

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

February 24, 2005

Date of Report (date of earliest event reported)

COMMUNITY HEALTH SYSTEMS, INC.

(Exact name of Registrant as specified in charter)

Delaware

(State or other jurisdiction
of incorporation)

001-15925

(Commission File Number)

13-3893191

(I.R.S. Employer
Identification No.)

155 Franklin Road, Suite 400

Brentwood, Tennessee 37027

(Address of principal executive offices)

Registrant's telephone number, including area code: (615) 373-9600

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

The information contained in this Form 8-K (including the exhibits hereto) shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

ITEM 2.02 Results of Operations and Financial Condition

On February 24, 2005, Community Health Systems, Inc. (the "Company"), announced operating results for the quarter and year ended December 31, 2004. A copy of the related press release is attached as Exhibit 99.1 to this Form 8-K.

ITEM 7.01 Regulation FD Disclosure

The following table sets forth selected information concerning the updated projected consolidated operating results of the Company for the year ending December 31, 2005. These projections are based on the Company's historical operating performance, current trends and other assumptions that the Company believes are reasonable at this time. The revision to the Company's guidance provided on October 26, 2004, relates primarily to the impact of the announced divestures of four additional hospitals during the first quarter of 2005, one of which was a hospital held for sale and already reflected in the October guidance.

The following is provided as guidance to analysts and investors:

	2005 Projection Range
Net operating revenues (in millions)	\$3,625 to \$3,675
Adjusted EBITDA (in millions)	\$555 to \$575 (a)
Income from continuing operations per share - diluted	\$1.78 to \$1.88 (b)
Net income per share - diluted	\$1.78 to \$1.88 (b) (c)
Same hospitals annual admissions growth	1.5% to 3.0%
Weighted average diluted shares (in millions)	98 to 99 (b)
Acquisitions of new hospitals	2 to 4

Income from Continuing Operations Per Share - Diluted Estimated by Quarter:

1st quarter ending March 31, 2005	\$0.45 to \$0.47
2nd quarter ending June 30, 2005	\$0.43 to \$0.45
3rd quarter ending September 30, 2005	\$0.43 to \$0.45
4th quarter ending December 31, 2005	\$0.47 to \$0.51

For Footnotes (a), (b) and (c) see page 3.

The following assumptions were used in developing the guidance provided above:

- The 2005 projection range does not assume any undisclosed possible divestitures.
- The 2005 projection range reflects three additional hospitals with respect to which we have announced the execution of definitive agreements for their sale. These three hospitals account for 308 of the Company's licensed beds and approximately 2% of the Company's net revenue with an estimated mid-point single digit EBITDA margin. The fourth hospital included in our announcements, was a hospital being held for sale and was already reflected in our October 26, 2004 guidance.
- In December 2004, the Financial Accounting Standard Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), Share-Based Payment. SFAS No. 123(R) will require the Company to recognize compensation expense beginning July 1, 2005, in an amount equal to the fair value of share-based payments related to unvested stock options over the applicable vesting period. The above 2005 guidance has not yet been adjusted for the impact of the adoption of this recently issued statement.

- The 2005 projection range includes the estimated impact of a reduction in Medicaid enrollment as a result of the State of Tennessee's recently announced plans to cut costs of the expanded TennCare program.
- The 2005 projection range includes the estimated impact of the favorable Medicaid reimbursement changes under the State of Illinois Provider Assessment Program.
- Provision for bad debts, which is expressed as a percentage of net operating revenue, is projected to be approximately 10.3% to 10.5% for 2005.
- Capital expenditures are as follows (in millions):

	Actual 2004	Guidance 2005
Total	\$ 164	\$ 170 to \$180

- Expressed as a percent of net operating revenues, total depreciation and amortization is projected to be approximately 4.5% to 4.9% for 2005; however, this is a fixed cost and the percentages may vary as revenue varies.
- Expressed as a percentage of income before income taxes, provision for income tax is projected to be approximately 38.7% to 39.1% for 2005.

