

FOR IMMEDIATE RELEASE  
HEALTHSOUTH Announces Receipt of Subpoena

BIRMINGHAM, Ala., Feb. 6 /PRNewswire-FirstCall/ -- HEALTHSOUTH Corporation (NYSE: HRC) today announced that it had received a subpoena from the United States Attorney's Office for the Northern District of Alabama seeking production of various documents in connection with an investigation. While the company has not been advised of the nature or scope of the investigation, the types of documents requested suggest that the investigation may focus on transactions by individuals in HEALTHSOUTH common stock. Many of the documents requested have already been voluntarily provided by the company to the Securities and Exchange Commission. The company expects to fully cooperate with the investigation, just as it has cooperated with the previous request from the SEC.

"As we have said before, we do not believe that HEALTHSOUTH or anyone associated with HEALTHSOUTH has done anything wrong. We have cooperated with all requests for information from government authorities, and we will continue to do so," said Richard M. Scrusby, Chairman of the Board and Chief Executive Officer of HEALTHSOUTH.

The company cannot now predict the course or outcome of the investigation or whether additional information will be sought.

[Press Release]

FEBRUARY 26, 2003

HEALTHSOUTH RESPONDS TO MEDIA INQUIRIES  
ON SEC INVESTIGATION

BIRMINGHAM, Alabama - On September 19, 2002, HEALTHSOUTH Corporation (NYSE:HRC) disclosed that it had received notice of an investigation by the Securities and Exchange Commission and that it was cooperating fully with the investigation. A number of news media have reported on the investigation in the past 24 hours, and in response to inquiries from various media relating to those reports, the company confirms that it has recently learned that the SEC has issued an "Order Directing Private Investigation and Designating Officers To Take Testimony" - commonly referred to as a "formal order of investigation" - in connection with the investigation. The company understands that the SEC is investigating possible violations of Section 11(a) of the Securities Act of 1933 and Sections 10(b), 13(a) and 13(b)(2)(A) and (B) of the Securities Exchange Act of 1934 and Rules 10b- 5, 12b-20, 13a-13, 13b2-1 and 13b2-2 thereunder. The company cannot now predict the course or outcome of the investigation; however, the company continues to cooperate fully with the SEC in this matter. As previously indicated, the company does not believe that it or anyone associated with it has violated any securities laws.

[Press Release]

FOR IMMEDIATE RELEASE

MARCH 19, 2003

HEALTHSOUTH ISSUES STATEMENT  
ON FEDERAL INVESTIGATION

BIRMINGHAM, Alabama - HEALTHSOUTH Corporation (NYSE:HRC) announced that, on the evening of March 18, 2003, agents from the Federal Bureau of Investigation served a search warrant at the company's corporate headquarters and were provided access to a number of current and historical financial records and other materials. The agents also served an additional grand jury subpoena on the company on behalf of the United States Attorney's Office, whose investigation has been previously disclosed by the company, relating to the same information. In addition, the company is aware that additional subpoenas were served on certain company employees. The company continues to cooperate fully with the authorities in their investigation. However, the company cannot predict the course or outcome of the investigation.

[Press Release]

FOR IMMEDIATE RELEASE

March 20, 2003

HEALTHSOUTH ANNOUNCES MANAGEMENT CHANGES,  
COOPERATION WITH FEDERAL INVESTIGATIONS

BIRMINGHAM, Alabama - HEALTHSOUTH Corporation (NYSE:HRC) announced that its Board of Directors has placed Chairman and Chief Executive Officer Richard M. Scrusby on administrative leave. The Board has placed Chief Financial Officer William T. Owens on administrative leave as well.

The company also announced that the Board has elected current Director Joel C. Gordon as Acting Chairman of the Board and current Director Robert P. May as Acting Chief Executive Officer, both to be assisted by a newly-formed Executive Committee of the Board. The Board has begun an immediate search for an interim Chief Financial Officer.

Mr. Gordon and Mr. May have pledged full cooperation with the investigations being conducted by the Securities and Exchange Commission and the Department of Justice. The Board has established a Special Investigation Committee, presently comprising Board member Betsy S. Atkins, which has commenced a thorough and comprehensive investigation of the conduct charged in the SEC's complaint.

