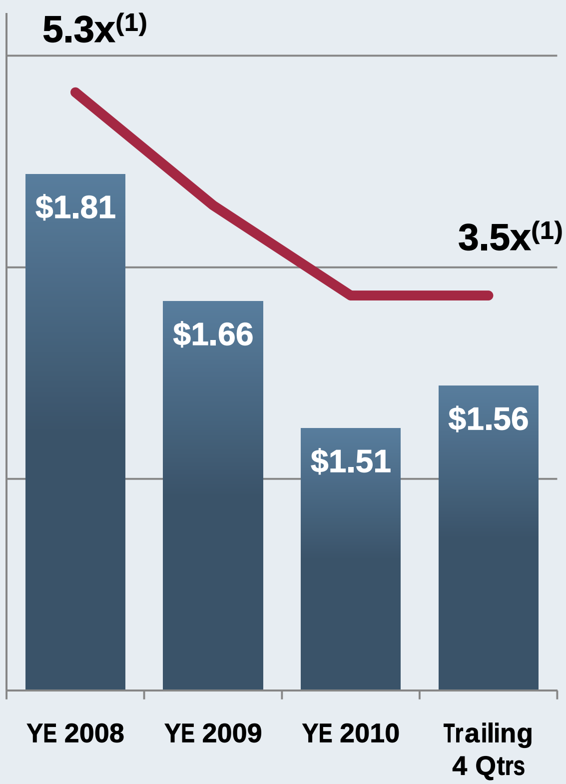
- **Continued strong adjusted free cash flow generation** [(1)]
  - Q1 2011 benefited from higher Adjusted EBITDA
  - Offset by anticipated increases in working capital, interest expense and maintenance capital expenditures
  - Final swap payment of $10.9 million was made in March 2011.

(1) For additional information on non-recurring items, see slide 37.

HEALTHSOUTH

Debt, Liquidity, and Swaps

Debt Outstanding



Liquidity

	Mar. 31, 2011	Dec. 31 2010
Cash Available	$ 141.0	$ 48.4
Revolver Total Line	$ 500.0	$ 500.0
Less:		
– Draws	(11.0)	(78.0)
– Letters of credit	(48.7)	(45.6)
Available	$ 440.3	$ 376.4
Total Liquidity	$ 581.3	$ 424.8

Swaps [2]

The final cash settlement on our net $884 million swaps for $10.9 million was made in Q1 2011.

(1) Based on 2008 and trailing 4 quarter Adjusted EBITDA of $341.2 million and $444.4 million, respectively; reconciliation to GAAP provided on slides 30 – 34 and 38.

(2) Cash settlements flow through investing activities for swaps that do not qualify for hedge accounting. Net notional amount of $884 million received 3-month LIBOR and paid 5.22% fixed until expiration in March of 2011.

HEALTHSOUTH

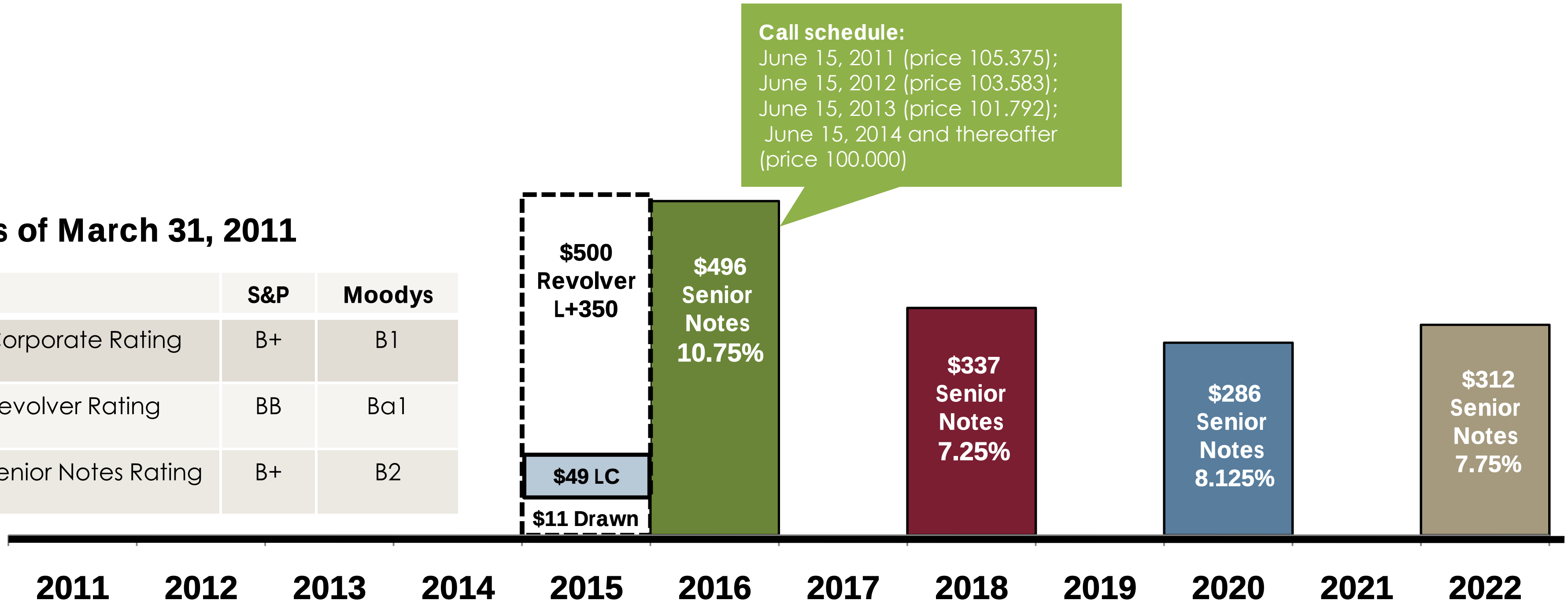
Debt Maturity Profile (1)

