

# 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

October 26, 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**

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 October 26, 2004, Community Health Systems, Inc. (the "Company"), announced operating results for the three and nine months ended September 30, 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 years ending December 31, 2004 and 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 following is provided as guidance to analysts and investors:

	2004 Projection Range	2005 Projection Range
Net operating revenues (in millions)	\$3,300 to \$3,330	\$3,700 to \$3,750
Adjusted EBITDA (in millions)	\$500 to \$506 (a)	\$560 to \$580 (a)
Income from continuing operations per share - diluted	\$1.53 to \$1.56 (b)	\$1.78 to \$1.88 (b)
Net income per share - diluted	\$1.47 to \$1.50 (b)	\$1.78 to \$1.88 (b)
Same hospitals annual admissions growth	1.0% to 2.0%	1.5% to 3.0%
Weighted average diluted shares (in millions)	106 to 106.5 (b)	98 to 99 (b)
Acquisitions of new hospitals	2	2 to 4

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

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

- The revised 2004 projection range reflects the reclassification of three hospitals, to discontinued operations for the full year of 2004. Two of these hospitals have been sold, and one of these hospitals is being held for sale. These three hospitals account for 173 of the Company's licensed beds and approximately 1.0% of net revenue with an estimated low-single digit EBITDA margin. Also reflected in the Company's revised 2004 projection range is the negative impact of a series of hurricanes, loss from early extinguishment of debt relating to the refinancing of the Company's credit agreement and expenses incurred in connection with the registration and offering of common stock of certain of the Company's selling stockholders and the repurchase of common stock by the Company.
- The Company's fourth quarter income from continuing operations guidance is \$0.40 to \$0.43 per share-diluted.
- The 2005 projection range reflects the expiration of a lease in the fourth quarter of 2004 related to one hospital whose current lease term is scheduled to expire in November 2004. This hospital accounts for 99 of the Company's licensed beds and approximately 0.5% of net revenue with an estimated high-single digit EBITDA margin.
- The weighted average diluted shares reflect the estimated impact of the purchase and retirement by the Company of 12 million shares of its common stock, effective September 27, 2004.
- On August 12, 2004, the Company entered into a \$100 million interest rate swap agreement to limit the cash flow effect of changes in interest rates on a portion of our long-term borrowings. Under this agreement, the Company pays interest quarterly at an annualized fixed interest rate of 3.586% for a term ending August 29, 2008. On payment dates, the Company receives an offsetting variable rate of interest payment from a counterparty based on the three month London Inter-Bank Offer Rate, excluding the margin paid under the credit agreement on a quarterly basis, which is currently 175 basis points.

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- To fund the purchase of the 12 million shares on September 27, 2004, the Company borrowed approximately \$260 million under its revolving credit facility with the balance of the funding (\$30.5 million) coming from available cash. For the purpose of providing 2005 projection range guidance, the Company has assumed that other long-term financing will be obtained to repay this borrowing for 2005 with an estimated 7.0% interest rate. In addition to the impact of this refinancing, future LIBOR rates for borrowings under the Company's \$1.625 billion Amended and Restated Credit Agreement are projected to increase based on the forward yield curve and other economic forecasts.
- Expressed as a percent of net operating revenues, provision for bad debts is projected to be approximately 10.3% to 10.5% for 2004 and 2005.
- Capital expenditures are as follows (in millions):

	Actual 2003	Guidance 2004	Guidance 2005
Total	\$146	\$157 to \$165	\$170 to \$180

- Expressed as a percent of net operating revenues, total depreciation and amortization is projected to be approximately 4.6% to 4.9% for 2004 and 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 39.2% to 39.6% for 2004 and 39.0% to 39.3% 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 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 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		2005 Projection Range	
	(in millions)		(in millions)	
Adjusted EBITDA	\$ 500	\$ 506	\$ 560	\$ 580
Taxes and interest expense	(184)	(186)	(219)	(219)
Other non-cash expenses and net changes in operating assets and liabilities	(6)	—	(21)	(21)
Net cash provided by operating	\$ 310	\$ 320	\$ 320	\$ 340

- (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 and a \$0.09 projected decrease in the reported 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).

