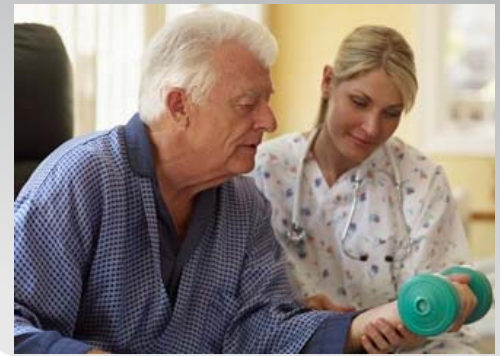


Second Quarter 2008 Earnings Call

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-Q for the quarter ended March 31, 2008, Form 10-K for the fiscal year ended December 31, 2007, 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 financial data contained in these supplemental slides includes non-GAAP financial measures, including adjusted income (loss) from continuing operations and the related per common share amounts. A reconciliation of adjusted income (loss) from continuing operations to the most directly comparable financial measure calculated and presented in accordance with GAAP is presented within these slides. See the Current Report on Form 8-K filed with the SEC on August 5, 2008, which includes these slides and the related earnings release for the quarter ended June 30, 2008, for the GAAP measure of basic and diluted earnings (loss) per common share.

Revenue

	<u>Year-over-Year</u>	<u>2nd Qtr. 2008</u>	<u>2nd Qtr. 2007</u>	<u>Change</u>
Inpatient Revenue (millions)		\$ 414.1	\$ 388.8	6.5%
Outpatient and Other Revenue ^(a) (millions)		47.3	49.9	(5.2%)
Consolidated Net Operating Revenues (millions)		<u>\$ 461.4</u>	<u>\$ 438.7</u>	<u>5.2%</u>
Discharges		27,188	25,748	5.6%
Net Patient Revenue/Discharge		\$ 15,231	\$ 15,100	0.9%

	<u>Sequential</u>	<u>2nd Qtr. 2008</u>	<u>1st Qtr. 2008</u>	<u>Change</u>
Inpatient Revenue (millions)		\$ 414.1	\$ 423.0	(2.1%)
Outpatient and Other Revenue (millions)		47.3	46.0	2.8%
Consolidated Net Operating Revenues (millions)		<u>\$ 461.4</u>	<u>\$ 469.0</u>	<u>(1.6%)</u>
Discharges		27,188	26,517	2.5%
Net Patient Revenue/Discharge		\$ 15,231	\$ 15,952	(4.5%)

- Revenue growth driven by strong discharge volumes in Inpatient.
- Outpatient revenue stabilizing.
- Pricing “roll-back” drives reduction in net patient revenue/discharge.

^(a)21 fewer satellites in 2008 versus 2007.

Expenses

	2nd Qtr. 2008	2nd Qtr. 2007
Salaries and Benefits (millions)	\$ 236.7	\$ 217.2
Percent of Net Operating Revenues	51.3%	49.5%
<ul style="list-style-type: none"> — Large discharge growth drove some inefficiencies (i.e higher contract labor). Being addressed in second half 2008. — Benefit investment made in 2008 to reduce turnover. — Pricing "roll-back" in second quarter 2008 impacts percent of revenue calculation. 		
Hospital Related Expenses (millions)	\$ 112.3	\$ 107.4
<i>(other operating, supplies, occupancy, bad debts)</i>		
Percent of Net Operating Revenues	24.3%	24.5%
<ul style="list-style-type: none"> — Slight improvement even considering pricing "roll-back." 		
General and administrative at 4.9% of net operating revenues <i>(excluding \$2.7 million of stock compensation cost)</i>		

- Volume surge created inefficiency in Labor.
- Other expenses in-line.

Earnings

(In Millions, Except Per Share Data)

	2nd Qtr. 2008	2nd Qtr. 2007
Income from Continuing Operations	\$ 47.2	\$ 4.7
Adjustments:		
Government, class action, and related settlements	(8.6)	(25.7)
Professional fees -- accounting, tax, and legal	5.3	13.3
Gain on interest rate swap	(28.5)	(19.0)
Adjusted income (loss) from continuing operations	<u>\$ 15.4</u>	<u>\$ (26.7)</u>
Weighted average common shares outstanding:		
Diluted	<u>93.0</u>	<u>92.1</u>
Basic	<u>79.5</u>	<u>78.7</u>
Adjusted income (loss) from continuing operations per share		
Fully Diluted ^(b)	<u>\$ 0.17</u>	<u>\$ (0.29)</u> ^(a)
<i>(as if preferred stock converted)</i>		
Basic ^(b)	<u>\$ 0.11</u>	<u>\$ (0.42)</u>
<i>(common shareholders after preferred dividend)</i>		

Very Strong Net Income and EPS Growth

^(a)2007 calculated ignoring antidilutive impact.

^(b)Excludes 5.0 million shares not yet issued under shareholder litigation settlement.

Equity Offering – Use of Proceeds

(In Millions)

	<u>Use of Proceeds</u>	<u>ProForma Annual Cash Interest Savings</u>
Redemption of 10.75% Senior Notes due 2016 ^(a)	\$ 34.6	\$ 3.7
Bond Premium Paid	2.6	-
Retirement of 10.750% Senior Subordinated Notes on October 1, 2008 ^(b)	30.3	3.3
Revolver Reduction (Net) ^(b)	45.1	2.6
Term Loan Reduction	37.6	2.0
Total Proceeds	<u>\$ 150.2</u>	<u>\$ 11.6</u>

**Equity Offering Accelerates our Deleveraging Goal and Provides
Cash Flow for Further Deleveraging and Growth Opportunities**

^(a)\$9.6 million bought after June 30, 2008.

^(b)Reflects initial reduction of revolver to zero at June 30, 2008 and subsequent borrowing of \$14.9 million to provide funding for October 1, 2008 maturities.

Equity Offering – Pro Forma Accretion

(In Millions, Except Per Share Data)

Adjusted Income from Continuing Operations
 Pro Forma Interest Savings (25% of annual savings)
 Preferred Dividend
 Pro Forma Adjusted

Shares Outstanding^(a)
 Shares Added from Equity Offering (not yet included)^(b)
 Pro Forma Shares

Adjusted Income from Continuing Operations Per Share
 Pro Forma Adjusted
 Accretion Percent

SECOND QUARTER 2008	
ADJUSTED INCOME	
After Preferred Dividend	Before Preferred Dividend
\$ 15.4	\$ 15.4
2.9	2.9
(6.5)	-
<u>\$ 11.8</u>	<u>\$ 18.3</u>

SHARE COUNT	
Basic	Fully Diluted
79.5	93.0
8.4	8.4
<u>87.9</u>	<u>101.4</u>

EARNINGS PER SHARE	
Basic (after dividend)	Fully Diluted (before dividend)
11.2¢	16.6¢
<u>13.4¢</u>	<u>18.0¢</u>
<u>19.6%</u>	<u>8.4%</u>

Equity Offering will Improve EPS

^(a)Excludes 5.0 million shares not yet issued under shareholder litigation settlement.

^(b)Adds total shares issued from the equity offering. 8.8 million shares issued; 0.4 million included in weighted average shares outstanding for second quarter 2008.