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NASDAQ Symbol: SLMC

Select Medical Corporation Announces Second Quarter 2002 Results - - Earnings Per Share Increases by 56%

MECHANICSBURG, PENNSYLVANIA - - July 29, 2002 - - Select Medical Corporation (NASDAQ: SLMC) today announced results for the second quarter and six months ended June 30, 2002.

For the quarter ended June 30, 2002, net-operating revenues increased 19.7% to \$280.3 million compared to \$234.2 million for the same quarter, prior year. Income from operations increased 34.7% to \$28.0 million compared to \$20.8 million for the same quarter, prior year. Additionally, earnings before interest, taxes, depreciation and amortization, minority interests and extraordinary items ("EBITDA") increased 19.3% to \$34.2 million compared to \$28.7 million for the same quarter, prior year. Earnings per share on a fully diluted basis increased 56.3% to \$0.25 compared to \$0.16 per share before extraordinary items for the same quarter, prior year.

For the six months ended June 30, 2002, net operating revenues increased 20.2% to \$552.2 million compared to \$459.3 million for the same period, prior year. Income from operations increased 30.1% to \$52.0 million compared to \$40.0 million for the same period, prior year. Additionally, EBITDA increased 15.4% to \$64.2 million compared to \$55.7 million for the same period, prior year. Earnings per share on a fully diluted basis increased 58.6% to \$0.46 compared to \$0.29 per share before extraordinary items for the same period, prior year.

Rocco A. Ortenzio, Select's Executive Chairman, commented, "We are once again pleased to report another quarter of strong financial performance. Our operating divisions continue to show improvement, with same store EBITDA margin expansion in both our inpatient and outpatient businesses."

Robert A. Ortenzio, Select's President and Chief Executive Officer, stated, "Our balance sheet continues to strengthen as we pay down debt, thereby reducing our leverage. We have reduced debt by \$15.5 million over the first six months of 2002. We have also been able to fuel our development growth through cash flow from operations, while our cash position continues to improve. Cash on the balance sheet at June 30, 2002 increased to \$28.8 million, from \$10.7 million at December 31, 2001."

Specialty Hospitals

During the second quarter, Select opened two new hospitals and as of the end of the quarter operated 66 hospitals. This compares to 58 hospitals at June 30, 2001. For the second quarter of 2002, net-operating revenues increased 27.8% to \$152.1 million compared to \$119.0 million for the same quarter, prior year. Patient days increased 22.6% to 153,942 days and net revenue per patient day increased 4.2% to \$987, compared to 125,587 days and net revenue per patient day of \$947 in the same quarter, prior year. Additionally, EBITDA increased 27.2% to \$17.3 million compared to \$13.6 million for the same quarter, prior year. The EBITDA margins for hospitals opened prior to 2001 were 13.5%, compared to 13.0% for the same quarter, prior year.

For the six months ended June 30, 2002, net operating revenues increased 29.6% to \$300.9 million compared to \$232.2 million for the same period, prior year. Patient days increased 21.9% to 303,811 days and net revenue per patient day increased 6.5% to \$990, compared to 249,327 days and net revenue per patient day of \$930 in the same period, prior year. Additionally, EBITDA increased 22.1% to \$32.9 million compared to \$27.0 million for the same period, prior year. The EBITDA margins for hospitals opened prior to 2001 were 13.3%, compared to 12.7% for the same period, prior year.

Outpatient Rehabilitation

During the second quarter, Select acquired six outpatient clinics, opened 18 clinics and now operates 740 clinics. For the second quarter, net operating revenues increased 11.3% to \$124.6 million compared to \$112.0 million for the same quarter, prior year, while EBITDA increased 11.8% to \$23.1 million compared to \$20.6 million in the same quarter, prior year. EBITDA margins increased to 18.5% for the quarter compared to 18.4% in the same quarter, prior year. U.S. based patient visits increased 3.0% to 995,050 visits compared to 966,088 visits in the same quarter, prior year. Net revenue per U.S. based visit increased to \$86 for the quarter compared to \$81 for the same quarter, prior year.

For the six months ended June 30, 2002, net operating revenues increased 10.7% to \$244.3 million compared to \$220.6 million for the same period, prior year, while EBITDA increased 11.2% to \$44.1 million compared to \$39.7 million for the same period, prior year. EBITDA margins increased to 18.1% for the period compared to 18.0% in the same period, prior year. U.S. based patient visits increased 2.5% to 1,959,466 visits, compared to 1,912,268 visits in the same period, prior year. Net revenue per visit increased to \$86 for the period compared to \$81 for the same period, prior year.

Adoption of FAS 142 Regarding Goodwill Amortization

Select adopted SFAS No. 142 on January 1, 2002. This accounting standard eliminates the amortization of goodwill, requires annual impairment testing of goodwill and introduces the concept of indefinite life intangible assets. There was no asset impairment upon the adoption of this accounting standard. If the new standard had been in effect in 2001, pre-tax amortization expense in the second quarter of 2001 would have been approximately \$2.3 million less and for the six months ended June 30, 2001 would have been approximately \$4.6 million less. This would have increased fully diluted earnings per share by approximately \$0.03 for the quarter ended June 30, 2001 and \$0.07 for the six months ended June 30, 2001.

