2002

Enhancing life in America's rural communities through quality healthcare

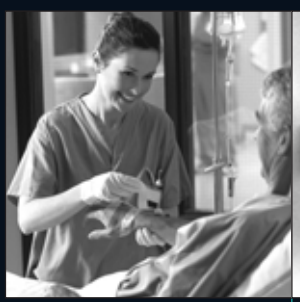
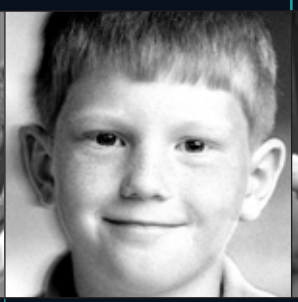
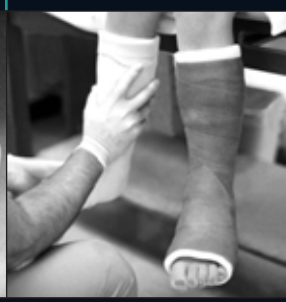
Community Health Systems, Inc.

Annual Report To Shareholders 2002

Company Profile

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 70 hospitals in 22 states. Community Health Systems' hospitals offer a broad range of inpatient and outpatient medical and surgical services.

Shares in Community Health Systems, Inc. are traded on the New York Stock Exchange under the symbol "CYH."

Alabama
Woodland Community Hospital, Cullman
Parkway Medical Center, Decatur
Lakeview Community Hospital, Eufaula
South Baldwin Regional Medical Center, Foley
L.V. Stabler Memorial Hospital, Greenville
Hartselle Medical Center, Hartselle
Edge Regional Hospital, Troy

Arizona
Western Arizona Regional Medical Center, Bullhead City
Payson Regional Medical Center, Payson

Arkansas
Helena Regional Medical Center, Helena
Harris Hospital, Newport
Randolph County Medical Center, Pocahontas

California
Barstow Community Hospital, Barstow
Fallbrook Hospital, Fallbrook
Watsonville Community Hospital, Watsonville

Florida
North Okaloosa Medical Center, Crestview
Lake Wales Medical Center, Lake Wales

Georgia
Berrien County Hospital, Nashville
Fannin Regional Hospital, Blue Ridge

Illinois
Crossroads Community Hospital, Mt. Vernon
Gateway Regional Medical Center, Granite City
Heartland Regional Medical Center, Marion
Red Bud Regional Hospital, Red Bud

Kentucky
Parkway Regional Hospital, Fulton
Three Rivers Medical Center, Louisa
Kentucky River Medical Center, Jackson

Louisiana
Byrd Regional Hospital, Leesville
Sabine Medical Center, Many
River West Medical Center, Plaquemine

Mississippi
King's Daughters Hospital, Greenville

Missouri
Northeast Regional Medical Center, Kirksville
Moberly Regional Medical Center, Moberly

New Jersey
Memorial Hospital of Salem County, Salem

New Mexico
Mimbres Memorial Hospital, Deming
Northeastern Regional Hospital, Las Vegas
Eastern New Mexico Medical Center, Roswell

North Carolina
Martin General Hospital, Williamston

Pennsylvania
Berwick Hospital, Berwick
Brandywine Hospital, Coatesville
Easton Hospital, Easton
Lock Haven Hospital, Lock Haven
Jennersville Regional Hospital, West Grove

South Carolina
Marlboro Park Hospital, Bennettsville
Chesterfield General Hospital, Cheraw
Springs Memorial Hospital, Lancaster

Tennessee
Haywood Park Community Hospital, Brownsville *
Cleveland Community Hospital, Cleveland
Dyersburg Regional Medical Center, Dyersburg *
Regional Hospital of Jackson, Jackson *
Henderson County Community Hospital, Lexington *
Volunteer Community Hospital, Martin *
McKenzie Regional Hospital, McKenzie *
Lakeway Regional Hospital, Morristown
Scott County Hospital, Oneida
McNairy Regional Hospital, Selmer *
White County Community Hospital, Sparta

