

### Additional Key Financial Information

The financial data contained in this Blog post include the non-GAAP financial measures: Adjusted Earnings per Share, Adjusted EBITDA, and Adjusted Free Cash Flow. The most comparable GAAP measure for Adjusted Earnings per Share is Income from continuing operations attributable to Encompass Health per diluted share, which increased 232.4% for the second quarter ended June 30, 2021 compared to the same period in 2020. The most comparable GAAP measure for both Adjusted EBITDA and Adjusted Free Cash Flow is Cash flows provided by operating activities, which increased 15.1% for the second quarter ended June 30, 2021 compared to the same period in 2020. The following are reconciliations of each of these non-GAAP measures to its most comparable GAAP measure.

	Q2	
	2021	2020
<b>Earnings per share, as reported</b>	<b>\$ 1.13</b>	<b>\$ 0.34</b>
Adjustments, net of tax:		
Costs associated with the strategic alternatives review	0.03	—
Costs associated with the Frontier acquisition	0.01	—
Loss on early extinguishment of debt	0.01	—
Change in fair market value of equity securities	—	(0.02)
<b>Adjusted earnings per share*</b>	<b>\$ 1.17</b>	<b>\$ 0.31</b>

\* Adjusted EPS may not sum due to rounding.

	Three Months Ended June 30,	
	2021	2020
	(In Millions)	
<b>Net cash provided by operating activities</b>	\$ 255.9	\$ 222.3
Interest expense and amortization of debt discounts and fees	41.8	45.8
Equity in net income of nonconsolidated affiliates	1.0	0.7
Net income attributable to noncontrolling interests in continuing operations	(28.7)	(14.8)
Amortization of debt-related items	(2.0)	(1.7)
Distributions from nonconsolidated affiliates	(0.8)	(1.0)
Current portion of income tax expense	42.0	22.3
Change in assets and liabilities	(39.3)	(113.9)
Cash used in operating activities of discontinued operations	0.6	—
Costs associated with the strategic alternatives review	4.1	—
Costs associated with the Frontier acquisition	1.3	—
Change in fair market value of equity securities	(0.7)	(2.4)
Other	3.7	4.9
<b>Adjusted EBITDA</b>	<u>\$ 278.9</u>	<u>\$ 162.2</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(In Millions)			
<b>Net cash provided by operating activities</b>	\$ 255.9	\$ 222.3	\$ 414.4	\$ 251.6
Impact of discontinued operations	0.6	—	0.6	0.1
Net cash provided by operating activities of continuing operations	256.5	222.3	415.0	251.7
Capital expenditures for maintenance	(30.5)	(35.7)	(53.8)	(73.5)
Distributions paid to noncontrolling interests of consolidated affiliates	(24.9)	(18.4)	(52.7)	(37.5)
<b>Items non-indicative of ongoing operations:</b>				
Cash paid for SARs exercise (inclusive of payroll taxes)	—	—	—	102.1
Transaction costs and related assumed liabilities	4.5	—	4.5	—
<b>Adjusted free cash flow</b>	<u>\$ 205.6</u>	<u>\$ 168.2</u>	<u>\$ 313.0</u>	<u>\$ 242.8</u>

For the three months ended June 30, 2021, net cash used in investing activities was \$226.0 million and primarily resulted from capital expenditures and the acquisition of assets from Frontier Home Health and Hospice. Net cash used in financing activities during the three months ended June 30, 2021 was \$186.4 million and primarily resulted from net debt payments, cash dividends paid on common stock, and distributions to noncontrolling interests of consolidated affiliates.

For the three months ended June 30, 2020, net cash used in investing activities was \$92.1 million and primarily resulted from capital expenditures. Net cash provided by financing activities during the three months ended June 30, 2020 was \$182.8 million and primarily resulted from the issuance of additional senior notes in May 2020 offset by cash dividends paid on common stock and distributions paid to noncontrolling interests of consolidated affiliates.

For the six months ended June 30, 2021, net cash used in investing activities was \$321.6 million and primarily resulted from capital expenditures and the acquisition of assets from Frontier Home Health and Hospice. Net cash used in financing activities during the six months ended June 30, 2021 was \$263.9 million and primarily resulted from net debt payments, cash dividends paid on common stock and distributions to noncontrolling interests of consolidated affiliates.

For the six months ended June 30, 2020, net cash used in investing activities was \$175.1 million and primarily resulted from capital expenditures. Net cash provided by financing activities during the six months ended June 30, 2020 was \$253.9 million and primarily resulted from the issuance of additional senior notes in May 2020 offset by the settlement of the final put and exercise of the Home Health Holdings rollover shares and SARs, cash dividends paid on common stock, and distributions paid to noncontrolling interests of consolidated affiliates.

Excluding net operating revenues, the Company does not provide guidance on a GAAP basis because it is unable to predict, with reasonable certainty, the future impact of items that are deemed to be outside the control of the Company or otherwise non-indicative of its ongoing operating performance. Such items include government, class action, and related settlements; professional fees—accounting, tax, and legal; mark-to-market adjustments for stock appreciation rights; gains or losses related to hedging instruments; loss on early extinguishment of debt; adjustments to its income tax provision (such as valuation allowance adjustments and settlements of income tax claims); items related to corporate and facility restructurings; and certain other items the Company believes to be non-indicative of its ongoing operations. These items cannot be reasonably predicted and will depend on several factors, including industry and market conditions, and could be material to the Company's results computed in accordance with GAAP.

However, the following reasonably estimable GAAP measures for 2021 would be included in a reconciliation for Adjusted EBITDA if the other reconciling GAAP measures could be reasonably predicted:

- Interest expense and amortization of debt discounts and fees - estimate of \$164 million to \$174 million
- Amortization of debt-related items - approximately \$9 million