Footnotes from page 2

- (a) EBITDA consists of income before interest, income taxes and depreciation and amortization. Adjusted EBITDA is EBITDA adjusted to exclude discontinued operations, loss from early extinguishment of debt and minority interest in earnings. We have from time to time sold minority interests in certain of our subsidiaries or acquired subsidiaries with existing minority interest ownership positions. We believe that it is useful to present adjusted EBITDA because it excludes the portion of EBITDA attributable to these third party interests and clarifies for investors our Company's portion of EBITDA generated by our continuing operations. We use adjusted EBITDA as a measure of liquidity. We have included this measure because we believe it provides investors with additional information about our ability to incur and service debt and make capital expenditures. Adjusted EBITDA is the basis for a key component in the determination of our compliance with some of the covenants under our senior secured credit facility, as well as to determine the interest rate and commitment fee payable under the senior secured credit facility.

Adjusted EBITDA is not a measurement of financial performance or liquidity under generally accepted accounting principles. It should not be considered in isolation or as a substitute for net income, operating income, cash flows from operating, investing or financing activities, or any other measure calculated in accordance with generally accepted accounting principles. The items excluded from adjusted EBITDA are significant components in understanding and evaluating financial performance and liquidity. Our calculation of adjusted EBITDA may not be comparable to similarly titled measures reported by other companies.

The following table reconciles adjusted EBITDA, as defined, to our net cash provided by operating activities as presented in the above guidance:

	2005 Projection Range (in millions)	
Adjusted EBITDA	\$ 555	\$ 575
Taxes and interest expense	(210)	(210)
Other non-cash expenses and net changes in operating assets and liabilities	(20)	(25)
Net cash provided by operating activities	\$ 325	\$ 340

- (b) The inclusion of the assumed conversion of convertible notes for purposes of fully diluted calculation is expected to cause a \$0.09 projected decrease in the reported net income per share in 2005. Accordingly, for purposes of providing guidance, we have assumed the conversion of the convertible

notes (after tax interest savings of \$8.7 million and 8.6 million shares added to the calculation of fully diluted earnings per share).

(c) Net loss on sale of disclosed divestitures is not reflected in net income per share – diluted guidance until transactions are closed.

The projections set forth in this report constitute forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995. Although the Company believes that these forward-looking statements are based on reasonable assumptions, these assumptions are inherently subject to significant economic and competitive uncertainties and contingencies, which are difficult or impossible to predict accurately and are beyond the control of the Company. Accordingly, the Company cannot give any assurance that its expectations will in fact occur and cautions that actual results may differ materially from those in the forward-looking statements. A number of factors could affect the future results of the Company or the healthcare industry generally and could cause the

Company's expected results to differ materially from those expressed in this filing. These factors include, among other things:

- general economic and business conditions, both nationally and in the regions in which we operate;
- demographic changes;
- existing governmental regulations and changes in, or the failure to comply with, governmental regulations;
- legislative proposals for healthcare reform;
- the impact of the Medicare Prescription Drug, Improvement and Modernization Act of 2003, which includes specific reimbursement changes for small urban and non-urban hospitals;
- our ability, where appropriate, to enter into managed care provider arrangements and the terms of these arrangements;
- changes in inpatient or outpatient Medicare and Medicaid payment levels;
- uncertainty with the Health Insurance Portability and Accountability Act of 1996 regulations;
- increases in wages as a result of inflation or competition for highly technical positions and rising supply cost due to market pressure from pharmaceutical companies and new product releases;
- liability and other claims asserted against us, including self-insured malpractice claims;
- competition;
- our ability to attract and retain qualified personnel, key management, physicians, nurses and other health care workers;
- trends toward treatment of patients in less acute or specialty healthcare settings, including ambulatory surgery centers or specialty hospitals;
- changes in medical or other technology;
- changes in generally accepted accounting principles;
- the availability and terms of capital to fund additional acquisitions or replacement facilities;
- our ability to successfully acquire and integrate additional hospitals;
- our ability to obtain adequate levels of general and professional liability insurance;
- potential adverse impact of known and unknown government investigations;
- timeliness of reimbursement payments received under government programs; and
- the other risk factors set forth in our public filings with the Securities and Exchange Commission.

