

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

July 21, 2004

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**

ITEM 12. Results of Operations And Financial Condition.

The following information is being furnished pursuant to Item 12, "Results of Operations and Financial Condition." Consequently, it is not deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act"), or otherwise subject to the liabilities of that section. It may only be incorporated by reference in another filing under the Exchange Act or Securities Act of 1933 if such subsequent filing specifically references this Form 8-K. On July 21, 2004, Community Health Systems, Inc. (the "Company"), announced operating results for the quarter and six months ended June 30, 2004. A copy of the related press release is attached as Exhibit 99.1 to this Form 8-K.

The following table sets forth selected information concerning the projected consolidated operating results of the Company for the year ending December 31, 2004. 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 following is provided as guidance to analysts and investors:

| <u>Year Ending December 31, 2004 Projection Range:</u> | |
|--|--------------------|
| Net operating revenues (in millions) | \$3,350 to \$3,380 |
| Adjusted EBITDA (in millions) | \$504 to \$512 (a) |
| | \$1.51 to \$1.54 |
| Net income per share - diluted | (b) |
| Net cash provided by operating activities | \$310 to \$320 |
| Same hospitals annual admissions growth | 1.5% to 3% |
| Weighted average diluted shares (in millions) | 109 to 109.5 (b) |
| Acquisitions of new hospitals | 2 to 3 |
| <u>Net Income Per Share - Diluted by Quarter:</u> | |
| 3rd quarter ending September 30, 2004 (estimate) | \$0.36 to \$0.37 |
| 4th quarter ending December 31, 2004 (estimate) | \$0.39 to \$0.41 |

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

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

- Expressed as a percent of net operating revenues, provision for bad debts is projected to be approximately 10.0% to 10.5% for 2004.
- Capital expenditures are as follows (in millions):

| | <u>Guidance</u> <u>2004</u> | <u>Actual</u> <u>2003</u> |
|---------------------------|--------------------------------|------------------------------|
| Equipment and renovations | \$140 to \$143 | \$105 |

| | | |
|-----------------------|----------------|-------|
| Replacement hospitals | \$13 to \$14 | \$ 43 |
| Total | \$153 to \$157 | \$148 |

- Expressed as a percent of net operating revenues, total depreciation and amortization is projected to be approximately 4.6% to 4.9% for 2004; however, this is a fixed cost and the percentages may vary as revenues varies.
- Expressed as a percentage of income before income taxes, provision for income tax is projected to be approximately 39.3% to 39.8% for 2004.

Footnotes from page 2

- (a) EBITDA consists of income before interest, income taxes and depreciation and amortization. Adjusted EBITDA is EBITDA adjusted to exclude 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 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 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:

| | 2004 Projection Range | |
|---|-----------------------|--------|
| | (in millions) | |
| Adjusted EBITDA | \$ 504 | \$ 512 |
| Taxes and interest expense | (182) | (184) |
| Other non-cash expenses and net changes in operating assets and liabilities | (12) | (8) |
| Net cash provided by operating activities | \$ 310 | \$ 320 |

- (b) The inclusion of the assumed conversion of convertible notes for purposes of fully diluted calculation is expected to cause a \$0.05 projected decrease in the reported net income per share in 2004. 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).

The projections set forth in this report constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 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, including 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; 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 six months ended June 30, 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 2004 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.

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: July 21, 2004

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 Filed with the Current Report on Form 8-K Dated July 21, 2004

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|-----------------------------------|
| 99.1 | Press Release dated July 21, 2004 |



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

**COMMUNITY HEALTH SYSTEMS, INC. ANNOUNCES
 SECOND QUARTER 2004 RESULTS WITH
 NET OPERATING REVENUES UP 23.8%, NET INCOME UP 25.6% AND
 NET INCOME PER SHARE (DILUTED) UP 23.3%**

BRENTWOOD, Tenn. (July 21, 2004) Community Health Systems, Inc. (NYSE: CYH) today announced financial and operating results for the second quarter ended June 30, 2004.

Net operating revenues for the second quarter ended June 30, 2004, totaled \$813.7 million, a 23.8% increase compared with \$657.3 million for the same period last year. Net income increased 25.6% to \$38.4 million, or \$0.37 per share (diluted), on 109.0 million weighted average shares outstanding for the quarter ended June 30, 2004, compared with \$30.6 million, or \$0.30 per share (diluted), on 107.8 million weighted average shares outstanding for the same period last year. Refer to page 3 for "Financial Highlights."