Plan to call $285 million of the 10.75% senior notes:

- Cash use of approx. $300 million ($223 million revolver and $77 million cash)
  - Interest savings for second half of 2011 will be ~$12 million
  - Loss on early extinguishment of debt is expected to be ~$23 million.

As of March 31, 2011

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



(1) Does not include $387.4 million of convertible perpetual preferred stock and ~$123 million of capital leases and other note payables.

HEALTHSOUTH

Business Outlook: 2011 to 2013

Business Model
- Adjusted EBITDA CAGR: 5-8% [1]
- Adjusted Free Cash Flow CAGR: 12-17% [1]

Strategy	2010	2011	2012	2013
Delevering [2]	Goal: **< 4.0x** debt to EBITDA	Longer-Term Goal: **~ 3.0x** debt to EBITDA (3.5x goal achieved at year-end 2010)		
Growth	**Organic growth** (includes capacity expansions)			
	De novos (~ 2-3/year)			
	IRF acquisitions (~ 2-3/year)			
			Opportunistic, disciplined acquisitions of complementary post-acute services	
Key Operational Initiatives	• **Beacon** (Management Reporting Software) = Labor / outcomes / quality optimization • **TeamWorks** = Care Management • **"CPR"** (Comfort, Professionalism, Respect) Initiative			

[1] Reconciliation to GAAP provided on slides 30 – 34, 37, and 38.

[2] Exclusive of any E&Y recovery.

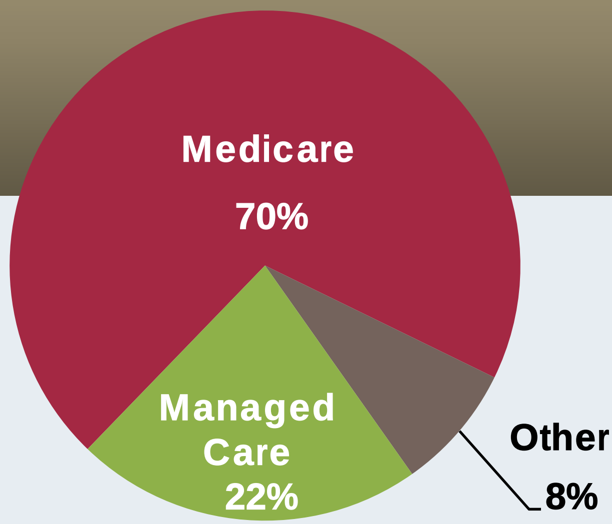
Business Outlook: Revenue Assumptions

Revenue

Volume

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

Pricing



Medicare Pricing	FY 2011 (1) Q4 10 - Q3 11	FY 2012 Q4 11 - Q3 12	FY 2013 Q4 12 - Q3 13
Market basket update (2)	2.5%	2.8%	2.8%
Healthcare reform reduction	25 bps	10 bps	10 bps
Productivity adjustment (2)	n/a	~120 bps	~ 120 bps

Managed Care Expected Price Increases		
2011	2012	2013
3-4%	3-5%	3-5%

(1) We believe based on the 2011 Medicare rule for IRFs, HealthSouth should realize an increase of approximately 2.1% annually.
(2) CMS proposed IRF Rule for FY 2012 and management estimates for FY 2013

Business Outlook: Expense Assumptions

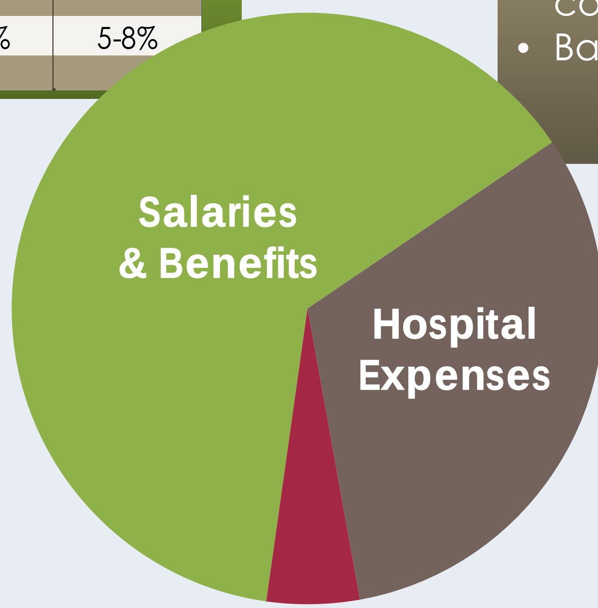
Expense

Salaries & Benefits [1]