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, including 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 nine months ended September 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 and 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 exhibits as furnished herewith:

99.1 Community Health Systems, Inc. Press Release dated October 26, 2004.

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: October 26, 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

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release dated October 26, 2004



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

**COMMUNITY HEALTH SYSTEMS, INC. ANNOUNCES  
THIRD QUARTER 2004 RESULTS WITH NET OPERATING REVENUES UP 18.4%,  
INCOME FROM CONTINUING OPERATIONS PER SHARE (DILUTED) UP 19.4% AND  
NET INCOME PER SHARE (DILUTED) UP 3.2%**

BRENTWOOD, Tenn. (October 26, 2004) <sup>3</sup>/<sub>4</sub> Community Health Systems, Inc. (NYSE: CYH) today announced financial and operating results for the third quarter ended September 30, 2004.

Net operating revenues for the third quarter ended September 30, 2004, totaled \$844.0 million, an 18.4% increase compared with \$712.7 million for the same period last year. Income from continuing operations increased 19.1% to \$37.6 million, or \$0.37 per share (diluted), on 107.9 million weighted average shares outstanding for the quarter ended September 30, 2004, compared with \$31.6 million, or \$0.31 per share (diluted), on 108.1 million weighted average shares outstanding for the same period last year. Income from continuing operations for the third quarter ended September 30, 2004, was reduced by approximately \$0.8 million after taxes, or \$0.01 per share (diluted), as a result of approximately \$400,000 in expenses incurred in connection with the registration and offering of common stock of certain of the Company's selling stockholders, and an approximate \$788,000 loss from early extinguishment of debt related to the refinancing of the Company's credit agreement. Third quarter results also included an estimated after tax loss of approximately \$1.5 million, or \$0.01 per share (diluted), as a result of a series of hurricanes which negatively impacted the volumes and operating results of selected hospitals located in Florida and the Gulf Shores Alabama region. Net income increased 1.1% to \$32.0 million, or \$0.32 per share (diluted), compared with \$31.7 million, or \$0.31 per share (diluted), for the same period last year. Discontinued operations consists of an after-tax loss of approximately \$5.6 million, or \$0.05 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. Refer to pages 3 and 4 for "Financial Highlights."

Adjusted EBITDA for the third quarter of 2004 was \$121.0 million, compared with \$107.3 million for the same period last year, representing a 12.8% increase. Adjusted EBITDA is EBITDA adjusted to exclude loss from early extinguishment of debt and minority interest in earnings but includes expenses incurred in connection with the registration and offering of common stock. The Company uses adjusted EBITDA as a measure of liquidity. Net cash provided by operating activities for the third quarter of 2004 was \$57.2 million, compared with \$47.1 million for the same period last year, an increase of 21.5%.

The consolidated financial results for the third quarter ended September 30, 2004, reflect a 9.3% increase in total admissions compared with the third quarter of 2003. This increase is attributable to hospitals that have been acquired by the Company. On a same-store basis, admissions decreased 1.7%, adjusted admissions increased 1.0% and net operating revenues increased 6.1% compared with the same period last year.

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Net operating revenues for the nine months ended September 30, 2004, totaled \$2.5 billion, compared with \$2.0 billion for the same period last year, a 22.4% increase, again demonstrating the Company's successful integration of acquisitions over the last several years. Income from continuing operations increased 22.3% to \$117.6 million or \$1.14 per share (diluted), on 108.7 million weighted average shares outstanding for the nine months ended September 30, 2004, compared with \$96.1 million, or \$0.95 per share (diluted) on 108.0 million weighted average shares outstanding, for the same period last year. Net income increased 16.0% to \$111.2 million, or \$1.08 per share (diluted), for the nine months ended September 30, 2004, compared with \$95.8 million, or \$0.95 per share (diluted) for the same period last year.

Adjusted EBITDA for the nine months ended September 30, 2004, was \$367.1 million, compared with \$315.4 million for the same period last year, a 16.4% increase. Net cash provided by operating activities for the nine months ended September 30, 2004, was \$263.2 million, compared with \$198.4 million for the same period last year, an increase of 32.7%.

The consolidated financial results for the nine months ended September 30, 2004, reflect a 15.5% increase in total admissions compared with the same period last year. On a same-store basis, admissions increased 1.1%, adjusted admissions increased 2.2%, and net operating revenues increased 7.1%, compared with the same period last year.

"We are pleased with Community Health Systems' continued strong performance for the third quarter of 2004," commented Wayne T. Smith, chairman, president and chief executive officer of Community Health Systems, Inc. "While our volumes were affected by disruptions from the severe hurricane activity in Florida and the Gulf Coast of Alabama in August and September, we still delivered another quarter of solid top line growth. Our ability to consistently meet our financial and operating objectives reflects the strength of our business model and solid execution by our management team."

During the third quarter of 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, Pennsylvania, on August 1, 2004.