The consolidated operating results for the quarter and year ended December 31, 2004, are not necessarily indicative of the results that may be experienced for any future quarter or for any future fiscal year, including this fiscal year.

The Company cautions that the annual projections for 2005 set forth herein are given as of the date hereof based on currently available information. The Company is not undertaking any obligations to update these projections as conditions change or other information becomes available.

Exhibits

The following exhibit is furnished herewith:

99.1 Community Health Systems, Inc. Press Release dated February 24, 2005.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: February 24, 2005

COMMUNITY HEALTH SYSTEMS, INC.
(Registrant)

By: /s/ Wayne T. Smith
Wayne T. Smith
Chairman of the Board,
President and Chief Executive Officer
(principal executive officer)

By: /s/ W. Larry Cash
W. Larry Cash
Executive Vice President, Chief Financial Officer
and Director
(principal financial officer)

By: /s/ T. Mark Buford
T. Mark Buford
Vice President and Corporate Controller
(principal accounting officer)

Index to Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release dated February 24, 2005



Investor Contact: W. Larry Cash
Executive Vice President
and Chief Financial Officer
(615) 373-9600

**COMMUNITY HEALTH SYSTEMS, INC. ANNOUNCES
FOURTH QUARTER 2004 RESULTS WITH NET OPERATING REVENUES UP 10.9%,
INCOME FROM CONTINUING OPERATIONS PER SHARE (DILUTED) UP 25.7% AND
NET INCOME PER SHARE (DILUTED) UP 22.9%**

**COMPLETES YEAR 2004 WITH NET OPERATING REVENUES UP 19.2%,
INCOME FROM CONTINUING OPERATIONS PER SHARE (DILUTED) UP 21.5%, AND
NET INCOME PER SHARE (DILUTED) UP 16.2%**

BRENTWOOD, TN. (February 24, 2005) — Community Health Systems, Inc. (NYSE: CYH) today announced financial and operating results for the fourth quarter and year ended December 31, 2004.

Net operating revenues for the fourth quarter ended December 31, 2004, totaled \$871.7 million, a 10.9% increase compared with \$785.8 million for the same period last year. Income from continuing operations increased 13.1% to \$40.6 million, or \$0.44 per share (diluted), on 97.5 million weighted average shares outstanding for the quarter ended December 31, 2004, compared with \$35.9 million, or \$0.35 per share (diluted), on 108.7 million weighted average shares outstanding for the same period last year. Net income increased 12.9% to \$40.2 million, or \$0.43 per share (diluted), compared with \$35.6 million, or \$0.35 per share (diluted), for the same period last year. Discontinued operations consists of an after-tax loss of approximately \$0.4 million, less than \$0.01 per share (diluted), related to the sale of two hospitals and the designation of a third hospital as being held for sale. Refer to pages 4 and 5 for "Financial Highlights."

Adjusted EBITDA for the fourth quarter of 2004 was \$130.0 million, compared with \$118.6 million for the same period last year, representing a 9.6% increase. Adjusted EBITDA is EBITDA adjusted to exclude discontinued operations, loss from early extinguishment of debt and minority interest in earnings. The Company uses adjusted EBITDA as a measure of liquidity. Net cash provided by operating activities for the fourth quarter of 2004 was \$62.6 million, compared with \$45.3 million for the same period last year, an increase of 38.0%.

The consolidated financial results for the fourth quarter ended December 31, 2004, reflect a 1.0% increase in total admissions compared with the same period last year. This increase is attributable to hospitals that have been acquired by the Company during 2004. On a same-store basis, admissions decreased 3.4% and adjusted admissions decreased 1.3% compared with the same period last year, primarily due to the lack of a flu season and a decrease in the number of respiratory illnesses treated. On a same-store basis, net operating revenues increased 5.3%, compared with the same period last year.