Adjusted EBITDA for the second quarter of 2004 was \$121.5 million, compared with \$102.7 million for the same period last year, representing a 18.2% increase. Included in the second quarter 2004 adjusted EBITDA is approximately \$0.9 million of expenses incurred in connection with the registration and offering of common stock of certain of the Company's stockholders completed on April 19, 2004, as referenced on page 3, footnote (b). Adjusted EBITDA is EBITDA adjusted to exclude minority interest in earnings. The Company uses adjusted EBITDA as a measure of liquidity. Net cash provided by operating activities for the second quarter of 2004 was \$144.3 million, compared with \$142.8 million for the same period last year. Refer to page 3, Footnote (d).

The consolidated financial results for the second quarter ended June 30, 2004, reflect a 19.3% increase in total admissions compared with the second quarter of 2003. This increase is attributable to the Company's acquisition success and strong internal growth. On a same-store basis, admissions increased 3.3% and net operating revenues increased 7.0% compared with the same period last year.

Net operating revenues for the six months ended June 30, 2004, totaled \$1.6 billion, compared with \$1.3 billion for the same period last year, a 24.3% increase, again demonstrating the Company's successful integration of acquisitions over the last several years. Net income increased 23.4% to \$79.2 million, or \$0.77 per share (diluted), on 109.1 million weighted average shares outstanding, for the six months ended June 30, 2004, compared with \$64.2 million, or \$0.64 per share (diluted) on 107.8 million weighted average shares outstanding, for the same period last year.

Adjusted EBITDA for the six months ended June 30, 2004, was \$246.5 million, compared with \$209.3 million for the same period last year, a 17.8% increase. Net cash provided by operating activities for the six months ended June 30, 2004, was \$206.0 million, compared with \$151.3 million for the same period last year, an increase of 36.2%. Refer to page 3, footnote (e).

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The consolidated financial results for the six months ended June 30, 2004, reflect an 18.5% increase in total admissions compared with the same period last year. On a same-store basis, admissions increased 2.6% and net operating revenues increased 7.6%, compared with the same period last year.

"We are pleased to once again report that Community Health Systems delivered an outstanding performance for the second quarter of 2004," commented Wayne T. Smith, chairman, president and chief executive officer of Community Health Systems, Inc. "Our ability to continue to drive revenues and earnings and meet our operating objectives tells us we are doing the right things. Our strong top line growth reflects our capacity to improve the level and scope of services and enhance the financial and operating performance of our hospitals. We are very pleased with the momentum in our business and look forward to continued progress for the remainder of 2004."

On July 1, 2004, the Company completed the acquisition of Galesburg Cottage Hospital (170 beds) in Galesburg, Illinois. On June 22, 2004, the Company announced the execution of a definitive agreement to acquire Phoenixville Hospital (143 beds) in Phoenixville, Pennsylvania.

"Our results to date demonstrate our ability to combine our acquisition-oriented growth strategy with solid operating metrics, delivered through our standardized and centralized approach to managing our hospitals," added Smith. "As we continue to gain recognition in the marketplace for our proven execution, we have extended our role as an industry leader in selectively acquiring non-urban hospitals in attractive growth markets. Our proven ability to assimilate these acquired hospitals into our system and enhance the level of healthcare services provided in their respective communities has been the key differentiator for Community Health Systems. We look forward to continuing to deliver favorable results for our shareholders and the communities we serve, as we stay focused on our strategy."

Located in the Nashville, Tennessee suburb of Brentwood, Community Health Systems 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 73 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 will hold a conference call to discuss this press release on Thursday, July 22, 2004, at 10:00 a.m. Central, 11:00 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 August 21, 2004. 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 Statement on Form S-3 (Registration Statement No. 333-112084), and Form 10-K for the year ended December 31, 2003 and Form 10-Q for the quarter ended March 31, 2004. 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 net income per share amounts)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|---------------|------------------------------|---------------|
| | 2004 | 2003 | 2004 | 2003 |
| Net operating revenues | \$ 813,669 | \$ 657,293 | \$ 1,636,045 | \$ 1,316,570 |
| Adjusted EBITDA (a) | \$ 121,470(b) | \$ 102,733 | \$ 246,493(b) | \$ 209,307 |
| Net income | \$ 38,439 | \$ 30,616 | \$ 79,165 | \$ 64,155 |
| Net income per share - basic | \$ 0.39 | \$ 0.31 | \$ 0.80 | \$ 0.65 |
| Weighted average number of shares outstanding - basic | 98,780 | 98,256 | 98,744 | 98,314 |
| Net income per share - diluted | \$ 0.37 | \$ 0.30 | \$ 0.77 | \$ 0.64 |
| Weighted average number of shares outstanding - diluted | 108,999(c) | 107,765(c) | 109,069(c) | 107,786(c) |
| Net cash provided by operating activities | \$ 144,254(d) | \$ 142,781(d) | \$ 205,985(e) | \$ 151,291(e) |