Mr. Gordon said, "The Board is committed to cooperating with the governmental investigation. We are going to dig out of these problems and take every available step to restore corporate credibility. During this process, we will maintain our commitment to providing outstanding patient care."

[Press Release]

FOR IMMEDIATE RELEASE

MARCH 25, 2003

HEALTHSOUTH ANNOUNCES SUSPENSION NOTICE FROM NYSE

BIRMINGHAM, Alabama - HEALTHSOUTH Corporation (NYSE:HRC) announced today that the New York Stock Exchange (NYSE) has suspended trading in its common stock, and will apply to the Securities and Exchange Commission to delist the security.

"Since last week, we have known that the NYSE was reviewing the suitability of a continued listing on the Exchange due to concern over the nature of the ongoing investigations and uncertainty surrounding the company's financial situation," stated Joel C. Gordon, Interim Chairman of the Board of Directors of HEALTHSOUTH Corporation. "Knowing of this possibility, we have been evaluating efforts to secure an ongoing market for our stock. We understand that market makers have independently begun to make a market in the company's common stock on the OTC Pink Sheets under the symbol 'HLSH'."

"Operations at the company remain uninterrupted as we continue providing excellent patient care, and work with our independent experts to stabilize the situation and review all capital expenditures, and begin to move the company forward," said Robert P. May, Interim Chief Executive Officer of HEALTHSOUTH Corporation.

[Press Release]

FOR IMMEDIATE RELEASE

March 27, 2003

HEALTHSOUTH RECEIVES NOTICE OF NON-PAYMENT DEFAULT  
UNDER BANK CREDIT AGREEMENT; PROHIBITS APRIL 1 PAYMENTS UNDER  
SUBORDINATED SECURITIES

BIRMINGHAM, Alabama - HEALTHSOUTH Corporation (PS: HLSH) announced today that it has received notice from JPMorgan Chase Bank, administrative agent under the Company's \$1.25 billion credit facility, that its lenders have determined that the previously announced Securities and Exchange Commission and Department of Justice investigations into its financial reporting and related activity constitute a material adverse effect under the terms of the credit facility and, therefore, that HEALTHSOUTH is in default under the credit facility. As a result of this default, which is not a payment default, JPMorgan Chase Bank has given the Company notice that it is currently prohibited from making the approximately \$17.2 million interest payment to holders of its 10.75% Senior Subordinated Notes and the approximately \$349.8 million payment of principal and interest to holders of its 3.25% Convertible Subordinated Debentures due, in each case, on April 1.

"HEALTHSOUTH is currently in discussions with JPMorgan Chase Bank and our other lenders to address the Company's current liquidity situation," said Joel C. Gordon, Acting Chairman of the Board of HEALTHSOUTH. "We are hopeful that the decision by our senior lenders to prohibit payments to our subordinated bondholders will provide the Company with some additional time to continue our discussions in an orderly manner and to seek a resolution that is in the best interest of the Company and all of its stakeholders. We cannot, however, provide any assurances that an agreement with our lenders will ultimately be reached."

[Press Release]

FOR IMMEDIATE RELEASE

March 31, 2003

HEALTHSOUTH ANNOUNCES BOARD ACTION ON  
RICHARD M. SCRUSHY; COMPANY TO SEEK NEW AUDITORS

BIRMINGHAM, Alabama - HEALTHSOUTH Corporation (OTC Pink Sheets: HLSH) announced today that its Board of Directors had, by unanimous vote of the outside directors, declared HEALTHSOUTH's Employment Agreement with Richard M. Scrushy null and void and removed him from his positions as Chairman of the Board and Chief Executive Officer. The Board's action was effective as of March 19, 2003, the date on which the Board placed Mr. Scrushy on administrative leave.