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Net operating revenues for the year ended December 31, 2004, totaled \$3.3 billion, compared with \$2.8 billion for the same period last year, a 19.2% increase, again demonstrating the Company's successful integration of acquisitions over the last several years. Income from continuing operations increased 19.8% to \$158.2 million or \$1.58 per share (diluted), on 105.9 million weighted average shares outstanding for the year ended December 31, 2004, compared with \$132.0 million, or \$1.30 per share (diluted) on 108.1 million weighted average shares outstanding, for the same period last year. Income from continuing operations for the year ended December 31, 2004, was reduced by approximately \$1.4 million after taxes, or \$0.01 per share (diluted), as a result of approximately \$1.3 million in expenses incurred in connection with the registration and offering of common stock of certain of the Company's selling stockholders, and an approximate \$0.8 million loss from early extinguishment of debt related to the refinancing of the Company's credit agreement. Year end results also included an estimated after tax loss of approximately \$2.1 million, or \$0.02 per share (diluted), as a result of a series of hurricanes which negatively impacted the volumes and operating results of selected hospitals during the third and fourth quarters of 2004.

Discontinued operations consist of an after-tax loss of approximately \$6.8 million, or \$0.07 per share (diluted), related to the sale of two hospitals and an impairment write-down related to the designation of a third hospital as being held for sale. Net income increased 15.2% to \$151.4 million, or \$1.51 per share (diluted), for the year ended December 31, 2004, compared with \$131.5 million, or \$1.30 per share (diluted) for the same period last year.

Adjusted EBITDA for the year ended December 31, 2004, was \$497.1 million, compared with \$434.0 million for the same period last year, a 14.6% increase. Net cash provided by operating activities for the year ended December 31, 2004, was \$325.8 million, compared with \$243.7 million for the same period last year, an increase of 33.7%.

The consolidated financial results for the year ended December 31, 2004, reflect an 11.5% increase in total admissions compared with the same period last year. On a same-store basis, admissions decreased 0.2%, adjusted admissions increased 1.3%, and net operating revenues increased 6.6%, compared with the same period last year.

"We are very pleased with Community Health Systems' strong financial performance for 2004," commented Wayne T. Smith, chairman, president and chief executive officer of Community Health Systems, Inc. "Our gains in the fourth quarter are especially gratifying when compared with our impressive finish in 2003 and in light of the fact that the flu season failed to materialize by the end of 2004. Our successful expense management – in tandem with our focus on our effective, standardized operating platform, a proven acquisition strategy, successful physician recruitment, and our favorable reputation in the marketplace – all worked together to allow us to surpass our financial and operating objectives."

During 2004, Community Health Systems, Inc. completed two acquisitions of community hospitals. On July 1, 2004, the Company acquired Galesburg Cottage Hospital (170 beds) in Galesburg, Illinois, and completed the acquisition of Phoenixville Hospital (143 beds) in Phoenixville,

“Our Galesburg and Phoenixville acquisitions have been assimilated into our network of non-urban hospitals, and we expect them to provide additional growth opportunities for the Company as we expand our coverage into new markets,” added Smith. “Our acquisition strategy will continue to be a strong component of our success, enabling us to grow our operating base and extend services into new communities, while delivering greater value to our shareholders.”

On January 20, 2005, the Company announced the execution of a definitive agreement to acquire Chestnut Hill Hospital (183 beds) in Philadelphia, Pennsylvania.

Included in the Company’s Form 8-K filed on February 24, 2005, is a table setting forth selected information concerning the updated projected consolidated operating results of the Company for the year ending December 31, 2005.