"Our operating strategy and commitment to enhancing the quality of health care in more communities have produced very favorable results for all of our stakeholders," added Smith. "As we expand our coverage into new markets, recruit top physicians and add new services, we improve the financial and operating performance of the local hospitals and benefit the residents of the communities they serve. We are proud of our growing reputation as the acquirer of choice and we will continue to identify community hospitals that meet our acquisition criteria. We remain confident that 2004 will be another successful year for Community Health Systems."

As previously announced, on September 21, 2004, partnerships affiliated with Forstmann Little & Co. sold approximately 23.1 million shares of Community Health Systems, Inc. common stock in a registered offering to Citigroup Global Markets, Inc. Subsequently, 12 million of these shares were purchased and retired by the Company. As a result of this offering, these Forstmann Little & Co. partnerships no longer own any common stock of the Company.

“We are pleased to have completed an orderly transition of ownership of the stock held by the Forstmann Little & Co. partnerships. We believe that this transaction eliminates the overhang that had existed as a result of having a large percentage of the Company’s shares held by one owner,” added Smith.

Included in the Company’s Form 8-K filed on October 26, 2004, is a table setting forth selected information concerning the updated projected consolidated operating results of the Company for the years ending December 31, 2004 and 2005. The revision to the Company’s previous guidance provided on July 21, 2004, relates primarily to the reclassification of three hospitals to discontinued operations for the full year of 2004. These three hospitals account for 173 of the Company’s licensed beds and approximately 1.0% of net revenue with an estimated low-single digit EBITDA margin.

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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 Wednesday, October 27, 2004, at 11:00 a.m. Central, 12:00 p.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](http://www.chs.net), or at [www.fulldisclosures.com](http://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 November 27, 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](http://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. 333-117697), Form 10-K for the year ended December 31, 2003 and Form 10-Q for the quarters ended March 31, 2004 and June 30, 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 per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003 (a)	2004 (a)	2003 (a)
Net operating revenues	\$ 844,034	\$ 712,697	\$ 2,460,968	\$ 2,010,922
Adjusted EBITDA (b)	\$ 121,017(c)	\$ 107,298	\$ 367,148(c)	\$ 315,385
Income from continuing operations	\$ 37,649(d)	\$ 31,601	\$ 117,579(d)	\$ 96,126
Net income	\$ 32,039	\$ 31,683	\$ 111,204	\$ 95,838
Income from continuing operations per share-basic	\$ 0.39	\$ 0.32	\$ 1.20	\$ 0.98
Income from continuing operations per share-diluted	\$ 0.37(d)	\$ 0.31	\$ 1.14(d)	\$ 0.95
Net income per share - basic	\$ 0.33	\$ 0.32	\$ 1.13	\$ 0.97
Net income per share - diluted	\$ 0.32	\$ 0.31	\$ 1.08	\$ 0.95
Weighted average number of shares outstanding - basic	97,795	98,410	98,430	98,438
Weighted average number of shares outstanding - diluted	107,870(e)	108,123(e)	108,666(e)	107,980(e)
Net cash provided by operating activities	\$ 57,189	\$ 47,065	\$ 263,174	\$ 198,356

(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.

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(b) EBITDA consists of income before interest, income taxes, and depreciation and amortization. Adjusted EBITDA is EBITDA adjusted to exclude 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 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 nine months ended September 30, 2004 and 2003 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Adjusted EBITDA	\$ 121,017	\$ 107,298	\$ 367,148	\$ 315,385
Interest expense, net	(19,159)	(18,393)	(56,269)	(51,926)
Provision for income taxes	(24,029)	(21,073)	(76,344)	(64,090)
(Loss) Income from operations of hospitals sold or held for sale	(1,965)	82	(2,730)	(288)
Depreciation and amortization of discontinued operations	307	797	1,696	2,434
Other non-cash expenses, net	1,023	16	934	142
Net changes in operating assets and liabilities, net of effects of acquisitions	(20,005)	(21,662)	28,739	(3,301)
Net cash provided by operating activities	\$ 57,189	\$ 47,065	\$ 263,174	\$ 198,356

- (c) Includes approximately \$400,000 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 quarter ended September 30, 2004, was reduced by approximately \$0.8 million or \$0.01 per share (diluted) after taxes as a result of approximately \$400,000 in expenses incurred in connection with the registration and offering of common stock and the repurchase of common stock by us, and an approximate \$788,000 loss from early extinguishment of debt related to the refinancing of our credit agreement. Third quarter income from continuing operations also included an after tax loss of approximately \$1.5 million or \$0.01 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).