(a) EBITDA consists of income before interest, income taxes, and depreciation and amortization. Adjusted EBITDA is EBITDA adjusted to exclude 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 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 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 derived directly from our consolidated financial statements for the three months and six months ended June 30, 2004 and 2003 (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|------------|------------------------------|------------|
| | 2004 | 2003 | 2004 | 2003 |
| Adjusted EBITDA | \$ 121,470 | \$ 102,733 | \$ 246,493 | \$ 209,307 |
| Interest expense, net | (18,488) | (16,667) | (37,260) | (33,683) |
| Provision for income taxes | (25,202) | (20,412) | (51,903) | (42,817) |
| Other non-cash expenses, net | 402 | 143 | (89) | 122 |
| Net changes in operating assets and liabilities, net of effects of acquisitions | 66,072 | 76,984 | 48,744 | 18,362 |
| Net cash provided by operating activities | \$ 144,254 | \$ 142,781 | \$ 205,985 | \$ 151,291 |

- (b) Includes approximately \$0.9 million of expenses incurred in connection with the registration and offering of common stock completed on April 19, 2004. Net income was reduced by approximately \$0.6 million or \$0.01 per share (diluted) as a result of these expenses.
- (c) 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).
- (d) The change in net cash provided by operating activities between the three months ended June 30, 2004, and the same period in 2003 is an increase of 1.0%. Net cash provided by operating activities for the three months ended June 30, 2003, included approximately \$10 million due to the receipt of a cash advance from the Company's Medicare Intermediary related to an anticipated payment delay resulting from a scheduled July system conversion. Had net cash provided by operating activities for the prior year not included this cash advance, the change between periods would have been an increase of approximately 8.6%.
- (e) The change in net cash provided by operating activities between the six months ended June 30, 2004, and the same period in 2003 is an increase of 36.2%. The cash advance mentioned in footnote(d) substantially offsets the build-up of accounts receivable related to acquisitions for the six months

ended June 30, 2003. Had net cash provided by operating activities for the prior year period been adjusted for both the cash advance and build-up of accounts receivable, the change between periods would have been an increase of approximately 32%.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|------------|------------------------------|--------------|
| | 2004 | 2003 | 2004 | 2003 |
| Net operating revenues | \$ 813,669 | \$ 657,293 | \$ 1,636,045 | \$ 1,316,570 |
| Operating expenses: | | | | |
| Salaries and benefits | 327,403 | 263,307 | 657,831 | 532,079 |
| Provision for bad debts | 81,721 | 62,078 | 167,832 | 124,419 |
| Supplies | 96,645 | 76,152 | 196,037 | 152,972 |
| Other operating expenses | 186,430 | 153,023 | 367,852 | 297,793 |
| Depreciation and amortization | 38,706 | 34,358 | 77,157 | 67,600 |
| Minority interests in earnings | 635 | 680 | 1,008 | 1,052 |
| Total expenses | 731,540 | 589,598 | 1,467,717 | 1,175,915 |
| Income from operations | 82,129 | 67,695 | 168,328 | 140,655 |
| Interest expense, net | 18,488 | 16,667 | 37,260 | 33,683 |
| Income before income taxes | 63,641 | 51,028 | 131,068 | 106,972 |
| Provision for income taxes | 25,202 | 20,412 | 51,903 | 42,817 |
| Net income | \$ 38,439 | \$ 30,616 | \$ 79,165 | \$ 64,155 |
| Net income per share - basic | \$ 0.39 | \$ 0.31 | \$ 0.80 | \$ 0.65 |
| Net income per share - diluted | \$ 0.37 | \$ 0.30 | \$ 0.77 | \$ 0.64 |
| Weighted average number of shares outstanding: | | | | |
| Basic | 98,780 | 98,256 | 98,744 | 98,314 |
| Diluted | 108,999 | 107,765 | 109,069 | 107,786 |
| Net income per share calculation: | | | | |
| Net income | \$ 38,439 | \$ 30,616 | \$ 79,165 | \$ 64,155 |
| Add - Convertible notes interest, net of taxes | 2,189 | 2,189 | 4,378 | 4,378 |
| Adjusted net income | \$ 40,628 | \$ 32,805 | \$ 83,543 | \$ 68,533 |
| Weighted average number of shares outstanding - basic | 98,780 | 98,256 | 98,744 | 98,314 |
| Add effect of dilutive securities: | | | | |
| Unvested common shares | 31 | 117 | 31 | 117 |
| Employee stock options | 1,606 | 810 | 1,712 | 773 |
| Convertible notes | 8,582 | 8,582 | 8,582 | 8,582 |
| Weighted average number of shares outstanding - diluted | 108,999 | 107,765 | 109,069 | 107,786 |
| Net income per share - diluted | \$ 0.37 | \$ 0.30 | \$ 0.77 | \$ 0.64 |