Located in the Nashville, Tennessee suburb of Brentwood, Community Health Systems, Inc. is a leading operator of general acute care hospitals in non-urban communities throughout the country. Through its subsidiaries, the Company currently owns, leases or operates 71 hospitals in 22 states. Its hospitals offer a broad range of inpatient medical and surgical services, outpatient treatment and skilled nursing care. Shares in Community Health Systems, Inc. are traded on the New York Stock Exchange under the symbol “CYH”.

Community Health Systems, Inc. will hold a conference call to discuss this press release on Friday, February 25, 2005, at 10:30 a.m. Central, 11:30 a.m. Eastern. Investors will have the opportunity to listen to a live Internet broadcast of the conference call by clicking on the Investor Relations link of the Company’s website at www.chs.net, or at www.fulldisclosures.com. To listen to the live call, please go to the website at least fifteen minutes early to register, download, and install any necessary audio software. For those who cannot listen to the live broadcast, a replay will be available shortly after the call and continue through March 25, 2005. A copy of the Company’s Form 8-K (including this press release) and conference call slide show will also be available on the Company’s website at www.chs.net.

Statements contained in this news release regarding expected operating results, acquisition transactions and other events are forward-looking statements that involve risk and uncertainties. Actual future events or results may differ materially from these statements. Readers are referred to the documents filed by Community Health Systems, Inc. with the Securities and Exchange Commission, including the Company’s registration statements, annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. These filings identify important risk factors and other uncertainties that could cause actual results to differ from those contained in the forward-looking statements.

COMMUNITY HEALTH SYSTEMS, INC.

Financial Highlights

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended December 31,		Year Ended December 31,	
	2004	2003 (a)	2004	2003 (a)
Net operating revenues	\$ 871,673	\$ 785,844	\$ 3,332,641	\$ 2,796,766
Adjusted EBITDA (b)	\$ 129,981	\$ 118,590	\$ 497,129(c)	\$ 433,975
Income from continuing operations	\$ 40,642	\$ 35,923	\$ 158,221(d)	\$ 132,049
Net income	\$ 40,229	\$ 35,634	\$ 151,433	\$ 131,472
Income from continuing operations per share-basic	\$ 0.47	\$ 0.36	\$ 1.65	\$ 1.34
Income from continuing operations per share-diluted	\$ 0.44	\$ 0.35	\$ 1.58(d)	\$ 1.30
Net income per share - basic	\$ 0.46	\$ 0.36	\$ 1.58	\$ 1.34
Net income per share - diluted	\$ 0.43	\$ 0.35	\$ 1.51	\$ 1.30
Weighted average number of shares outstanding - basic	87,369	98,469	95,644	98,392
Weighted average number of shares outstanding - diluted	97,516(e)	108,673(e)	105,864(e)	108,095(e)
Net cash provided by operating activities	\$ 62,577	\$ 45,348	\$ 325,751	\$ 243,704

(a) Pursuant to FASB No. 144, the Company has restated its prior period financial statements and statistical results to reflect the reclassification as discontinued operations the sale of two hospitals and the designation of a third hospital as being held for sale.

(b) EBITDA consists of income before interest, income taxes, and depreciation and amortization. Adjusted EBITDA is EBITDA adjusted to exclude discontinued operations, loss from early extinguishment of debt and minority interest in earnings. We have from time to time sold minority interests in certain of our subsidiaries or acquired subsidiaries with existing minority interest ownership positions. We believe that it is useful to present adjusted

EBITDA because it excludes the portion of EBITDA attributable to these third party interests and clarifies for investors our Company's portion of EBITDA generated by our continuing operations. We use adjusted EBITDA as a measure of liquidity. We have included this measure because we believe it provides investors with additional information about our ability to incur and service debt and make capital expenditures. Adjusted EBITDA is the basis for a key component in the determination of our compliance with some of the covenants under our senior secured credit facility, as well as to determine the interest rate and commitment fee payable under the senior secured credit facility.

