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Jay Grinney, President and Chief Executive Officer

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, repurchases of securities, 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.

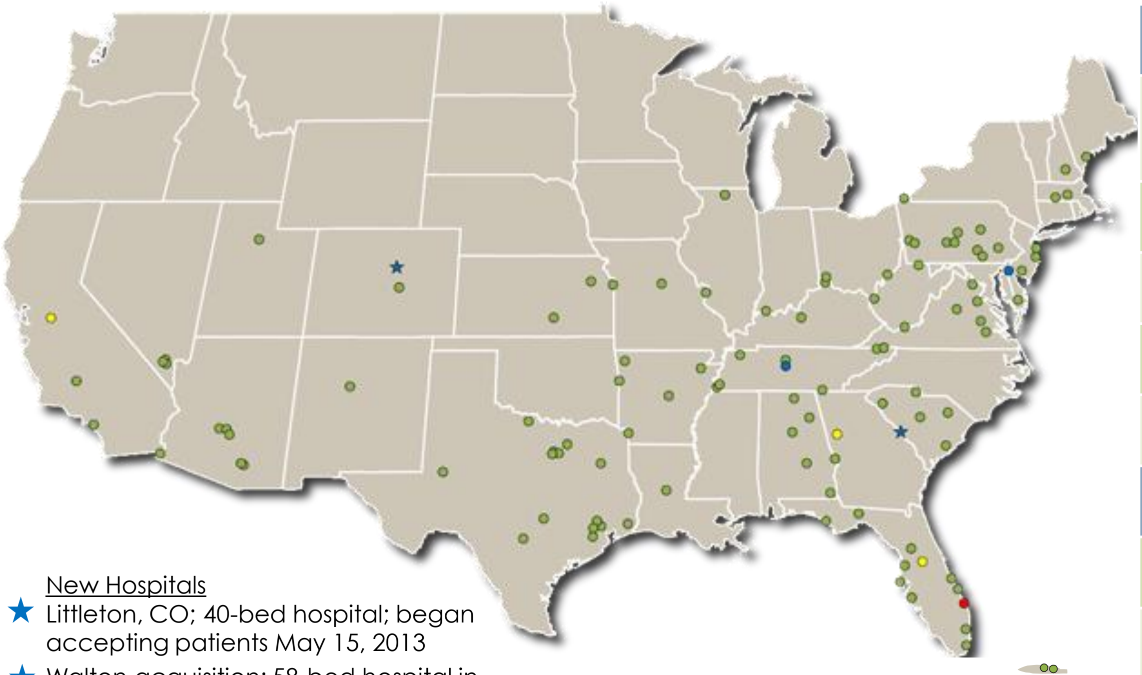
All such estimates, projections and forward-looking information speak only as of the date hereof. HealthSouth undertakes no duty to publicly update or revise the information contained herein.

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, 2012, the Form 10-Q for the quarter ended March 31, 2013, 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. Schedules are attached and included in the Form 8-K filed with the SEC on May 17, 2013, 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 Company



New Hospitals

- ★ Littleton, CO; 40-bed hospital; began accepting patients May 15, 2013
- ★ Walton acquisition; 58-bed hospital in Augusta, GA; closed April 1, 2013
- 🔴 Under construction; 34-bed hospital in Stuart, FL; expect to be operational Q2 2013
- 🟡 CON approved for 50-bed hospital in Altamonte Springs, FL; expect to be operational Q4 2014
- 🟡 CON approved for 50-bed hospital in Newnan, GA; expect to be operational Q4 2014
- 🟡 Purchased land for 50-bed hospital in Modesto, CA; expect to be operational in Q4 2015
- 🔵 CON approved for 34-bed hospital in Middletown, DE; under appeal
- 🔵 CON approved for 40-bed hospital in Franklin, TN; under appeal

Portfolio – As of May 15, 2013

102	Inpatient Rehabilitation Hospitals ("IRF") • 30 operate as JV's with Acute Care Hospitals
22	Outpatient Rehabilitation Satellite Clinics
25	Hospital-Based Home Health Agencies
28 + Puerto Rico	Number of States
~ 23,000	Employees