Business Outlook

Management offers the following guidance for the quarter ending September 30, 2002:

- Net revenue is currently expected to be in the range of \$255 to \$265 million (compared to \$239.2 million in the same quarter, prior year).
- EBITDA is currently expected to be in the range of \$28 to \$30 million (compared to \$25.9 million in the same quarter, prior year).
- Diluted earnings per share is currently expected to be in the range of \$0.17 to \$0.18 (compared to \$0.13 in the same quarter, prior year).

Management offers the following updated guidance for the full year ending December 31, 2002:

- Net revenue is currently expected to be in the range of \$1.07 to \$1.08 billion.
- EBITDA is currently expected to be in the range of \$127 to \$129 million.
- Diluted earnings per share is currently expected to be in the range of \$0.86 to \$0.89.

Select will host a conference call regarding the second quarter and year-to-date results on Tuesday, July 30, 2002, at 11:00am EDT. The domestic dial-in number for the call is 1-877-626-0595. The international dial-in number is 1-706-679-7458. The conference call will be webcast simultaneously at <http://www.videonewswire.com/select/073002>.

For those unable to participate in the conference call, a replay will be available until 1:00pm EDT Tuesday, August 6, 2002. The replay number is 1-800-642-1687 (domestic) or 1-706-645-9291 (international). The passcode for the replay will be 4733692. The replay can also be accessed at Select Medical Corporation's website, <http://www.selectmedicalcorp.com>.

Select Medical Corporation is a leading operator of long term acute care hospitals in the United States. With the additional hospital opening in July 2002, Select now operates 68 specialty acute care hospitals in 22 states. Select is also a leading operator of outpatient rehabilitation clinics in the United States and Canada. Select operates approximately 740 outpatient rehabilitation clinics in the United States and Canada.

Certain statements contained herein that are not descriptions of historical facts are "forward-looking" statements (as such term is defined in the Private Securities Litigation Reform Act of 1995). Because such statements include risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause results to differ materially from those expressed or implied by such forward-looking statements include, but are not limited to, those discussed in filings made by Select Medical Corporation with the Securities and Exchange Commission.

Investor inquiries:

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I. Condensed Consolidated Statements of Operations

(in thousands, except per share data)

(unaudited)

For the Three Months Ended June 30, 2002 and 2001

	2002	2001	% Change
Net operating revenues	\$ 280,272	\$ 234,199	19.7%
Costs and expenses:			
Cost of services	228,183	188,688	20.9%
Bad debt expense	8,577	8,305	3.3%
General and administrative	9,326	8,554	9.0%
Earnings before interest, taxes, depreciation and amortization, minority interests and extraordinary item (EBITDA)	34,186	28,652	19.3%
Depreciation and amortization	6,180	7,863	(21.4)%
Income from operations	28,006	20,789	34.7%
Interest expense, net	6,679	7,467	(10.6)%
Income before minority interests, income Taxes and extraordinary item	21,327	13,322	60.1%
Minority interests	570	865	(34.1)%
Income before income taxes and extraordinary item	20,757	12,457	66.6%
Income tax expense	8,156	4,859	67.9%
Income before extraordinary item	12,601	7,598	65.8%
Extraordinary item (1)	-	8,676	N/M
Net income (loss)	\$ 12,601	\$ (1,078)	N/M
Diluted earnings per share before extraordinary item	\$ 0.25	\$ 0.16	56.3%
Diluted earnings (loss) per share	\$ 0.25	\$ (0.03)	N/M
Weighted average shares outstanding	49,469	47,205	4.8%

(1) The extraordinary item relates to the write off of financing costs associated with debt that was refinanced through the Company's initial public stock offering and the Company's subsequent issuance of senior subordinate debt. The extraordinary item is presented net of tax benefit.

II. Condensed Consolidated Statements of Operations

(in thousands, except per share data)
(unaudited)
For the Six Months Ended June 30, 2002 and 2001

	2002	2001	% Change
Net operating revenues	\$ 552,192	\$ 459,287	20.2 %
Costs and expenses:			
Cost of services	449,918	369,961	21.6%
Bad debt expense	19,020	16,648	14.2%
General and administrative	<u>19,012</u>	<u>16,994</u>	<u>11.9%</u>
Earnings before interest, taxes, depreciation and amortization, minority interests and extraordinary item (EBITDA)	64,242	55,684	15.4%
Depreciation and amortization	<u>12,206</u>	<u>15,679</u>	<u>(22.2)%</u>
Income from operations	52,036	40,005	30.1%
Interest expense, net	<u>13,386</u>	<u>15,242</u>	<u>(12.2)%</u>
Income before minority interests, income Taxes and extraordinary item	38,650	24,763	56.1%
Minority interests	<u>1,173</u>	<u>2,272</u>	<u>(48.4)%</u>
Income before income taxes and extraordinary item	37,477	22,491	66.6%
Income tax expense	<u>14,700</u>	<u>8,772</u>	<u>67.6%</u>
Income before extraordinary item	22,777	13,719	66.0%
Extraordinary item (1)	<u>-</u>	<u>8,676</u>	<u>N/M</u>
Net income	<u>\$ 22,777</u>	<u>\$ 5,043</u>	<u>351.7%</u>
Diluted earnings per share before extraordinary item	\$ 0.46	\$ 0.29	58.6%
Diluted earnings per share	\$ 0.46	\$ 0.09	411.1%
Weighted average shares outstanding	49,054	41,788	17.4%