In a March 30 letter to Mr. Scrushy, Acting Chairman of the Board Joel C. Gordon advised Mr. Scrushy of the Board's action, under which Mr. Scrushy's rights to any payments, benefits or perquisites under his Employment Agreement were terminated as of that date. While, under applicable law, the Board is unable to remove Mr. Scrushy as a director of the company, the letter to Mr. Scrushy also requested that he resign as a director of HEALTHSOUTH. The letter further advised him that, in the event that the company is required to restate its financial statements for any prior period as a result of misconduct, Mr. Scrushy would be required under the Sarbanes-Oxley Act to forfeit to the company any bonuses or other incentive-based or equity based compensation and any profits from the sale of HEALTHSOUTH securities received during the twelve-month period following the filing of any such financial statements. The company has reserved all of its rights against Mr. Scrushy, and is committed to full cooperation with all pending investigations by governmental authorities.

In addition, the Audit Committee of the Board of Directors has determined to replace Ernst & Young LLP as HEALTHSOUTH's independent auditors. The company expects to make the transition to a new independent auditor as soon as possible.

As previously announced, the Board has engaged the turnaround advisory firm of Alvarez & Marsal Inc., to manage all finance and administrative functions for HEALTHSOUTH. Bryan P. Marsal, a founding managing director of the firm, has been appointed Chief Restructuring Officer of the company. Mr. Marsal and his team have begun work and are immediately implementing measures to stabilize the company's operations, conserve its cash and reduce costs, including evaluating the sale of non-core assets, without disrupting patient care services. As also previously announced, the Board has engaged PricewaterhouseCoopers to provide forensic auditing services to the Board's Special Audit Review Committee and has engaged Skadden, Arps, Slate, Meagher & Flom LLP as lead coordinating legal counsel to assist it in corporate, restructuring and litigation matters.

[from April 3, 2003 8-K]

Item 5. OTHER EVENTS AND REGULATION FD DISCLOSURE

On April 2, 2003, National City Bank, Trustee under the Indenture governing our 7-3/8% Senior Notes due 2006 (CUSIP No. 421924AU5) and our 8-3/8% Senior Notes due 2011 (CUSIP Nos. 421924AV3 and 421924AX9), sent a notice to the holders of such securities advising them that we had failed to make an interest payment in the amount of \$21,208,500 due April 1, 2003. According to the notice, such failure constitutes a Default (as defined) under Section 6.01(a) of the

governing Indenture, and the continuance of such Default for a period of 30 days will result in an Event of Default (as defined) under that section. We are evaluating available alternatives with respect to such Default.

[News Wire]

#### HEALTHSOUTH Reaches Forbearance Agreement With Bank Lenders

BIRMINGHAM, Ala., April 10 /PRNewswire-FirstCall/ -- HEALTHSOUTH Corporation (OTC Pink Sheets: HLSH) today announced that the Company and its bank lenders have executed a Forbearance Agreement on the Company's \$1.25 billion credit facility through May 1, 2003.

The agreement provides that the bank lending group, headed by JPMorgan Chase Bank and Wachovia Securities, will forbear from exercising remedies arising from the default of the Company's credit facility, which was announced on March 27, 2003, absent any new defaults under the credit facility or the Forbearance Agreement. During this forbearance period, the Company will continue discussions with its creditors to address the Company's current liquidity situation.

[from April 11, 2003 8-K]

#### ITEM 4. CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT.

As previously reported in our Current Reports on Form 8-K filed with the Securities and Exchange Commission on February 27, 2003 and March 20, 2003, HEALTHSOUTH Corporation disclosed that the SEC and the Department of Justice were investigating the financial reporting and related activity of HEALTHSOUTH. As reported in our Current Report on Form 8-K filed with the SEC on March 26, 2003, we disclosed that in light of the SEC and Department of Justice investigations into our financial reporting and related activity calling into question the accuracy of our previously filed financial statements, such financial statements should no longer be relied upon. In addition, we reported that the Special Audit Review Committee of our Board of Directors had engaged a forensic auditing team from PricewaterhouseCoopers LLP to fully review all issues related to the SEC's allegations concerning our previous financial reports.

As previously disclosed in our Current Report on Form 8-K filed with the SEC on March 31, 2003, we reported that the Audit Committee of the Board of Directors had determined to replace Ernst & Young LLP as HEALTHSOUTH's independent accountants. A copy of the March 31, 2003 press release is filed as Exhibit 99.1 to this Current Report on Form 8-K and incorporated herein by reference.