	2011	2012	2013
Merit increases	2-3%	2-3%	2-3%
Benefit costs increases	5-8%	5-8%	5-8%

Hospital Expenses

- Other operating and supplies tracking with inflation
- Occupancy costs relatively constant as percent of revenue
- Bad debt of approx. 1.5%



General and Administrative
4.5% of revenue
(excludes stock-based compensation)

[1] Salaries, Wages and Benefits: 85% Salaries and Wages; 15% Benefits

HEALTHSOUTH

2011 Guidance – Adjusted EBITDA

Adjusted EBITDA (1)

$440 million to $450 million

Based on strong results for Q1 2011, HealthSouth expects its 2011 full-year results to be at the high end of, or greater than, this guidance range.

Considerations:

- ✓ 2010 bad debt expense was 0.9% of revenue; expect 2011 bad debt expense to be approximately 1.4% of revenue, in line with historical average
- ✓ Medicare pricing in Q4 2011 will be reduced by a 120 basis point productivity adjustment.
- ✓ Outpatient revenues subject to approximately $1.4 million reduction related to the 25% rate reduction for reimbursement of therapy expenses for multiple therapy services (Medicare physician fee schedule for calendar year 2011CMS).

(1) Reconciliation to GAAP provided on slides 30 – 34 and 38.

HEALTHSOUTH

Business Outlook: Income Tax Considerations

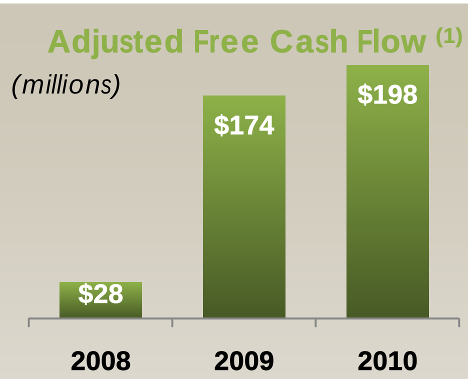
GAAP Considerations:

- As of 3/31/11, the Company had a remaining valuation allowance of approximately $106 million, primarily related to state NOLs.
- Q1 2011 tax provision reflects a tax benefit of $0.27 per diluted share related to the Company's settlement with the IRS for tax years 2007 and 2008 and a reduction in unrecognized tax benefits due to the lapse of the statute of limitations for certain federal and state claims. The settlement resulted in an increase to our federal NOLs, which had an ending balance of approx. $1.45 billion as of 3/31/11.
- Expect effective tax rate of ~40% going forward

Future Cash Tax Payments:

- The Company expects to pay approximately $7-$10 million per year of income tax.
- The Company does not expect to pay significant federal income taxes for up to 10 years.
- 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 us 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.

Business Outlook: Adjusted Free Cash Flow [1]



HealthSouth's GAAP income statement will be affected by a number of items that <u>will not affect</u> cash flow from operating activities or adjusted free cash flow:

- Normalized GAAP tax rate resulting from the valuation allowance reversal in Q4 2010.
- Loss on early extinguishment of debt

Multi-Year Adjusted Free Cash Flow 12% to 17% CAGR

- **Items that <u>will affect</u> Adjusted Free Cash Flow in 2011**:
  - \+ Cash settlements for interest rate swaps will be $33.8 million lower in 2011.
  - \+ Interest expense will be reduced by ~$12 million in the second half of 2011 as a result of a plan to call $285 million of the 10.75% senior notes callable in June 2011.
  - – Maintenance capital expenditures are estimated to be approximately $20 million higher in 2011 than 2010.
  - – Interest expense will be approximately $10 million higher in the first half of 2011 versus prior period, preceding the repayment/refinancing of $285 million of the 10.75% senior notes.

- 2010 working capital benefited from a shift in timing of interest payments related to the refinancing in Q4 2010, offset by the $6.9 million unwind fee related to the termination of the two forward-starting interest rate swaps.

[1] Reconciliation to GAAP provided on slide 37.

2011 Guidance - EPS

Based on strong results for Q1 2011, HealthSouth expects its 2011 full-year results to be at the high end of, or greater than, this guidance range.

Diluted Earnings per Share from Continuing Operations Attributable to HealthSouth (2)

$1.28 to $1.33 (5)

Considerations:

- ✓ Includes $0.27 per diluted share benefit for Q1 2011 and assumes provision for income tax of 40% for the remainder of 2011; cash taxes expected to be $7-$10 million.
- ✓ Guidance does not include any repayment/refinancing of the 10.75% senior notes callable in June 2011, which would affect the following items:
  - Interest expense will be approximately $10 million higher in the first half of 2011 vs. prior period in 2010.
  - Does not include "loss on early extinguishment of debt" (non-cash)
  - Depreciation is estimated to be higher as a result of capital expenditures in prior periods.