Adjusted EBITDA is not a measurement of financial performance or liquidity under generally accepted accounting principles. It should not be considered in isolation or as a substitute for net income, operating income, cash flows from operating, investing or financing activities, or any other measure calculated in accordance with generally accepted accounting principles. The items excluded from adjusted EBITDA are significant components in understanding and evaluating financial performance and liquidity. Our calculation of adjusted EBITDA may not be comparable to similarly titled measures reported by other companies.

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The following table reconciles adjusted EBITDA, as defined, to our net cash provided by operating activities as derived directly from our consolidated financial statements for the three months and years ended December 31, 2004 and 2003 (in thousands):

	Three Months Ended December 31,		Year Ended December 31,	
	2004	2003	2004	2003
Adjusted EBITDA	\$ 129,981	\$ 118,590	\$ 497,129	\$ 433,975
Interest expense, net	(21,587)	(18,866)	(77,856)	(70,792)
Provision for income taxes	(25,658)	(24,427)	(102,002)	(88,517)
Loss from operations of hospitals sold or held for sale	(413)	(289)	(3,143)	(577)
Depreciation and amortization of discontinued operations	—	702	1,696	3,136
Other non-cash expenses, net	41,639	63,103	42,573	63,245
Net changes in operating assets and liabilities, net of effects of acquisitions	(61,385)	(93,465)	(32,646)	(96,766)
Net cash provided by operating activities	\$ 62,577	\$ 45,348	\$ 325,751	\$ 243,704

- (c) Includes approximately \$1.3 million of expenses incurred in connection with the registration and offering of common stock and the repurchase of common stock by us.
- (d) Income from continuing operations for the year ended December 31, 2004, was reduced by approximately \$1.4 million or \$0.01 per share (diluted) after taxes as a result of approximately \$1.3 million in expenses incurred in connection with the registration and offering of common stock and the repurchase of common stock by us, and an approximate \$0.8 million loss from early extinguishment of debt related to the refinancing of our credit agreement. Income from continuing operations for the year also included an after tax loss of approximately \$2.1 million or \$0.02 per share (diluted) as a result of the series of hurricanes.
- (e) Adjusted to include assumed exercise of employee stock options and assumed conversion of convertible notes. Since the income per share impact of the conversion of the convertible notes is less than the basic income per share for both periods presented, the convertible notes are dilutive and accordingly must be included in the fully diluted calculation (after tax interest savings of \$2.2 million per quarter and 8.6 million shares added to the calculation of fully diluted earnings per share).

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COMMUNITY HEALTH SYSTEMS, INC.
Condensed Consolidated Statements of Income
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended December 31,		Year Ended December 31,	
	2004	2003	2004	2003
Net operating revenues	\$ 871,673	\$ 785,844	\$ 3,332,641	\$ 2,796,766
Operating expenses:				
Salaries and benefits	347,905	313,963	1,335,457	1,121,650
Provision for bad debts	89,976	80,328	343,793	272,424
Supplies	106,292	94,226	404,063	328,496
Other operating expenses	197,519	178,737	752,199	640,221
Depreciation and amortization	41,604	39,090	156,684	140,630
Minority interests in earnings	490	284	1,578	1,987
Total expenses	783,786	706,628	2,993,774	2,505,408