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Net operating revenues	\$ 844,034	\$ 712,697	\$ 2,460,968	\$ 2,010,922
Operating expenses:				
Salaries and benefits	338,442	284,061	987,552	807,687
Provision for bad debts	88,401	69,563	253,817	192,096
Supplies	103,839	83,174	297,771	234,270
Other operating expenses	192,335	168,601	554,680	461,484
Depreciation and amortization	39,312	35,580	115,080	101,540
Minority interests in earnings	80	651	1,088	1,703
Total expenses	762,409	641,630	2,209,988	1,798,780
Income from operations	81,625	71,067	250,980	212,142
Interest expense, net	19,159	18,393	56,269	51,926
Loss from early extinguishment of debt	788	—	788	—
Income from continuing operations before income taxes	61,678	52,674	193,923	160,216
Provision for income taxes	24,029	21,073	76,344	64,090
Income from continuing operations	37,649	31,601	117,579	96,126
Discontinued operations, net of taxes:				
(Loss) Income from operations of hospitals sold or held for sale	(1,965)	82	(2,730)	(288)
Net loss on sale of hospitals	(2,020)	—	(2,020)	—
Impairment of long-lived assets of hospital held for sale	(1,625)	—	(1,625)	—
(Loss) Income on discontinued operations	(5,610)	82	(6,375)	(288)
Net income	\$ 32,039	\$ 31,683	\$ 111,204	\$ 95,838
Income from continuing operations per share-basic	\$ 0.39	\$ 0.32	\$ 1.20	\$ 0.98

Income from continuing operations per share-diluted	\$ 0.37	\$ 0.31	\$ 1.14	\$ 0.95
Net income per share - basic	\$ 0.33	\$ 0.32	\$ 1.13	\$ 0.97
Net income per share - diluted	\$ 0.32	\$ 0.31	\$ 1.08	\$ 0.95
Weighted average number of shares outstanding:				
Basic	97,795	98,410	98,430	98,438
Diluted	107,870	108,123	108,666	107,980
Net income per share calculation:				
Net income	\$ 32,039	\$ 31,683	\$ 111,204	\$ 95,838
Add - Convertible notes interest, net of taxes	2,189	2,189	6,567	6,567
Adjusted net income	\$ 34,228	\$ 33,872	\$ 117,771	\$ 102,405
Weighted average number of shares outstanding - basic	97,795	98,410	98,430	98,438
Add effect of dilutive securities:				
Unvested common shares	23	93	23	98
Employee stock options	1,470	1,038	1,631	862
Convertible notes	8,582	8,582	8,582	8,582
Weighted average number of shares outstanding - diluted	107,870	108,123	108,666	107,980

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

	For the Three Months Ended September 30,					
	Consolidated			Same-Store		
	2004	2003	%Change	2004	2003	%Change
Number of hospitals	71	69		68	68	
Licensed beds	7,971	7,408		7,332	7,345	
Beds in service	6,440	5,748		5,822	5,709	
Admissions	69,208	63,297	9.3%	61,643	62,732	-1.7%
Adjusted admissions	131,301	117,895	11.4%	118,051	116,873	1.0%
Patient days	277,216	245,937	12.7%	242,306	244,388	-0.9%
Average length of stay (days)	4.0	3.9		3.9	3.9	
Occupancy rate (average beds in service)	47.2%	47.4%		46.0%	47.4%	
Net operating revenues	\$ 844,034	\$ 712,697	18.4%	\$ 752,096	\$ 709,053	6.1%
Net inpatient revenue as a % of total net operating revenues	49.6%	50.2%		49.0%	50.1%	
Net outpatient revenue as a % of total net operating revenues	49.1%	48.6%		49.9%	48.6%	
Income from operations	\$ 81,625	\$ 71,067	14.9%	\$ 77,412	\$ 71,132	8.8%
Income from operations as a % of net operating revenues	9.7%	10.0%		10.3%	10.0%	
Depreciation and amortization	\$ 39,312	\$ 35,580		\$ 36,165	\$ 35,373	
Minority interest in earnings	\$ 80	\$ 651		\$ 80	\$ 651	
Liquidity Data:						
Adjusted EBITDA	\$ 121,017	\$ 107,298	12.8%			
Adjusted EBITDA as a % of net operating revenues	14.3%	15.1%				
Net cash provided by operating activities	\$ 57,189	\$ 47,065				
Net cash provided by operating activities as a % of net operating revenue	6.8%	6.6%				