EPS Guidance Transition

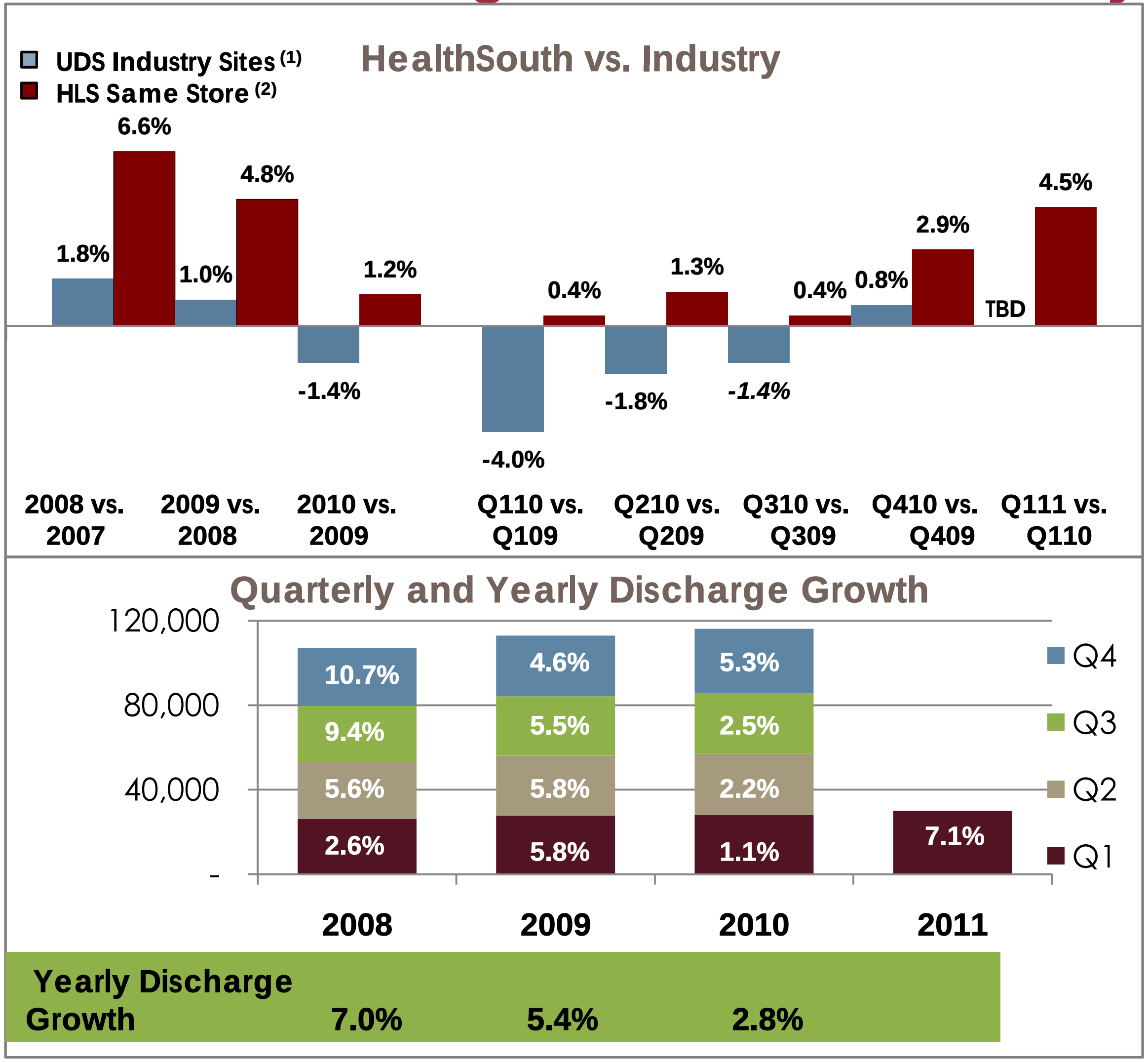
	Prior EPS Measure (1)	GAAP EPS Measure (2)		
	Actual	Actual	Low	High
(In Millions, Except Per Share Data)	2010	2010	2011	
Adjusted EBITDA	**$ 427.4**	**$ 427.4**	**$ 440**	**$ 450**
Interest expense and amortization of debt discounts and fees	(125.9)	(125.9)	(138)	
Depreciation and amortization	(76.4)	(76.4)	(82)	
Stock-based compensation expense	(16.4)	(16.4)	(18)	
Other, including non-cash loss on disposal of assets	(1.7)	(1.7)	(4)	
	207.0	207.0	198	208
Certain Nonrecurring Expenses:				
Government, class action and related settlements	-	(1.1)	TBD	
Professional fees - accounting, tax and legal	-	(17.2)	(14)	
Loss on interest rate swaps	-	(13.3)	-	
Loss on early extinguishment of debt	(12.3)	(12.3)	TBD	
Pre-tax income	**194.7**	**163.1**	**184**	**194**
Income tax (assumes 40% in 2011)	(8.3) (3)	736.6 (4)	(44) (5)	(48) (5)
Income from continuing operations	**$ 186.4** (1)	**$ 899.7** (2)	**$ 140** (2)(5)	**$ 146** (2)(5)
Diluted shares	108.5	108.5	109.4	109.4
Earnings per share	**$ 1.72** (1)	**$ 8.29** (2)	**$ 1.28** (2)(5)	**$ 1.33** (2)(5)