(1) The extraordinary item relates to the write off of financing costs associated with debt that was refinanced through the Company's initial public stock offering and the Company's subsequent issuance of senior subordinate debt. The extraordinary item is presented net of tax benefit.

III. Condensed Consolidated Balance Sheets
(Amounts in thousands)

	June 30, 2002 <u>(unaudited)</u>	December 31, 2001 <u></u>
Assets		
Cash	\$ 28,834	\$ 10,703
Accounts receivable, net	235,541	218,393
Current deferred tax asset	28,942	28,945
Other current assets	<u>18,507</u>	<u>18,444</u>
Total current assets	311,824	276,485
Property and equipment, net	98,599	92,005
Intangible assets	250,891	247,257
Other assets	<u>32,119</u>	<u>35,098</u>
Total assets	<u>\$ 693,433</u>	<u>\$ 650,845</u>
Liabilities and stockholders' equity		
Payables and accruals	\$ 150,169	\$ 122,962
Current portion of long term debt	<u>28,636</u>	<u>26,774</u>
Total current liabilities	178,805	149,736
Long term debt, net of current portion	244,239	261,649
Minority interests	5,361	5,176
Stockholders' equity	<u>265,028</u>	<u>234,284</u>
Total liabilities and stockholders' equity	<u>\$ 693,433</u>	<u>\$ 650,845</u>

IV. Key Statistics
(unaudited)

For the Three Months Ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>	<u>% Change</u>
Specialty Hospitals			
Number of hospitals - end of period	66	58	13.8%
Net operating revenues (,000)	\$ 152,073	\$ 119,035	27.8%
Number of patient days	153,942	125,587	22.6%
Net revenue per patient day (a)	\$ 987	\$ 947	4.2%
EBITDA (,000)	\$ 17,281	\$ 13,583	27.2%
EBITDA margin – all hospitals	11.4%	11.4%	0.0%
EBITDA margin – same store hospitals (b)	13.5%	13.0%	3.8%
Outpatient Rehabilitation			
Number of clinics - end of period	740	671	10.3%
Net operating revenues (,000)	\$ 124,639	\$ 111,958	11.3%
Number of visits (US)	995,050	966,088	3.0%
Revenue per visit (US) (c)	\$ 86	\$ 81	6.2%
EBITDA (,000)	\$ 23,075	\$ 20,631	11.8%
EBITDA margin	18.5%	18.4%	0.5%

(a) Net revenue per patient day is calculated by dividing specialty hospital patient service revenue by the total number of patient days.

(b) EBITDA margin – same store hospitals represents the EBITDA margin for those hospitals opened before January 1, 2001 and operated throughout both periods.

(c) Net revenue per visit is calculated by dividing outpatient rehabilitation clinic revenue by the total number of visits. For purposes of this computation, outpatient rehabilitation clinic revenue does not include Select's Canadian subsidiary or contract services revenue.

V. Key Statistics

(unaudited)

For the Six Months Ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>	<u>% Change</u>
Specialty Hospitals			
Number of hospitals - end of period	66	58	13.8%
Net operating revenues (,000)	\$ 300,901	\$ 232,185	29.6%
Number of patient days	303,811	249,327	21.9%
Net revenue per patient day (a)	\$ 990	\$ 930	6.5%
EBITDA (,000)	\$ 32,948	\$ 26,978	22.1%
EBITDA margin – all hospitals	10.9%	11.6%	(6.0)%
EBITDA margin – same store hospitals (b)	13.3%	12.7%	4.7%
Outpatient Rehabilitation			
Number of clinics - end of period	740	671	10.3%
Net operating revenues (,000)	\$ 244,333	\$ 220,631	10.7%
Number of visits (US)	1,959,466	1,912,268	2.5%
Revenue per visit (US) (c)	\$ 86	\$ 81	6.2%
EBITDA (,000)	\$ 44,123	\$ 39,686	11.2%
EBITDA margin	18.1%	18.0%	0.6%

(a) Net revenue per patient day is calculated by dividing specialty hospital patient service revenue by the total number of patient days.

(b) EBITDA margin – same store hospitals represents the EBITDA margin for those hospitals opened before January 1, 2001 and operated throughout both periods.

(c) Net revenue per visit is calculated by dividing outpatient rehabilitation clinic revenue by the total number of visits. For purposes of this computation, outpatient rehabilitation clinic revenue does not include Select's Canadian subsidiary or contract services revenue.