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 Nine Months Ended September 30,					
	Consolidated			Same-Store		
	2004	2003	% Change	2004	2003	% Change
Number of hospitals	71	69		68	68	
Licensed beds	7,971	7,408		7,332	7,345	
Beds in service	6,440	5,748		5,822	5,709	
Admissions	208,972	180,866	15.5%	181,865	179,847	1.1%
Adjusted admissions	387,042	332,149	16.5%	337,717	330,331	2.2%
Patient days	849,732	704,927	20.5%	721,868	701,683	2.9%
Average length of stay (days)	4.1	3.9		4.0	3.9	
Occupancy rate (average beds in service)	50.3%	48.0%		48.6%	48.1%	
Net operating revenues	\$ 2,460,968	\$ 2,010,922	22.4%	\$ 2,141,891	\$ 2,000,080	7.1%
Net inpatient revenue as a % of total net operating revenues	50.4%	51.1%		50.2%	51.1%	
Net outpatient revenue as a % of total net operating revenues	48.2%	47.6%		48.7%	47.7%	



Income from operations	\$	250,980	\$	212,142	18.3%	\$	233,722	\$	212,095	10.2%
Income from operations as a % of net operating revenues		10.2%		10.5%			10.9%		10.6%	
Depreciation and amortization	\$	115,080	\$	101,540		\$	102,570	\$	100,927	
Minority interest in earnings	\$	1,088	\$	1,703		\$	1,088	\$	1,703	
Liquidity Data:										
Adjusted EBITDA	\$	367,148	\$	315,385	16.4%					
Adjusted EBITDA as a % of net operating revenues		14.9%		15.7%						
Net cash provided by operating activities	\$	263,174	\$	198,356						
Net cash provided by operating activities as a % of net operating revenue		10.7%		9.9%						

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)*

	<u>September 30, 2004</u>	<u>December 31, 2003</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 19,952	\$ 16,331
Patient accounts receivable, net	577,910	559,097
Other current assets	140,324	120,652
<b>Total current assets</b>	<u>738,186</u>	<u>696,080</u>
Property and equipment	1,890,735	1,772,461
Less accumulated depreciation and amortization	(411,988)	(377,116)
Property and equipment, net	<u>1,478,747</u>	<u>1,395,345</u>
Goodwill, net	1,213,479	1,155,797
Other assets, net	<u>104,283</u>	<u>102,989</u>
<b>Total assets</b>	<u>\$ 3,534,695</u>	<u>\$ 3,350,211</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 20,687	\$ 29,677
Accounts payable and accrued liabilities	398,919	368,387
<b>Total current liabilities</b>	<u>419,606</u>	<u>398,064</u>
Long-term debt	1,760,518	1,444,981
Other long-term liabilities	168,809	156,577
Stockholders' equity	<u>1,185,762</u>	<u>1,350,589</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 3,534,695</u>	<u>\$ 3,350,211</u>

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

	<u>Nine Months Ended September 30,</u>	
	<u>2004</u>	<u>2003</u>
<b>Cash flows from operating activities</b>		
Net Income	\$ 111,204	\$ 95,838
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	116,776	103,974
Minority interest in earnings	1,088	1,703
Other non-cash expenses, net	5,367	142
Net changes in operating assets and liabilities, net of effects of acquisitions	28,739	(3,301)
<b>Net cash provided by operating activities</b>	<u>263,174</u>	<u>198,356</u>
<b>Cash flows from investing activities</b>		

Acquisitions of facilities and other related equipment	(131,815)	(320,233)
Proceeds from sale of facilities	7,850	—
Purchases of property and equipment, net	(124,138)	(100,909)
Increase in other assets	(23,576)	(20,174)
<b>Net cash used in investing activities</b>	<b>(271,679)</b>	<b>(441,316)</b>
<b>Cash flows from financing activities</b>		
Proceeds from exercise of stock options	3,951	1,479
Stock repurchase	(290,361)	(14,060)
Deferred financing costs	(4,669)	—
Redemption of minority investments in joint ventures	(2,218)	(336)
Distribution to minority investors in joint ventures	(998)	(1,836)
Borrowing under credit agreement	1,632,911	280,000
Repayments of long-term indebtedness	(1,326,490)	(92,489)
<b>Net cash provided by financing activities</b>	<b>12,126</b>	<b>172,758</b>
<b>Net change in cash and cash equivalents</b>	<b>3,621</b>	<b>(70,202)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>16,331</b>	<b>132,844</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 19,952</b>	<b>\$ 62,642</b>

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