(1) Adjusted income from continuing operations. This non-GAAP measure was part of our historical guidance. A reconciliation of adjusted income from continuing operations to the corresponding GAAP measure can be found on slides 35 and 36.
(2) Income from continuing operations attributable to HealthSouth
(3) Current period amounts in income tax provision; see slides 35 and 36
(4) Total income tax provision for full-year 2010, including the reversal of a substantial portion of the Company's valuation allowance against deferred tax assets.
(5) Includes a $0.27 per diluted share benefit related to the Company's settlement with the IRS for tax years 2007 and 2008, and a reduction in unrecognized tax benefits due to the lapse of the statute of limitations for certain federal and state claims.

HEALTHSOUTH

Appendix

Historic Discharge Growth vs. Industry



- HealthSouth's volume growth has outpaced competitors'.
- 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 and long-term acute care hospitals classified as same store during that time period.

Debt Schedule

(Millions) Corporate	Credit Rating S&P B+	Credit Rating Moody B1	March 31, 2011	Dec. 31, 2010	Change in Debt vs. YE 2010
Advances under $500 million revolving credit facility, March 2015 - 3 Month LIBOR +350bps	BB	Ba1	$ 11.0	$ 78.0	$ (67.0)
Term loan facility - March 2013			-	-	-
Term loan facility - March 2015			-	-	-
Bonds Payable:					
10.75% Senior Notes due 2016	B+	B2	495.7	495.5	0.2
7.25% Senior Notes due 2018	B+	B2	336.9	275.0	61.9
8.125% Senior Notes due 2020	B+	B2	285.6	285.5	0.1
7.75% Senior Notes due 2022	B+	B2	312.0	250.0	62.0
Other bonds payable			1.8	1.8	-
Other notes payable			35.8	36.4	(0.6)
Capital lease obligations			85.4	89.1	(3.7)
Long-term debt			**$ 1,564.2**	**$ 1,511.3**	**$ 52.9**
Debt to Adjusted EBITDA [1]			**3.5x**	**3.5x**	

(1) Based on 4 quarter trailing and 2010 Adjusted EBITDA of $444.4 million and $427.4 million, respectively; reconciliation to GAAP provided on slides 30, 31, 34 and 38.

HEALTHSOUTH

Revenues & Expenses (Sequential)

Revenues (millions)	Q1 2011	Q4 2010	Increase/ (Decrease)
Inpatient	$ 493.4	$ 481.3	2.5%
Outpatient and other	44.7	39.4	13.5%
Consolidated net operating	$ 538.1	$ 520.7	3.3%
(Actual Amounts)			
Discharges	29,996	30,311	(1.0%)
Net patient revenue / discharge	$ 16,449	$ 15,879	3.6%
Expenses (millions)			
Salaries and benefits	$ 259.1	$ 252.4	2.7%
Percent of net operating revenues	48.2%	48.5%	(30 bps)
EPOB (employees per occupied bed)	3.40	3.52	(3.4%)
Hospital-related expenses	$ 124.3	$ 122.1	1.8%
(other operating, supplies, occupancy, bad debts)			
Percent of net operating revenues	23.1%	23.4%	(30 bps)
General and administrative	$ 22.7	$ 23.1	(1.7%)
(excludes stock-based compensation)			
Percent of net operating revenues	4.2%	4.4%	(20 bps)

Payment Sources

	Percent of Revenues		
	Q1		Full Year
	2011	2010	2010
Medicare	71.2%	70.4%	70.5%
Medicaid	1.7%	1.8%	1.7%
Workers' compensation	1.7%	1.6%	1.6%
Managed care and other discount plans [1]	20.0%	21.7%	21.5%
Other third-party payors	2.3%	2.2%	2.3%
Patients	1.0%	1.1%	1.2%
Other income	2.1%	1.2%	1.2%
Total	100.0%	100.0%	100.0%

(1) Managed Medicare revenues represent ~ 7%, 7%, and 8% of total revenues for Q1 2011, Q1 2010, and 2010, respectively, and are included in "Managed care and other discount plans."

HEALTHSOUTH.