Texas
Big Bend Regional Medical Center, Alpine
Scenic Mountain Medical Center, Big Spring
Northeast Medical Center, Bonham
Cleveland Regional Medical Center, Cleveland
Lake Granbury Medical Center, Granbury
Hill Regional Hospital, Hillsboro
Highland Medical Center, Lubbock
South Texas Regional Medical Center, Jourdanton

Utah
Mountain West Medical Center, Tooele

Virginia
Greensville Memorial Hospital, Emporia
Southampton Memorial Hospital, Franklin
Russell County Medical Center, Lebanon

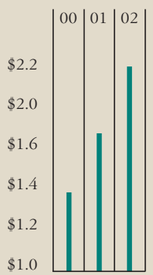
West Virginia
Plateau Medical Center, Oak Hill

Wyoming
Evanston Regional Hospital, Evanston

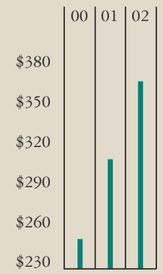
** Acquired in the first quarter of 2003*

Community Health Systems is devoted to providing quality healthcare in the communities we serve.

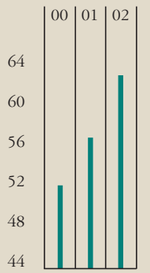
Operating Revenues *(in billions)*



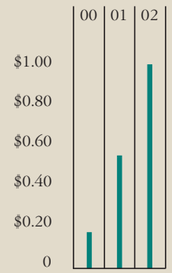
EBITDA *(in millions)*



Hospitals



Earnings Per Share *(diluted)*



Financial Highlights

(In thousands, except per share amounts)	Year Ended December 31, 2002	2001
Operating Results		
Net operating revenues	$ 2,200,417	$ 1,693,625
EBITDA [a]	$ 361,964	$ 308,820
Income before extraordinary item	$ 105,258	$ 48,551 [b]
Net income	$ 99,984	$ 44,743 [b]
Income per share before extraordinary item:		
Basic	$ 1.07	$ 0.55 [b]
Diluted	$ 1.05 [c]	$ 0.54 [b]
Net income per share:		
Basic	$ 1.02	$ 0.51 [b]
Diluted	$ 1.00 [c]	$ 0.50 [b]
Weighted average number of shares outstanding:		
Basic	98,421	88,382
Diluted	108,378 [c]	90,251

	As of December 31, 2002	2001
Balance Sheet Data		
Working capital	$ 329,296	$ 194,987
Total assets	2,809,496	2,451,464
Long-term debt	1,173,929	980,083
Stockholders' equity	1,214,305	1,115,665

	Year Ended December 31,					
	Consolidated			Same Store		
	2002	2001	% Change	2002	2001	% Change
Selected Operating Data						
Number of hospitals (at end of period)	63	57		57	57	
Licensed beds (at end of period)	6,310	5,391		5,298	5,391	
Beds in service (at end of period)	4,939	4,139		4,301	4,139	
Admissions	209,967	169,574	23.8%	176,959	169,574	4.4%
Adjusted admissions	387,311	311,238	24.4%	327,201	311,238	5.1%
Patient days	809,166	643,229	25.8%	660,922	643,229	2.8%
Average length of stay (days)	3.9	3.8		3.7	3.8	
Occupancy rate (beds in service)	47.9%	46.7%		47.1%	46.7%	
Net operating revenues	$ 2,200,417	$ 1,693,625	29.9%	$ 1,857,151	$ 1,693,501	9.7%
Net inpatient revenue as a % of total net operating revenues	52.5%	51.6%		52.3%	51.6%	
Net outpatient revenue as a % of total net operating revenues	46.2%	47.2%		46.7%	47.2%	
EBITDA as a % of total net operating revenues	16.4%	18.2%		18.4%	18.2%	

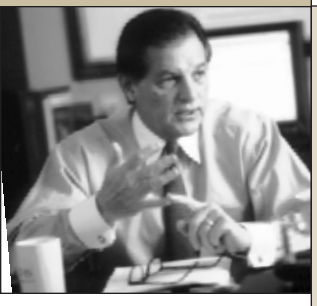
(a) EBITDA consists of income before extraordinary items, interest, income taxes, depreciation and amortization, amortization of goodwill and minority interests in earnings. EBITDA should not be considered a measure of financial performance under generally accepted accounting principles.