Income from operations	87,887	79,216	338,867	291,358
Interest expense, net	21,587	18,866	77,856	70,792
Loss from early extinguishment of debt	—	—	788	—
Income from continuing operations before income taxes	66,300	60,350	260,223	220,566
Provision for income taxes	25,658	24,427	102,002	88,517
Income from continuing operations	40,642	35,923	158,221	132,049
Discontinued operations, net of taxes:				
Loss from operations of hospitals sold or held for sale	(413)	(289)	(3,143)	(577)
Net loss on sale of hospitals	—	—	(2,020)	—
Impairment of long-lived assets of hospital held for sale	—	—	(1,625)	—
Loss on discontinued operations	(413)	(289)	(6,788)	(577)
Net income	\$ 40,229	\$ 35,634	\$ 151,433	\$ 131,472
Income from continuing operations per share-basic	\$ 0.47	\$ 0.36	\$ 1.65	\$ 1.34
Income from continuing operations per share-diluted	\$ 0.44	\$ 0.35	\$ 1.58	\$ 1.30
Net income per share - basic	\$ 0.46	\$ 0.36	\$ 1.58	\$ 1.34
Net income per share - diluted	\$ 0.43	\$ 0.35	\$ 1.51	\$ 1.30
Weighted average number of shares outstanding:				
Basic	87,369	98,469	95,644	98,392
Diluted	97,516	108,673	105,864	108,095
Net income per share calculation:				
Net income	\$ 40,229	\$ 35,634	\$ 151,433	\$ 131,472
Add - Convertible notes interest, net of taxes	2,190	2,190	8,757	8,757
Adjusted net income	\$ 42,419	\$ 37,824	\$ 160,190	\$ 140,229
Weighted average number of shares outstanding - basic	87,369	98,469	95,644	98,392
Add effect of dilutive securities:				
Unvested common shares	—	81	23	89
Employee stock options	1,565	1,541	1,615	1,032
Convertible notes	8,582	8,582	8,582	8,582
Weighted average number of shares outstanding - diluted	97,516	108,673	105,864	108,095

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COMMUNITY HEALTH SYSTEMS, INC.
Selected Operating Data
(Unaudited)
(\$ in thousands)

	For the Three Months Ended December 31,					
	Consolidated			Same-Store		
	2004	2003	% Change	2004	2003	% Change
Number of hospitals	71	69		69	69	
Licensed beds	7,888	7,637		7,575	7,637	
Beds in service	6,346	6,041		6,040	6,041	
Admissions	70,706	70,035	1.0%	67,550	69,960	-3.4%
Adjusted admissions	131,531	126,625	3.9%	124,828	126,490	-1.3%
Patient days	286,112	284,964	0.4%	272,446	284,533	-4.2%
Average length of stay (days)	4.0	4.1		4.0	4.1	
Occupancy rate (average beds in service)	49.0%	51.3%		49.0%	51.3%	
Net operating revenues	\$ 871,673	\$ 785,844	10.9%	\$ 824,517	\$ 782,812	5.3%
Net inpatient revenue as a % of total net operating revenues	50.8%	51.6%		51.4%	51.7%	
Net outpatient revenue as a % of total net operating revenues	47.8%	46.9%		47.3%	47.1%	
Income from operations	\$ 87,887	\$ 79,216	10.9%	\$ 83,574	\$ 77,765	7.5%
Income from operations as a % of net operating revenues	10.1%	10.1%		10.1%	9.9%	
Depreciation and amortization	\$ 41,604	\$ 39,090		\$ 39,943	\$ 39,024	
Minority interest in earnings	\$ 490	\$ 284		\$ 490	\$ 284	
Liquidity Data:						
Adjusted EBITDA	\$ 129,981	\$ 118,590	9.6%			
Adjusted EBITDA as a % of net operating revenues	14.9%	15.1%				
Net cash provided by operating activities	\$ 62,577	\$ 45,348				
Net cash provided by operating activities as a % of net operating revenue	7.2%	5.8%				

Continuing operating results and statistical data exclude discontinued operations for all periods presented. Certain 2003 operating data has been adjusted for minor reclassification/corrections.