Key Statistics – Trailing 4 Quarters

~ $2.2 Billion	Revenue
125,113	Inpatient Discharges
849,410	Outpatient Visits

Patients Served

Most Common Conditions (Q1 2013):

1. Neurological	23.0%
2. Stroke	16.3%
3. Other orthopedic conditions	9.5%
4. Fracture of the lower extremity	9.5%
5. Debility	9.4%

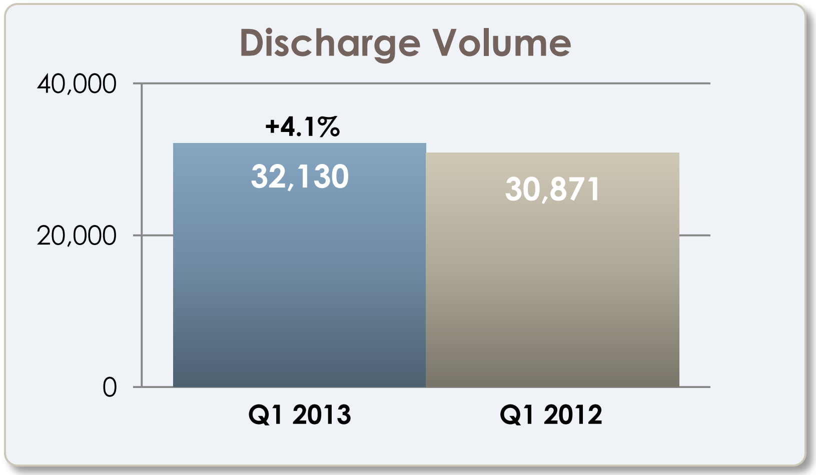
Marketshare

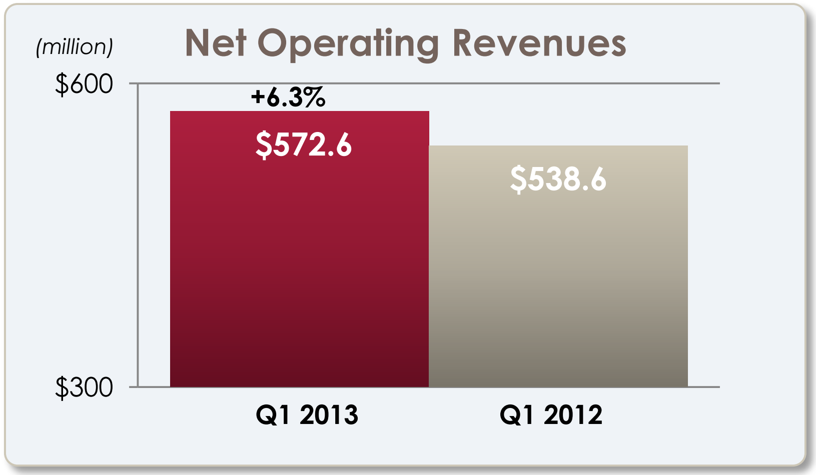
~ 9% of IRFs (Total in U.S. = 1,139)