(b) Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142 "Goodwill and other intangible assets", related to the non-amortization of goodwill. The adoption of SFAS No. 142 caused a favorable increase of $0.25 per share for the year ended December 31, 2002. When comparing 2002 results to 2001 results, on a pro forma basis, the adoption of SFAS No. 142 would have resulted in income before extraordinary item for the year ended December 31, 2001 of $73.4 million or $0.81 per share (diluted), representing a $0.27 increase based on the smaller number of shares outstanding in that period. When compared to the 2001 pro forma results, income before extraordinary item and income per share before extraordinary item (diluted) results for the year ended December 31, 2002 would have increased 43.5% and 29.6%, respectively.

(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 even though there is no actual decrease in the reported income per share before extraordinary item or net income per share (after tax interest savings of $2.2 million and $8.8 million, respectively, and 8.6 million shares added to the number of weighted average diluted shares).

Letter to Shareholders

WAYNE T. SMITH
Chairman of the Board, President and Chief Executive Officer



W. LARRY CASH
Executive Vice President Chief Financial Officer

Community Health Systems enjoyed an exceptional year in 2002. During a period marked by a faltering economy and a sense of uncertainty across the nation, our role as a leading healthcare provider took on even greater meaning. In challenging times, it is particularly gratifying to be in an industry where our success as a company can make a difference in the communities we serve.

At Community Health Systems, we recognize that investor confidence in public companies is essential and must be restored. We have adopted and are committed to corporate governance principles and practices that protect the shareholder's interest. Community Health Systems is fortunate to have a very strong board of independent directors who are actively involved in the leadership and oversight of our business, with particular attention to our compliance with accounting, financial and regulatory standards. We have the highest confidence in our system of internal practices and policies and, above all, in the integrity of our employees.

While our considerable progress over the past year can be measured in numerous ways, our ability to enhance the quality of life in non-urban communities across the nation by providing quality healthcare is our greatest achievement. Our unwavering commitment and consistent execution have positioned Community Health Systems at the top of our industry. More importantly, the communities we serve have rewarded us with their trust and confidence in our ability to deliver on the promises we make.

We are pleased to share with you our key accomplishments for the year:

- Net operating revenues increased nearly 30 percent over the prior year, and earnings per share, before extraordinary items, were up over 94 percent from 2001
- Admissions at our hospitals were up 23.8 percent, and adjusted admissions, which factor in outpatient visits, were up 24.4 percent on a consolidated basis
- Six new hospitals were added to our portfolio, as we again led the non-urban hospital industry in acquisitions for 2002
- Physician recruitment efforts placed 447 new physicians including over 290 specialists in our community hospital facilities, up from 378 physicians added in 2001
- Over $114 million was invested in hospital replacement and service improvement initiatives

Our strong financial position enabled us to fund the necessary investments to successfully execute our strategy in 2002. As of December 31, 2002, our balance sheet reflects $2.8 billion in total assets, $1.2 billion in long-term debt and $329 million in working capital. Effective management of our capital structure led to an improved debt-to-capitalization ratio of 50% at the end of 2002. In July, we announced the completion of a $1.2 billion senior secured credit facility, consisting of an $850 million term loan that matures in 2010 and a six-year $350 million revolving credit facility. This new credit facility extends the Company's debt maturities by approximately five years, and has a feature that allows an additional $200 million of future funded term loans. With our strong balance sheet and improved access to capital, we have greater financial flexibility and believe we are well positioned to continue to opportunistically grow our business through selective acquisitions.