Operational and Labor Metrics

	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Full Year 2010	Full Year 2009
						(In Millions)					
Net patient revenue-inpatient	$ 493.4	$ 481.3	$ 451.8	$ 456.2	$ 451.8	$ 445.7	$ 429.2	$ 437.2	$ 431.3	$ 1,841.2	$ 1,743.4
Net patient revenue-outpatient											
and other revenues	44.7	39.4	38.9	40.7	39.2	40.5	41.2	44.4	41.6	158.1	167.7
Net operating revenues	$ 538.1	$ 520.7	$ 490.7	$ 496.9	$ 491.0	$ 486.2	$ 470.4	$ 481.6	$ 472.9	$ 1,999.3	$ 1,911.1
						(Actual Amounts)					
Discharges (1)	29,996	30,311	28,828	29,016	27,998	28,772	28,125	28,379	27,699	116,153	112,975
Outpatient visits	239,902	247,823	258,042	265,628	255,445	265,067	281,913	291,944	283,621	1,026,938	1,122,545
Average length of stay	14.1	13.8	14.1	14.1	14.6	14.0	14.3	14.4	14.6	14.1	14.3
Occupancy %	69.7%	67.2%	65.6%	67.4%	69.2%	66.5%	67.0%	69.4%	69.9%	66.7%	67.3%
# of licensed beds	6,764	6,745	6,745	6,684	6,563	6,572	6,507	6,454	6,443	6,745	6,572
Occupied beds	4,715	4,533	4,425	4,505	4,542	4,370	4,360	4,479	4,504	4,499	4,423
Full-time equivalents (FTEs) (2)	15,949	15,868	15,721	15,600	15,416	15,428	15,528	15,590	15,469	15,651	15,504
Contract labor	91	86	74	87	82	64	60	120	143	82	97
Total FTE and contract labor	16,040	15,954	15,795	15,687	15,498	15,492	15,588	15,710	15,612	15,733	15,601
EPOB (3)	3.40	3.52	3.57	3.48	3.41	3.55	3.58	3.51	3.47	3.50	3.53

(1) Represents discharges from HealthSouth's 94 consolidated hospitals and 6 LTCHs in Q1 2011, Q4 2010 and Q3 2010, 92 consolidated hospitals and 6 LTCHs in Q2 2010, and 90 consolidated hospitals and 6 LTCHs prior to Q2 2010.

(2) 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.

(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.

Outstanding Share Summary
(Millions)

	Weighted Average for the Period			
	Q1 2011	Q1 2010	FY 2010	FY 2009
Basic Shares outstanding (1) (2)	93.1	92.7	92.8	88.8
Diluted Shares outstanding (1) (2) (3)	109.0	108.0	108.5	103.3

	End of Period			
	Q1 2011	Q1 2010	FY 2010	FY 2009
Basic Shares outstanding (1) (2)	93.2	92.8	92.8	92.6
Diluted Shares outstanding (1) (2) (3)	109.1	108.1	108.5	107.1

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 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 stack at a strike price of $41.40 were not assumed exercised for the dilutive shares outstanding because they are anti-dilutive in the periods presented.

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

HEALTHSOUTH

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

(in millions, except per share data)	2011 Q1 Total	2011 Q1 Per Share
Net income	$ 91.5	
Income from disc ops, net of tax, attributable to HealthSouth	(14.4)	
Net income attributable to noncontrolling interests	(11.7)	
Income from continuing operations attributable to HealthSouth (2)	65.4	$ 0.60
Pro fees - acct, tax, and legal	3.8	
Provision for income tax benefit	(5.6)	
Interest expense and amortization of debt discounts and fees	35.1	
Depreciation and amortization	20.3	
Net noncash loss on disposal of assets	0.2	
Stock-based compensation expense	4.2	
Adjusted EBITDA (1)(3)	$ 123.4	
Weighted average common shares outstanding:		
Basic		93.1
Diluted		109.0

(1) (2) (3) – Notes on page 34.

HEALTHSOUTH

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	
Loss (income) from disc ops, net of tax, attributable to HealthSouth	3.1		(0.1)		0.6		(2.9)		0.7	
Net income attributable to noncontrolling interests	(9.8)		(10.2)		(10.1)		(10.7)		(40.8)	
Income from continuing operations attributable to HealthSouth (2)	43.8	$ 0.40	47.2	$ 0.44	32.4	$ 0.28	776.3	$ 7.13	899.7	$ 8.29
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)	2.5		(2.2)		(0.7)		(736.2)		(736.6)	
Interest expense and amortization of debt discounts and fees	30.5		30.1		30.8		34.5		125.9	
Depreciation and amortization	18.3		18.7		19.3		20.1		76.4	
Net noncash loss on disposal of assets	-		0.4		0.1		1.0		1.5	
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)	$ 106.4		$ 103.7		$ 100.5		$ 116.8		$ 427.4	
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 34.