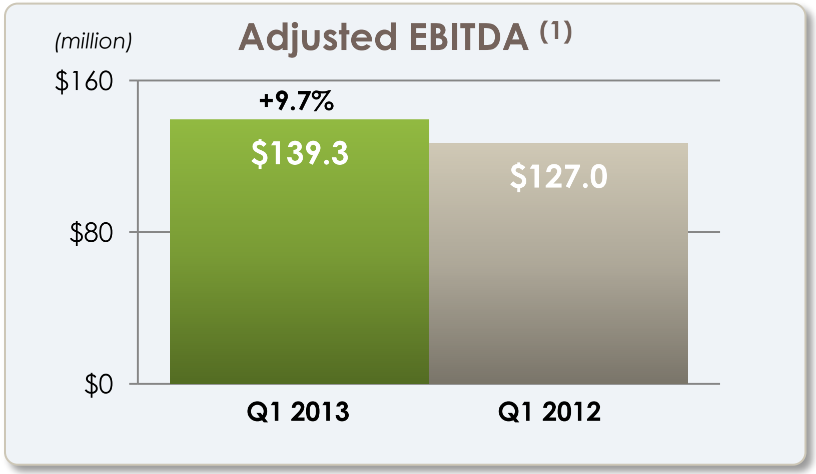
~ 19% of Licensed Beds

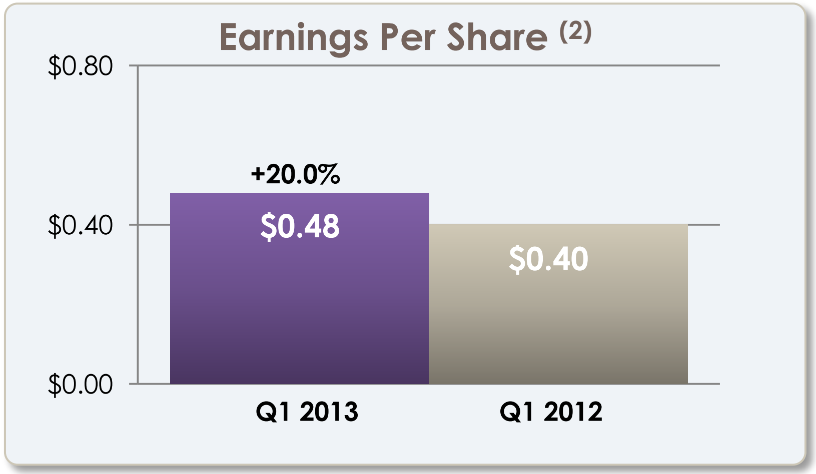
~ 21% of Patients Served

Q1 2013 Highlights









(1) Reconciliation to GAAP provided on slides 15 -18
(2) Income from continuing operations attributable to HealthSouth per diluted share

HEALTHSOUTH

Highlights

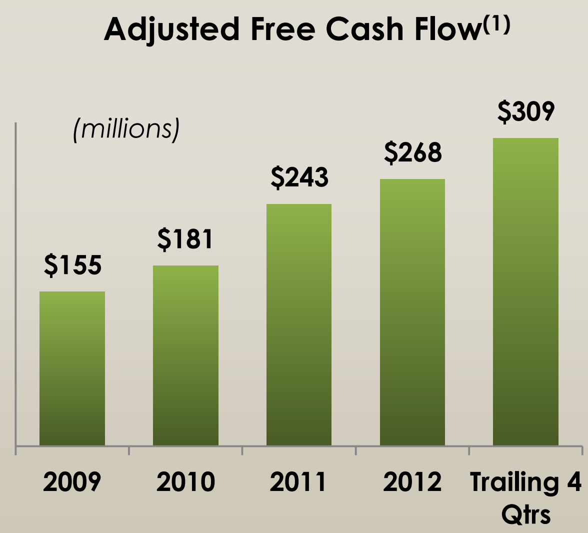
- ✓ **Completed tender offer of common shares**
  - Approx. 9.5%, or 9,119,450, of our common shares were purchased at $25.50 per share.
  - Total cost of approx. $234 million (including fees and expenses related to the tender)
  - Funded with $152 million cash on hand and an approx. $82 million draw on the revolving credit facility.
  - On March 28, 2013, there were approx. 87 million common shares outstanding.

- ✓ **Agreements with the IRS resulting in increase of gross federal NOL by at least $260 million**
  - April 25, 2013 agreements will result in a net federal income tax benefit in Q2 2013 of at least $91 million ($1.03 per basic share and $0.90 per diluted share).

Adjusted Free Cash Flow (1)

2013 reflects:
- Continued spending on the CIS and hospital refresh projects
- Completion of delevering and refinancing

Certain Cash Flow Items (2) (millions)	2013 Assumptions	Q1 2013 Actuals	2012 Actuals
▪ Cash interest expense (3)	$92 to $97	$23.2	$90.4
▪ Cash payments for taxes	$8 to $12	$1.0	$11.8
▪ Working capital and other	$10 to $20	$4.8	$28.2
▪ Maintenance CAPEX	$80 to $90	$18.9	$83.0
▪ Dividends paid on preferred stock	$23	$5.7	$24.6



(1) Reconciliation to GAAP provided on slide 14
(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 discounts and fees