Community Health Systems' impressive top-line growth reflects improved volume and the benefits of the acquisitions and capital investments in our facilities during the past year. Our standardized and centralized operating platform has continued to be a key differentiator for the Company. In 2002, our same store growth metrics demonstrated the strength of this model as evidenced by a 4.4% increase in admissions, 5.1% improvement in adjusted admissions, and a 9.7% increase in net revenues compared with 2001. Notably, we have also delivered eleven consecutive quarters of same store growth in admissions and revenues since becoming a public company. As we continue to assimilate additional hospitals into our portfolio, our standardized and centralized approach allows us to effectively implement our systems and processes into our new facilities in a timely manner. In addition, this platform provides local hospital management teams with substantial resources to improve hospital operations and ultimately deliver more favorable and consistent results. We believe our success validates the strength of our operating strategy and our ability to continue to expand revenues and margins at our facilities.

Community Health Systems' proven acquisition strategy was a key driver of our success in 2002. Not only did we exceed our own acquisitions goal for the year, we led the industry with six acquisitions. Notably, we also extended our geographic reach in 2002 from 20 to 22 states as we added hospitals in West Virginia and New Jersey. We believe that geographic diversity is an important competitive advantage in our industry. With no state accounting for more than 15 percent of the Company's net revenue, we avoid disproportionate exposure to any unfavorable state-level regulatory issues or reimbursement system changes. In addition, with our operating teams distributed throughout different markets, we can leverage our strong community relationships and reputation into further acquisition opportunities. As we enter 2003, we have continued to build momentum with the acquisition of seven facilities formerly affiliated with Methodist Healthcare in Tennessee, and the proposed acquisition of a hospital in Petersburg, Virginia. Our recognition in the marketplace as the acquirer of choice has allowed us to continue this pace of growth. More importantly, our favorable reputation reflects our steadfast commitment to improving the level of healthcare in the non-urban communities we serve.

Even as we extended our reach in 2002, we remained focused on the heart of our business – delivering quality healthcare. This year, 23 of our hospitals were surveyed by the Joint Commission on Accreditation of Healthcare Organizations with an average score above 96. Essential to this important objective is recruiting quality physicians. As we acquire new facilities, a top priority is to bring new physicians, including specialists, into the community to ensure that our hospitals provide a continuum of quality, cost-effective healthcare. The primary focus of our operating strategy is to effectively position Community Health Systems' hospitals in the marketplace to meet the local healthcare demands of the community and stem outmigration. Even though our facilities are typically the sole provider of acute-care services in the community, our goal is to drive admissions by providing hospital care and vital services close to home, and not lose market share to the nearest urban hospitals. Therefore, recruiting and maintaining quality physicians and adequate nursing staff, as well as enhancing the facilities and level of services offered, are critical to our mission. More importantly, we strive to make our hospitals a desirable place to work and above all, create a culture that fosters service and compassion in patient care. We extend our heartfelt thanks to all of our dedicated employees, medical staffs and volunteers who honor this commitment and make a difference each and every day.

"Our favorable reputation reflects our steadfast commitment to improving the level of healthcare in the non-urban communities we serve."

We continue to believe the operating environment for well-managed non-urban hospitals looks favorable and we are excited about the opportunities before us in 2003. We believe we are well positioned to sustain our leadership position and continue to deliver excellent results for both our shareholders and the communities we serve.

Thank you for your support and confidence in the future of Community Health Systems.

Sincerely,

Wayne T. Smith
Chairman of the Board, President and Chief Executive Officer

W. Larry Cash
Executive Vice President and Chief Financial Officer

Board of Directors

Wayne T. Smith
Chairman of the Board
President and Chief Executive Officer

Sheila P. Burke [1]
Under Secretary for American Museums and National Programs at the Smithsonian Institution

W. Larry Cash
Executive Vice President and Chief Financial Officer

John A. Clerico [1]
Co-founder and Chairman
ChartMark Investments, Inc.