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	For the Year Ended December 31,					
	Consolidated			Same-Store		
	2004	2003	% Change	2004	2003	% Change
Number of hospitals	71	69		69	69	

Licensed beds	7,888	7,637		7,575	7,637	
Beds in service	6,346	6,041		6,040	6,041	
Admissions	279,678	250,901	11.5%	249,415	249,807	-0.2%
Adjusted admissions	518,603	458,709	13.1%	462,521	456,758	1.3%
Patient days	1,135,844	989,891	14.7%	994,314	986,216	0.8%
Average length of stay (days)	4.1	3.9		4.0	3.9	
Occupancy rate (average beds in service)	49.9%	48.9%		48.7%	49.0%	
Net operating revenues	\$ 3,332,641	\$ 2,796,766	19.2%	\$ 2,966,410	\$ 2,782,892	6.6%
Net inpatient revenue as a % of total net operating revenues	50.5%	51.3%		50.5%	51.3%	
Net outpatient revenue as a % of total net operating revenues	48.1%	47.5%		48.3%	47.5%	
Income from operations	\$ 338,867	\$ 291,358	16.3%	\$ 317,296	\$ 289,860	9.5%
Income from operations as a % of net operating revenues	10.2%	10.4%		10.7%	10.4%	
Depreciation and amortization	\$ 156,684	\$ 140,630		\$ 142,513	\$ 139,951	
Minority interest in earnings	\$ 1,578	\$ 1,987		\$ 1,578	\$ 1,987	
Liquidity Data:						
Adjusted EBITDA	\$ 497,129	\$ 433,975	14.6%			
Adjusted EBITDA as a % of net operating revenues	14.9%	15.5%				
Net cash provided by operating activities	\$ 325,751	\$ 243,704				
Net cash provided by operating activities as a % of net operating revenue	9.8%	8.7%				

Continuing operating results and statistical data exclude discontinued operations for all periods presented. Certain 2003 operating data has been adjusted for minor reclassification/corrections.

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COMMUNITY HEALTH SYSTEMS, INC.
Condensed Consolidated Balance Sheets
(Unaudited)
(in thousands)

	December 31, 2004	December 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 82,498	\$ 16,331
Patient accounts receivable, net	597,261	559,097
Other current assets	135,690	120,652
Total current assets	815,449	696,080
Property and equipment	1,924,843	1,772,461
Less accumulated depreciation and amortization	(440,295)	(377,116)
Property and equipment, net	1,484,548	1,395,345
Goodwill, net	1,213,783	1,155,797
Other assets, net	118,828	102,989
Total assets	\$ 3,632,608	\$ 3,350,211
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 26,867	\$ 29,677
Accounts payable and accrued liabilities	335,492	368,387
Total current liabilities	362,359	398,064
Long-term debt	1,804,868	1,444,981
Other long-term liabilities	225,390	156,577
Stockholders' equity	1,239,991	1,350,589
Total liabilities and stockholders' equity	\$ 3,632,608	\$ 3,350,211

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COMMUNITY HEALTH SYSTEMS, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Year Ended December 31,	
	2004	2003
Cash flows from operating activities		
Net Income	\$ 151,433	\$ 131,472
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	158,380	143,766

Minority interest in earnings	1,578	1,987
Other non-cash expenses, net	47,006	63,245
Net changes in operating assets and liabilities, net of effects of acquisitions	(32,646)	(96,766)
Net cash provided by operating activities	325,751	243,704
Cash flows from investing activities		
Acquisitions of facilities and other related equipment	(133,033)	(450,572)
Purchases of property and equipment	(164,287)	(146,379)
Proceeds from sale of assets and facilities	8,640	5,160
Increase in other assets	(29,800)	(28,979)
Net cash used in investing activities	(318,480)	(620,770)
Cash flows from financing activities		
Proceeds from exercise of stock options	9,900	4,264
Stock repurchase	(290,520)	(14,708)
Deferred financing costs	(12,783)	(1,261)
Redemption of minority investments in joint ventures	(3,522)	(430)
Distribution to minority investors in joint ventures	(1,238)	(2,471)
Borrowing under credit agreement	2,025,768	390,700
Repayments of long-term indebtedness	(1,668,709)	(115,541)
Net cash provided by financing activities	58,896	260,553
Net change in cash and cash equivalents	66,167	(116,513)
Cash and cash equivalents at beginning of period	16,331	132,844
Cash and cash equivalents at end of period	\$ 82,498	\$ 16,331

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