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

| | For the Three Months Ended June 30, | | | | | |
|---|-------------------------------------|------------|----------|------------|------------|----------|
| | Consolidated | | | Same-Store | | |
| | 2004 | 2003 | % Change | 2004 | 2003 | % Change |
| Number of hospitals | 72 | 70 | | 69 | 69 | |
| Licensed beds | 7,810 | 6,962 | | 6,854 | 6,899 | |
| Beds in service | 6,241 | 5,390 | | 5,417 | 5,355 | |
| Admissions | 69,145 | 57,979 | 19.3% | 59,634 | 57,744 | 3.3% |
| Adjusted admissions | 128,265 | 107,096 | 19.8% | 110,501 | 106,692 | 3.6% |
| Patient days | 279,830 | 221,735 | 26.2% | 234,899 | 220,904 | 6.3% |
| Average length of stay (days) | 4.0 | 3.8 | 5.3% | 3.9 | 3.8 | |
| Occupancy rate (average beds in service) | 49.4% | 45.2% | | 47.7% | 45.3% | |
| Net operating revenues | \$ 813,669 | \$ 657,293 | 23.8% | \$ 699,998 | \$ 654,099 | 7.0% |
| Net inpatient revenue as a % of total net operating revenues | 50.4% | 50.2% | | 49.8% | 50.2% | |
| Net outpatient revenue as a % of total net operating revenues | 48.4% | 48.5% | | 49.1% | 48.5% | |
| Income from operations | \$ 82,129 | \$ 67,695 | 21.3% | \$ 76,538 | \$ 67,937 | 12.7% |
| Income from operations as a % of net operating revenues | 10.1% | 10.3% | | 10.9% | 10.3% | |

| | | | | | |
|---|----|---------|----|---------|---------------------|
| operating revenues | | | | | |
| Depreciation and amortization | \$ | 38,706 | \$ | 34,358 | \$ 33,821 \$ 34,153 |
| Minority interest in earnings | \$ | 635 | \$ | 680 | \$ 635 \$ 680 |
| Liquidity Data: | | | | | |
| Adjusted EBITDA | \$ | 121,470 | \$ | 102,733 | 18.2% |
| Adjusted EBITDA as a % of net operating revenues | | 14.9% | | 15.6% | |
| Net cash provided by operating activities | \$ | 144,254 | \$ | 142,781 | |
| Net cash provided by operating activities as a % of net operating revenue | | 17.7% | | 21.7% | |