As reported in our Notification of Late Filing on Form 12b-25 filed with the SEC on April 1, 2003, we notified the SEC that we would not be able to timely file our annual report on Form 10-K for the fiscal year ended December 31, 2002, in light of the SEC and Department of Justice investigations into our financial reporting and related activity. As a consequence of the foregoing circumstances, Ernst & Young has not reported on our consolidated financial statements for the fiscal year ended December 31, 2002.

On March 31, 2003, representatives of our Audit Committee notified Ernst & Young of our determination to dismiss them as our independent accountants. We received a letter from Ernst & Young on April 4, 2003 confirming that the client-auditor relationship between HEALTHSOUTH and Ernst & Young had ceased. A copy of Ernst & Young's letter, dated April 4, 2003, is filed as Exhibit 99.2 to this Current Report on Form 8-K and incorporated herein by reference.

As described above, the Special Audit Review Committee of our Board of Directors recently engaged a forensic auditing team from PricewaterhouseCoopers to fully review all issues related to the SEC's allegations concerning our previous financial reports. As a result of the circumstances giving rise to this review, Ernst & Young withdrew their audit reports on all of HEALTHSOUTH's previously filed financial statements. Prior to their dismissal, the audit reports of Ernst & Young on the financial statements of HEALTHSOUTH as of and for the years ended December 31, 2001 and 2000, did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or otherwise modified as to uncertainty, audit scope or accounting principles. During the fiscal years ended December 31, 2001 and 2000, and in the subsequent period through the date herof, there were no disagreements with Ernst & Young on any matters of accounting principles or practices, financial statement disclosure, or auditing scope and procedures which disagreements, if not resolved to the satisfaction of Ernst & Young, would have caused it to make reference to the subject matter in connection with their report.

Additionally, during the fiscal years ended December 31, 2001 and 2000, and in the subsequent period through the date of dismissal, there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K, except for matters disclosed in this Form 8-K, including Ernst & Young having advised the Audit Committee of the Board of Directors that, because of subsequently discovered information, the effect of which on the financial statements could not be determined without a prolonged investigation, Ernst & Young was no longer willing to be associated with HEALTHSOUTH's previously filed financial statements. Ernst & Young advised the Audit Committee that this information (i) led them to conclude that they would no longer be able to rely on the representations of certain members of HEALTHSOUTH management; (ii) could have materially impacted the fairness and reliability of previously issued audit reports and HEALTHSOUTH's underlying financial statements; (iii) could have materially impacted the fairness and reliability of HEALTHSOUTH's financial statements filed for the interim periods of 2002 and those to be issued for the fiscal year ended December 31, 2002; and (iv) would have prevented Ernst & Young from rendering an unqualified audit report on HEALTHSOUTH's financial statements for any annual period unless the related matters had been resolved to their satisfaction. Ernst & Young stated that these matters were not fully investigated or resolved to their satisfaction prior to their dismissal.

The Audit Committee of our Board of Directors is in the process of engaging new independent accountants to audit and report on HEALTHSOUTH's financial statements.

We have requested that Ernst & Young furnish us with a letter addressed to the SEC stating whether or not it agrees with the above statements. A copy of such letter will be filed with the Securities and Exchange Commission following receipt of such letter by HEALTHSOUTH.

[Press Release]

FOR IMMEDIATE RELEASE

MAY 1, 2003

HEALTHSOUTH CONTINUES DISCUSSIONS  
WITH LENDERS AND NOTEHOLDERS

BIRMINGHAM, Alabama - HealthSouth Corporation (OTC Pink Sheets:HLSH) announced today that it remains in discussions with the lenders under its credit facility and representatives of its senior noteholders and certain of its subordinated indebtedness, even though its previously disclosed forbearance agreement with its credit facility lenders has now expired and it has failed to make required interest payments on any of its outstanding indebtedness beyond applicable grace periods. HealthSouth also said that it had determined to terminate the remaining unavailable commitments under its credit facility to avoid incurring additional commitment fees. Based on its regular and continuing discussions, HealthSouth believes that its lenders and noteholders are unlikely to initiate legal action against the Company at this time and will continue to work with the Company while PricewaterhouseCoopers and Alvarez & Marsal complete their review of HealthSouth's financial condition.