Priorities for Free Cash Flow

Priorities may shift based on prevailing market conditions

		2013 Assumptions	Q1 2013	2012 Actuals
			(millions)	
Growth	**Growth in core business**			
	Bed expansions (target approx. 80 beds/yr)	$25 to $35	$4.4	$16.6
	De novo hospitals (target 4/yr)	$55 to $75	11.1	41.1
	Acquisitions (target 2/yr)			
	- Free standing IRFS [(1)]	TBD	11.0	-
	- Hospital units	TBD	-	3.1
		$80 to $110, excluding acquisitions	$26.5	$60.8

		2013 Assumptions	Q1 2013	2012 Actuals
Debt Reduction	**Debt pay down, net**	TBD	-	-
	Purchase leased properties [(2)]	$20 to $125	$3.3	$19.1
Shareholder Distribution	**Convertible preferred stock repurchase** [(3)]	TBD	-	46.5
	Cash dividends (one time or regular)	TBD	-	-
	Common stock repurchase [(3)]	TBD	232.6	-
		TBD	$235.9	$65.6

(1) Pre-payment made for acquisition of Walton Rehabilitation Hospital
(2) 2012 includes the purchase of the real estate (previously subject to an operating lease) associated with our joint venture hospital in Fayetteville, AR for approx. $15 million, half of which was reimbursed to us by our joint venture partner through a capital contribution; 2012 and 2013 include an initial investment for a replacement hospital for our currently leased hospital in Ludlow, MA.
(3) There is no outstanding authorization to purchase common or preferred stock.

IRF-PPS Fiscal Year 2014 Proposed Rule: Key Provisions

Update to Payment Rates

- The proposed rule would implement a **net 1.8%** market basket **increase**.
  - 2.5% market basket increase
  - (30 bps) Affordable Care Act reduction
  - (40 bps) Affordable Care Act productivity reduction
- Proposed rule includes updates to the IRF facility-level rural, low-income percentage and teaching status adjustments. Also includes update to the outlier threshold.

60 Percent Rule – Presumptive Methodology Code List Update

- CMS is proposing to revise the list of codes it uses to presumptively test compliance with the 60% Rule.
  - The proposed rule eliminates 331 ICD-9-CM codes (25% of all current codes) used for presumptive testing.
  - CMS indicates that 92% of these eliminated codes are non-specific codes that can be substituted with a more specific code.
  - The remaining eliminated codes are primarily arthritis-related codes.

Quality Reporting Program

- New quality measure (influenza vaccines for IRF employees)
- Proposed changes to IRF patient assessment instrument ("PAI")

Source: http://www.ofr.gov/OFRUpload/OFRData/2013-10755_PI.pdf

HealthSouth Observations

Pricing:
- In line with expectations. Net pricing impact to HealthSouth expected to be approx. +2.0% for FY 2014.
- Because of its low cost structure, HealthSouth receives very few outlier payments despite higher acuity patients (see slide 13).

Coding:
- HealthSouth expects no material financial impact.
- Hospitals will have to adapt to these coding changes.
- Some arthritis patients may be denied access to inpatient rehabilitative care.

Quality:
- HealthSouth will continue to comply with all quality reporting requirements.
- PAI changes are straightforward and will be implemented by HealthSouth hospitals.

Business Outlook: 2013 to 2015 [1]

Business Model
- **Adjusted EBITDA CAGR: 4-8%** [2]
- **Adjusted Free Cash Flow CAGR: 10-14%** [2][3]

CAGRs reflect:
- **Completion of delevering and refinancing**
- **Sequestration beginning March 2013**