Robert J. Dole
Former U.S. Senator
Former Senate Majority Leader

J. Anthony Forstmann [2]
Managing Director
J.A. Forstmann

Theodore J. Forstmann
Senior Founding Partner
Forstmann Little & Co.

Dale F. Frey [1] [3]
Former Chairman and President
General Electric Investment Corp.

Sandra J. Horbach [4]
General Partner
Forstmann Little & Co.

Harvey Klein, M.D. [3]
Professor of Clinical Medicine
Cornell University Medical College

Thomas H. Lister [3] [4]
General Partner
Forstmann Little & Co.

Michael A. Miles [1] [2] [4]
Former Chairman and Chief Executive Officer
Philip Morris

[1] *Member of the Audit and Compliance Committee*
[2] *Member of the Compensation Committee*
[3] *Member of the Governance and Nominating Committee*
[4] *Member of the Finance Committee*

Officers

Wayne T. Smith
Chairman of the Board
President and Chief Executive Officer

W. Larry Cash
Executive Vice President and Chief Financial Officer

David L. Miller
Senior Vice President – Group Operations

Gary D. Newsome
Senior Vice President– Group Operations

Michael T. Portacci
Senior Vice President – Group Operations

John A. Fromhold
Vice President – Group Operations

William S. Hussey
Vice President – Group Operations

Robert E. Hardison
Senior Vice President – Acquisitions and Development

Kenneth D. Hawkins
Senior Vice President – Acquisitions and Development

Carolyn S. Lipp
Senior Vice President – Quality and Resource Management

Martin G. Schweinhart
Senior Vice President – Operations

Rachel A. Seifert
Senior Vice President, Secretary and General Counsel

T. Mark Buford
Vice President and Corporate Controller

James W. Doucette
Vice President and Treasurer

Robert A. Horrar
Vice President – Administration

Linda K. Parsons
Vice President – Human Resources

J. Gary Seay
Vice President – Information Systems

Gerald A. Weissman
Vice President – Medical Staff Development

This Annual Report contains forward looking statements made pursuant to the "safe-harbor" provisions of the Private Securities Litigation Reform Act of 1995. Important factors that could cause our actual results to differ materially from the results contemplated by the forward looking statements are contained in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") and included with this Annual Report and in subsequent filings with the SEC.

Corporate Office
Community Health Systems, Inc.
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Brentwood, Tennessee 37027
615.373.9600
www.chs.net

Form 10-K/Investor Contact
A copy of the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission, may be obtained from the Company at no charge. Requests for the Annual Report on Form 10-K and other investor information should be directed to Investor Relations at the Company's corporate office or at www.chs.net.

Registrar and Transfer Agent
Mellon Investor Services LLC
200 Galleria Parkway, Suite 1900
Atlanta, Georgia 30339
770.916.4186

Independent Auditors
Deloitte & Touche LLP
Nashville, Tennessee

Annual Shareholders' Meeting
The annual meeting of shareholders will be held on Thursday, May 22, 2003, at 8:30 a.m. local time at J.P. Morgan Chase & Co., 270 Park Avenue, 11th Floor - Room C, New York, New York.

Common Stock Information
The Company's common stock trades on the New York Stock Exchange under the symbol CYH. As of April 1, 2003, Community Health Systems, Inc. had approximately 5,364 beneficial holders of its common stock. Of that total, 64 were stockholders of record. To date, the Company has not paid cash dividends on its common stock.

The following table sets forth the high and low sales price information as reported by the New York Stock Exchange during the period indicated.

Stock Price

2002	High	Low
First Quarter	$25.25	$20.29
Second Quarter	$30.55	$21.76
Third Quarter	$27.50	$21.20
Fourth Quarter	$27.85	$18.50

2001	High	Low
First Quarter	$35.45	$22.20
Second Quarter	$30.75	$21.25
Third Quarter	$34.38	$26.85
Fourth Quarter	$29.85	$22.40

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