HealthSouth noted that it has not entered into a new forbearance agreement with the lenders under its credit facility or with the holders of any other indebtedness and, therefore, that no assurance could be given that any of its lenders, noteholders or other creditors would not seek to enforce their respective rights.

The Company said that its Board of Directors, together with outside advisors, is working to maintain the stability of its operations and restore HealthSouth's long-term viability.

"The Board of Directors is working diligently to develop a plan for HealthSouth's future," said Interim Chief Executive Officer Robert P. May. "Our operations continue to be strong, and we have ample liquidity for our current operations. HealthSouth's nearly 50,000 employees across the country are focused on the right things - treating our patients and providing outstanding clinical outcomes. Our Board and new management team will continue to focus HealthSouth's resources on our core business of healthcare."

FOR IMMEDIATE RELEASE

August 12, 2003

HEALTHSOUTH MAKES \$117 MILLION PAYMENT FOR ALL PAST DUE INTEREST  
CURRENTLY OUTSTANDING TO ITS LENDERS AND NOTEHOLDERS

Announces Discussions To Pursue Exchange Offer For Convertible  
Subordinated Debentures, Subject To Consent Of  
Bank Lenders And Other Noteholders

BIRMINGHAM, ALABAMA - HealthSouth Corporation (OTC Pink Sheets: HLSH) today announced that, as a result of its improving liquidity from its operations and asset sales, the Company has paid \$117 million, representing all past due interest currently owed under the Company's various borrowing agreements. The

Company said it currently intends to pay upcoming interest payments.

The Company also announced that it has initiated discussions regarding an exchange offer for its 3.25% Convertible Subordinated Debentures ("Convertible Subordinated Debentures") which matured on April 1, 2003. A term sheet for the proposed exchange offer was circulated last week to advisors to the holders of the Company's Convertible Subordinated Debentures. The Company owes approximately \$344 million in principal to holders of its Convertible Subordinated Debentures. The Company expects the exchange offer to be conditioned upon, among other things, obtaining the requisite consents from its bank lenders and other noteholders.

"With these interest payments, we have fulfilled not only a legal but also a moral obligation to our bank lenders and noteholders," said Joel C. Gordon, HealthSouth's Interim Chairman. "We appreciate the time our bank lenders and noteholders have given us to address our financial situation. Thanks to their support and patience, in just five months, we have been able to strengthen and improve our liquidity while protecting and supporting our core clinical and patient operations."

"We also believe today's announcement, in conjunction with the proposed exchange offer, will help further restore our financial credibility. In turn, we believe this will help to enhance HealthSouth's ability to make operational improvements and implement growth initiatives," concluded Gordon.

HealthSouth said that it had \$445 million of cash prior to the above interest payments. This balance does not include any proceeds from pending asset sales.

Credit Suisse First Boston LLC is serving as financial advisor to HealthSouth.

#### HealthSouth Announces Agreement With Banks To Waive Payment Blockage Of Past Due Interest

BIRMINGHAM, Ala., Aug. 28 /PRNewswire-FirstCall/ -- HealthSouth Corporation (OTC Pink Sheets: HLSH) today announced that its lending banks have waived a payment blockage to allow past due interest to be paid to the holders of the Company's subordinated indebtedness. The banks had previously issued a payment blockage notice with respect to the Company's subordinated indebtedness, which blockage would have precluded holders of those instruments from receiving past due interest.

The Company also announced that it will transfer sufficient funds to the trustees for holders of all of its outstanding notes to permit payment of interest on past due interest owed to these holders in accordance with the terms of the relevant indentures. It is expected that payment of the past due interest will be made to the holders of Company's notes shortly after the record date of August 29, 2003.

"We're pleased to have received this waiver, representing the culmination of active negotiations by the Company with our bank lenders to pay past due interest owed to our subordinated noteholders," said Joel C. Gordon, HealthSouth's Interim Chairman. "We greatly appreciate the support our banks have shown in our turnaround efforts. These interest payments represent another step in addressing our financial situation and restoring our financial



credibility."

As previously announced, on August 12, 2003, HealthSouth paid \$117 million to its lending banks and the trustees under its indentures, representing payment of all past due interest owed by the Company under its various borrowing agreements.