Strategy	2012	2013	2014	2015
Shareholder Distribution	Purchased $46 million convertible perpetual preferred stock	• Completed $233 million common stock tender • Consider other shareholder value-creating opportunities		
Delevering	**< 3.0x** Debt to Adjusted EBITDA	**< 3.0x** Debt to Adjusted EBITDA (subject to shareholder value-creating opportunities)		
Core Growth	Bed expansion = 95 Unit consolidations = 2	**Same-store Growth** (Includes bed expansions and unit consolidations)		
	De novos 1 - Ocala, FL	**De novos - 2** Littleton, CO; Stuart, FL	**De novos** (target of 4/year)	
	IRF Acquisitions LOI Augusta, GA	**IRF Acquisitions - 1** Augusta, GA	**IRF Acquisitions** (target of 2/year)	
Opportunistic Growth			**Consider opportunistic, disciplined acquisitions** of complementary post-acute services	
Key Operational Initiatives	• **TeamWorks** = Care Management • **Beacon** (Management Reporting Software) = Labor / outcomes / quality optimization			
	• **Clinical Information System (CIS)** Installed in 13 hospitals	• **CIS:** Company-wide Implementation (target 20 hospitals/year)		
	• **CPR** (Comfort, Professionalism, Respect) Initiative	• **IRF Quality Reporting:** urinary tract infection, wound care, others TBD		

(1) If legislation affecting Medicare is passed, HealthSouth will evaluate its effect on the Company's Business Model.
(2) These are multi-year CAGRs; annual results may fall outside the range. Reconciliation to GAAP provided on slides 14-18.
(3) Assumes NOL value is exhausted after 2015

Strong and Sustainable Business Fundamentals

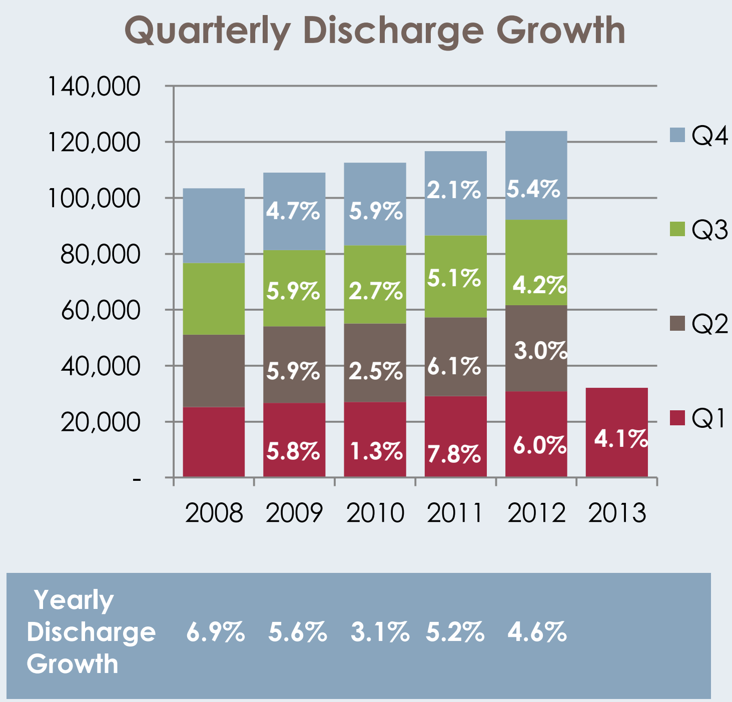
Attractive Healthcare Sector	• Favorable demographic trends • Nondiscretionary nature of many conditions treated in IRFs • Highly fragmented industry
Industry Leading Position	• #1 market share: above industry same-store growth and margins • Consistent achievement of high-quality, cost-effective care • Roll-out of state-of-the-art clinical information system
Cost-Effectiveness	• Focused labor management • Continued improvements in supply chain • Significant operating leverage of G&A and occupancy expenses
Real Estate Portfolio	• Portfolio of strategically located, well-designed physical assets • 102 IRFs (1); 68 owned and 34 long-term, real estate leases • Ability to purchase a number of leased assets
Financial Strength	• Strong balance sheet; ample liquidity, no near-term maturities • Minimal cash income tax expense (\$8 - \$12 million / year) attributable to NOLs • Substantial free cash flow generation • Declining average share count (9.5% of common stock purchased March 20, 2013)
Growth Opportunities	• Bed expansion at existing hospitals • Flexible de novo strategy • Flexible IRF acquisition and unit consolidation strategy • Ability to pursue other post-acute sectors opportunistically

(1) Inclusive of two nonconsolidated entities

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 ~70% of industry, including HealthSouth sites.
(2) Includes consolidated HealthSouth inpatient rehabilitation hospitals classified as same store during that time period.