HEALTHSOUTH

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

	2009									
	Q1		Q2		Q3		Q4		Full Year	
(in millions, except per share data)	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
Net income	$ 53.5		$ 3.6		$ 24.8		$ 46.9		$ 128.8	
Loss (income) from disc ops, net of tax, attributable to HealthSouth	3.0		(1.1)		9.1		(12.5)		(1.5)	
Net income attributable to noncontrolling interests	(8.6)		(9.1)		(8.0)		(8.3)		(34.0)	
Income (loss) from continuing operations attributable to HealthSouth (2)	47.9	$ 0.47	(6.6)	$ (0.15)	25.9	$ 0.22	26.1	$ 0.22	93.3	$ 0.76
Gov't, class action, and related settlements	(15.9)		48.7		8.5		(4.6)		36.7	
Pro fees - acct, tax, and legal	4.8		(3.3)		3.5		3.8		8.8	
Gain on early extinguishment of debt	(1.8)		(1.3)		-		-		-	
Loss on interest rate swaps	5.0		3.8		7.9		2.9		19.6	
Provision for income tax	1.2		(0.3)		(1.7)		(2.4)		(3.2)	
Interest expense and amortization of debt discounts and fees	34.4		31.1		29.5		30.8		125.8	
Depreciation and amortization	17.4		17.6		17.8		18.1		70.9	
Other adjustments per the Company's Credit Agreement:										
Impairment charges, including investments	0.7		0.1		0.3		0.2		1.3	
Net noncash loss on disposal of assets	1.0		1.3		0.7		0.5		3.5	
Loss on early extinguishment of debt	-		-		-		15.6		12.5	
Stock-based compensation expense	3.7		2.9		3.4		3.4		13.4	
Other	-		-		0.1		0.3		0.4	
Adjusted EBITDA (1)(3)	$ 98.4		$ 94.0		$ 95.9		$ 94.8		$ 383.0	
Weighted average common shares outstanding:										
Basic		87.5		87.6		87.6		92.6		88.8
Diluted		100.9		101.5		102.2		107.8		103.3

(1) (2) (3) – Notes on page 34.

HEALTHSOUTH.

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

	2008									
	Q1		Q2		Q3		Q4		Full Year	
(in millions, except per share data)	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
Net income	$ 26.4		$ 52.4		$ 12.8		$ 190.2		$ 281.8	
(Income) loss from disc ops, net of tax, attributable to HealthSouth	(15.1)		4.3		3.2		(9.0)		(16.6)	
Net income attributable to noncontrolling interests	(6.6)		(8.3)		(6.2)		(8.3)		(29.4)	
Income from continuing operations attributable to HealthSouth (2)	4.7	$ (0.02)	48.4	$ 0.52	9.8	$ 0.04	172.9	$ 1.72	235.8	$ 2.45
Gain on UBS Settlement	-		-		-		(121.3)		(121.3)	
Gov't, class action, and related settlements	(36.4)		(8.6)		17.1		(39.3)		(67.2)	
Pro fees - acct, tax, and legal	3.6		5.3		4.0		31.5		44.4	
Gain on early extinguishment of debt	-		-		-		-		-	
Loss (gain) on interest rate swaps	36.6		(28.5)		8.0		39.6		55.7	
Interest associated with UBS Settlement	-		-		-		(9.4)		(9.4)	
Accelerated depreciation of corporate campus	10.0		-		-		-		10.0	
Provision for income tax	0.1		0.7		(22.5)		(48.4)		(70.1)	
Interest expense and amortization of debt discounts and fees	47.4		43.4		40.3		37.8		168.9	
Depreciation and amortization	19.4		17.6		17.7		17.7		72.4	
Impairment charges, including investments	-		0.6		-		1.8		2.4	
Net noncash loss on disposal of assets	0.1		0.8		0.2		1.4		2.0	
Loss on early extinguishment of debt	0.3		3.4		2.1		0.1		5.9	
Stock-based compensation expense	3.3		2.7		2.5		3.2		11.7	
Other	-		(0.2)		0.3		(0.1)		-	
Adjusted EBITDA (1)(3)	$ 89.1		$ 85.6		$ 79.5		$ 87.5		$ 341.2	
Weighted average common shares outstanding:										
Basic		78.9		79.5		87.4		87.4		83.0
Diluted		92.3		93.0		101.0		100.7		96.4

(1) (2) (3) – Notes on page 34.

HEALTHSOUTH

Reconciliation Notes for Slides 30-33

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 above.
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.

Reconciliation of Net Income to Adjusted Income from Continuing Operations and Adjusted EBITDA (1) (3) (4)

	2010									
	Q1		Q2		Q3		Q4		Full Year	
(in millions, except per share data)	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
Net income	$ 50.5	$ 0.54	$ 57.5	$ 0.62	$ 41.9	$ 0.45	$ 789.9	$ 8.51	$ 939.8	$ 10.13
Loss (income) from disc ops, net of tax, attributable to HealthSouth	3.1	0.03	(0.1)	(0.00)	0.6	0.01	(2.9)	(0.03)	0.7	0.01
Net income attributable to noncontrolling interests	(9.8)	(0.11)	(10.2)	(0.11)	(10.1)	(0.11)	(10.7)	(0.12)	(40.8)	(0.44)
Income (loss) from continuing operations attributable to HealthSouth	43.8	0.47	47.2	0.51	32.4	0.35	776.3	8.37	899.7	9.70
Gov't, class action, and related settlements	-	-	-	-	0.8	0.01	0.3	-	1.1	0.01
Pro fees - acct, tax, and legal	2.9	0.03	5.7	0.06	5.2	0.06	3.4	0.04	17.2	0.19
Loss (gain) on interest rate swaps	4.3	0.05	(0.3)	(0.00)	9.0	0.10	0.3	-	13.3	0.14
Adjustment for prior period amounts in tax provision	0.9	0.01	(5.2)	(0.06)	(0.7)	(0.01)	(739.9)	(7.97)	(744.9)	(8.03)
Adjusted income from continuing operations (1)(3)	$ 51.9	0.56	$ 47.4	0.51	$ 46.7	0.50	$ 40.4	0.44	$ 186.4	2.01
Adjustment for dilution (2)		(0.08)		(0.07)		(0.07)		(0.07)		(0.29)
Adjusted income from continuing operations per diluted share (2)(3)		$ 0.48		$ 0.44		$ 0.43		$ 0.37		$ 1.72
Current period amounts in tax provision	1.6		3.0		-		3.7		8.3	
Interest expense and amortization of debt discounts and fees	30.5		30.1		30.8		34.5		125.9	
Depreciation and amortization	18.3		18.7		19.3		20.1		76.4	
	102.3		99.2		96.8		98.7		397.0	
Other adjustments per the Company's Credit Agreement:										
Net noncash loss on disposal of assets	-		0.4		0.1		1.0		1.5	
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)(2)(4)	$ 106.4		$ 103.7		$ 100.5		$ 116.8		$ 427.4	
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) (4) – Notes on page 36.