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

| | For the Six Months Ended June 30, | | | | | |
|---|-----------------------------------|-----------|----------|------------|---------------------|--------------------------------|
| | Consolidated | | | Same-Store | | |
| | 2004 | 2003 | % Change | 2004 | 2003 | % Change |
| Number of hospitals | | 72 | 70 | 69 | 69 | |
| Licensed beds | | 7,810 | 6,962 | 6,854 | 6,899 | |
| Beds in service | | 6,241 | 5,390 | 5,438 | 5,351 | |
| Admissions | | 141,778 | 119,627 | 122,236 | 119,173 | 2.6% |
| Adjusted admissions | | 259,280 | 217,916 | 223,218 | 217,112 | 2.8% |
| Patient days | | 580,487 | 466,987 | 487,533 | 465,292 | 4.8% |
| Average length of stay (days) | | 4.1 | 3.9 | 4.0 | 3.9 | |
| Occupancy rate (average beds in service) | | 51.4% | 47.9% | 49.6% | 48.0% | |
| Net operating revenues | \$ | 1,636,045 | \$ | 1,316,570 | 24.3% | \$ 1,408,906 \$ 1,309,372 7.6% |
| Net inpatient revenue as a % of total net operating revenues | | 50.8% | 51.6% | 50.8% | 51.6% | |
| Net outpatient revenue as a % of total net operating revenues | | 47.8% | 47.1% | 48.0% | 47.2% | |
| Income from operations | \$ | 168,328 | \$ | 140,655 | 19.7% | \$ 155,283 \$ 140,543 10.5% |
| Income from operations as a % of net operating revenues | | 10.3% | 10.7% | 11.0% | 10.7% | |
| Depreciation and amortization | \$ | 77,157 | \$ | 67,600 | \$ 67,794 \$ 67,194 | |
| Minority interest in earnings | \$ | 1,008 | \$ | 1,052 | \$ 1,008 \$ 1,052 | |
| Liquidity Data: | | | | | | |
| Adjusted EBITDA | \$ | 246,493 | \$ | 209,307 | 17.8% | |
| Adjusted EBITDA as a % of net operating revenues | | 15.1% | 15.9% | | | |
| Net cash provided by operating activities | \$ | 205,985 | \$ | 151,291 | | |
| Net cash provided by operating activities as a % of net operating revenue | | 12.6% | 11.5% | | | |

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

| | June 30, 2004 | December 31, 2003 |
|--|---------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 18,605 | \$ 16,331 |
| Patient accounts receivable, net | 552,378 | 559,097 |
| Other current assets | 131,189 | 120,652 |
| Total current assets | 702,172 | 696,080 |
| Property and equipment | 1,840,099 | 1,772,461 |
| Less accumulated depreciation and amortization | (432,043) | (377,116) |
| Property and equipment, net | 1,408,056 | 1,395,345 |
| Goodwill, net | 1,158,551 | 1,155,797 |
| Other assets, net | 112,485 | 102,989 |
| Total assets | \$ 3,381,264 | \$ 3,350,211 |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|---|---------------------|---------------------|
| Current liabilities: | | |
| Current maturities of long-term debt | \$ 20,132 | \$ 29,677 |
| Accounts payable and accrued liabilities | 386,712 | 368,387 |
| Total current liabilities | <u>406,844</u> | <u>398,064</u> |
| Long-term debt | 1,353,782 | 1,444,981 |
| Other long-term liabilities | 175,537 | 156,577 |
| Stockholders' equity | 1,445,101 | 1,350,589 |
| Total liabilities and stockholders' equity | <u>\$ 3,381,264</u> | <u>\$ 3,350,211</u> |

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

| | Six Months Ended June 30, | |
|---|---|---|
| | 2004 | 2003 |
| Cash flows from operating activities | | |
| Net Income | \$ 79,165 | \$ 64,155 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 77,157 | 67,600 |
| Minority interest in earnings | 1,008 | 1,052 |
| Other non-cash expenses, net | (89) | 122 |
| Net changes in operating assets and liabilities, net of effects of acquisitions | 48,744 | 18,362 |
| Net cash provided by operating activities | <u style="text-align: right;">205,985</u> | <u style="text-align: right;">151,291</u> |
| Cash flows from investing activities | | |
| Acquisitions of facilities and other related equipment | (5,290) | (157,176) |
| Purchases of property and equipment, net | (82,167) | (66,101) |
| Increase in other assets | (14,852) | (13,640) |
| Net cash used in investing activities | <u style="text-align: right;">(102,309)</u> | <u style="text-align: right;">(236,917)</u> |
| Cash flows from financing activities | | |
| Proceeds from exercise of stock options | 1,902 | 768 |
| Stock buy-back | — | (12,533) |
| Redemption of minority investments in joint ventures | (1,945) | (115) |
| Distribution to minority investors in joint ventures | (616) | (1,539) |
| Borrowing under credit agreement | 45,640 | 80,000 |
| Repayments of long-term indebtedness | (146,383) | (88,493) |
| Net cash used in financing activities | <u style="text-align: right;">(101,402)</u> | <u style="text-align: right;">(21,912)</u> |
| Net change in cash and cash equivalents | 2,274 | (107,538) |
| Cash and cash equivalents at beginning of period | 16,331 | 132,844 |
| Cash and cash equivalents at end of period | <u style="text-align: right;">\$ 18,605</u> | <u style="text-align: right;">\$ 25,306</u> |

- END -

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