HEALTHSOUTH

Our Cost-Effectiveness: IRF-PPS Outlier Payments by Decile (1)

Less
Efficient
More

Hospital Deciles	# of Hospitals			Total Outlier Payments				Avg Outlier Payment per Discharge		
	HLS	Non-HLS	Total	HLS	Non-HLS	Total	%	HLS	Non-HLS	Total
90-100	-	113	113	$ -	$ 104,345,905	$ 104,345,905	50.9%	N/A	$ 2,187	$ 2,187
80-90	1	113	114	$ 301,874	$ 38,356,930	$ 38,658,804	18.9%	$ 236	$ 1,095	$ 1,065
70-80	1	113	114	$ 166,045	$ 23,207,150	$ 23,373,195	11.4%	$ 104	$ 755	$ 723
60-70	1	113	114	$ 110,398	$ 15,127,660	$ 15,238,058	7.4%	$ 158	$ 466	$ 459
50-60	5	109	114	$ 408,845	$ 9,715,171	$ 10,124,016	4.9%	$ 87	$ 330	$ 297
40-50	10	104	114	$ 529,855	$ 5,822,526	$ 6,352,381	3.1%	$ 56	$ 255	$ 197
30-40	12	102	114	$ 391,912	$ 3,463,621	$ 3,855,533	1.9%	$ 37	$ 132	$ 105
20-30	17	97	114	$ 301,643	$ 1,842,148	$ 2,143,791	1.0%	$ 20	$ 75	$ 54
10-20	24	90	114	$ 141,404	$ 558,890	$ 700,294	0.3%	$ 7	$ 25	$ 16
0-10	26	88	114	$ 3,430	$ 5,933	$ 9,363	0.0%	$ 0	$ 0	$ 0
Totals	97	1,042	1,139	$ 2,355,406	$ 202,445,934	$ 204,801,340	100.0%			

Outlier observations:

- HealthSouth treats approx. 23% of the Medicare patients/discharges and receives approx. 1.2% of the outlier payments.
- 10% of the IRFs (all non-HealthSouth) receive 51% of the outlier payments.
- As a result of outlier payments, CMS pays HealthSouth approx. $671 less per discharge than other providers.

(1) All data provided was filtered and compiled from the Centers for Medicare and Medicaid Services (CMS) Fiscal Year 2013 IRF rate setting file found at http://www.cms.gov/InpatientRehabFacPPS/07_DataFiles.asp#.

Adjusted Free Cash Flow

(Millions)	Q1 2013	Q1 2012	Full Year 2012	Full Year 2011	Full Year 2010	Full Year 2009
Net cash provided by operating activities	$ 121.4	$ 81.0	$ 411.5	$ 342.7	$ 331.0	$ 406.1
Impact of discontinued operations	0.7	(0.4)	(2.0)	(9.1)	(13.2)	(5.7)
Net cash provided by operating activities of continuing operations	122.1	80.6	409.5	333.6	317.8	400.4
Capital expenditures for maintenance (1)	(18.9)	(19.1)	(83.0)	(50.8)	(37.9)	(33.2)
Net settlements on interest rate swaps (2)	-	-	-	(10.9)	(44.7)	(42.2)
Dividends paid on convertible perpetual preferred stock	(5.7)	(6.8) (3)	(24.6)	(26.0)	(26.0)	(26.0)
Distributions paid to noncontrolling interests of consolidated affiliates	(13.2)	(13.1)	(49.3)	(44.2)	(34.4)	(32.6)
Non-recurring items:						
UBS Settlement proceeds, less fees to derivative plaintiffs' attorneys	-	-	-	-	-	(73.8)
Net premium paid (received) on bond issuance/redemption	-	-	1.9	22.8	-	-
Cash paid for professional fees - accounting, tax and legal	1.4	3.6	16.1	21.0	17.2	15.3
Cash paid for government, class action and related settlements	-	-	(2.6)	5.7	2.9	11.2
Income tax refunds related to prior periods	-	-	-	(7.9)	(13.5)	(63.7)
Adjusted free cash flow	**$ 85.7**	**$ 45.2**	**$ 268.0**	**$ 243.3**	**$ 181.4**	**$ 155.4**

(1) Maintenance capital expenditures are expected to be $80 to $90 million in 2013.