HEALTHSOUTH

Reconciliation Notes for Slide 35

1. Adjusted income from continuing operations and Adjusted EBITDA are 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 income from continuing operations as a financial measure and Adjusted EBITDA and the 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.
3. Adjusted income from continuing operations per diluted share and Adjusted EBITDA are two components of our historical guidance.
4. The Company's credit agreement allows certain other items to be added to arrive at Adjusted EBITDA, and there may be certain other deductions required.

Adjusted Free Cash Flow

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

	Q1		Full Year		
(Millions)	2011	2010	2010	2009	2008
Net cash provided by operating activities	$ 89.1	$ 84.8	$ 331.0	$ 406.1	$ 227.2
Impact of discontinued operations	1.4	2.2	4.7	13.5	(11.4)
Net cash provided by operating activities of continuing operations	90.5	87.0	335.7	419.6	215.8
Capital expenditures for maintenance [(1)]	(9.4)	(5.6)	(39.5)	(34.1)	(42.6)
Net settlements on interest rate swaps [(2)]	(10.9)	(11.9)	(44.7)	(42.2)	(20.7)
Dividends paid on convertible perpetual preferred stock	(6.5)	(6.5)	(26.0)	(26.0)	(26.0)
Distributions paid to noncontrolling interests of consolidated affiliates	(13.3)	(11.1)	(34.4)	(32.7)	(33.4)
Non-recurring items:					
UBS Settlement proceeds, less fees to derivative plaintiffs' attorneys	-	-	-	(73.8)	-
Premium on bond issuance	(4.1)				
Cash paid for professional fees - accounting, tax and legal	3.8	2.9	17.2	15.3	18.2
Cash paid for government, class action and related settlements	4.3	0.8	2.9	11.2	7.4
Income tax refunds related to prior periods	(3.0)	(6.6)	(13.5)	(63.7)	(90.4)
Adjusted free cash flow	**$ 51.4**	**$ 49.0**	**$ 197.7**	**$ 173.6**	**$ 28.3**

(1) Maintenance capital expenditures are expected to be $20 million higher in 2011 than in 2010.

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

HEALTHSOUTH

Net Cash Provided by Operating Activities

Reconciliation of Adjusted EBITDA to Net Cash Provided by Operating Activities

	Q1		Full Year		
(Millions)	2011	2010	2010	2009	2008
Net cash provided by operating activities	$ 89.1	$ 84.8	$ 331.0	$ 406.1	$ 227.2
Provision for doubtful accounts	(5.4)	(6.9)	(18.5)	(33.1)	(27.0)
Professional fees—accounting, tax, and legal	3.8	2.9	17.2	8.8	44.4
Interest expense and amortization of debt discounts and fees	35.1	30.5	125.9	125.8	159.5
UBS Settlement proceeds, gross	-	-	-	(100.0)	-
Equity in net income of nonconsolidated affiliates	2.5	2.6	10.1	4.6	10.6
Net income attributable to noncontrolling interests in continuing operations	(11.7)	(9.8)	(40.8)	(33.4)	(29.8)
Amortization of debt discounts and fees	(1.2)	(1.7)	(6.3)	(6.6)	(6.5)
Distributions from nonconsolidated affiliates	(2.7)	(2.1)	(8.1)	(8.6)	(10.9)
Current portion of income tax (benefit) expense	(2.2)	2.1	1.9	(7.3)	(73.8)
Change in assets and liabilities	9.9	0.7	5.4	0.8	53.1
Change in government, class action and related settlements liability	4.3	0.8	2.9	11.2	7.4
Other operating cash used in (provided by) discontinued operations	1.4	2.2	4.7	13.5	(11.4)
Other	0.5	0.3	2.0	1.2	(1.6)
Adjusted EBITDA	$ 123.4	$ 106.4	$ 427.4	$ 383.0	$ 341.2

HEALTHSOUTH