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

(3) Includes cash dividend payments of $6.5 million for dividends declared in Q4 2011 and paid in Q1 2012 plus $0.3 million of cumulative dividends paid for the preferred shares repurchased in Q1 2012.

Reconciliation of Net Income to Adjusted EBITDA [1]

(in millions, except per share data)	2013 Q1 Total	2013 Q1 Per Share
Net income	$ 65.9	
Loss from disc ops, net of tax, attributable to HealthSouth	0.4	
Net income attributable to noncontrolling interests	(14.6)	
Income from continuing operations attributable to HealthSouth [2]	51.7	$ 0.48
Pro fees - acct, tax, and legal	1.4	
Provision for income tax expense	33.5	
Interest expense and amortization of debt discounts and fees	24.2	
Depreciation and amortization	22.1	
Other, including net noncash loss on disposal of assets	0.1	
Stock-based compensation expense	6.3	
Adjusted EBITDA [1]	$ 139.3	
Weighted average common shares outstanding:		
Basic		94.0
Diluted		107.1

(1) (2) – Notes on slide 17.

Reconciliation of Net Income to Adjusted EBITDA (1)

(in millions, except per share data)	2012 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	$ 56.8		$ 59.9		$ 59.9		$ 59.3		$ 235.9	
Loss (income) from disc ops, net of tax, attributable to HealthSouth	0.4		(3.5)		0.5		(1.9)		(4.5)	
Net income attributable to noncontrolling interests	(12.6)		(13.2)		(12.8)		(12.3)		(50.9)	
Income from continuing operations attributable to HealthSouth (2)	44.6	$ 0.40	43.2	$ 0.39	47.6	$ 0.44	45.1	$ 0.42	180.5	$ 1.65
Gov't, class action, and related settlements	-		-		(3.5)		-		(3.5)	
Pro fees - acct, tax, and legal	3.6		5.5		4.1		2.9		16.1	
Provision for income tax expense	29.1		26.9		28.1		24.5		108.6	
Interest expense and amortization of debt discounts and fees	23.3		23.0		23.5		24.3		94.1	
Depreciation and amortization	19.5		20.0		21.3		21.7		82.5	
Loss on early extinguishment of debt	-		-		1.3		2.7		4.0	
Gain on consolidation of St. Vincent Rehabilitation Hospital	-		-		(4.9)		-		(4.9)	
Other, including net noncash loss on disposal of assets	0.8		0.6		1.6		1.4		4.4	
Stock-based compensation expense	6.1		5.9		6.1		6.0		24.1	
Adjusted EBITDA (1)	$ 127.0		$ 125.1		$ 125.2		$ 128.6		$ 505.9	
Weighted average common shares outstanding:										
Basic		94.5		94.6		94.7		94.7		94.6
Diluted		108.7		108.0		108.1		108.0		108.1

(1) (2) – Notes on slide 17.

Reconciliation Notes for Slides 15-16

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 quarterly 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.

Net Cash Provided by Operating Activities Reconciled to Adjusted EBITDA

	Q1		Full Year
(Millions)	2013	2012	2012
Net cash provided by operating activities	$ 121.4	$ 81.0	$ 411.5
Provision for doubtful accounts	(7.4)	(6.3)	(27.0)
Professional fees—accounting, tax, and legal	1.4	3.6	16.1
Interest expense and amortization of debt discounts and fees	24.2	23.3	94.1
Equity in net income of nonconsolidated affiliates	2.9	3.3	12.7
Net income attributable to noncontrolling interests in continuing operations	(14.6)	(12.6)	(50.9)
Amortization of debt discounts and fees	(1.0)	(0.9)	(3.7)
Distributions from nonconsolidated affiliates	(3.4)	(3.3)	(11.0)
Current portion of income tax expense	1.8	2.1	5.9
Change in assets and liabilities	13.0	36.9	60.7
Net premium paid on bond issuance/redemption	-	-	1.9
Change in government, class action and related settlements liability	-	-	(2.6)
Cash used in (provided by) operating activities of discontinued operations	0.7	(0.4)	(2.0)
Other	0.3	0.3	0.2
Adjusted EBITDA	$ 139.3	$ 127.0	$ 505.9

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