AMSURG

VALUE ADDED

PARTNERSHIP

QUALITY

"OUR PRESCRIPTION FOR PROFITABLE GROWTH"

'98

ANNUAL REPORT

Company Profile

AmSurg Corp. develops, acquires and manages practice-based ambulatory surgery centers and specialty physician networks in partnership with surgical and other group physician practices. Headquartered in Nashville, Tennessee, AmSurg operated 52 ambulatory surgery centers at December 31, 1998. By focusing on the delivery of low cost, high quality, high patient satisfaction surgery services, AmSurg Corp. creates value for the three constituencies involved in every surgical procedure: the patient, the physician and the payer.

Financial Highlights

(In thousands, except per share and center data)	*For the Years Ended December 31,* 1998	1997
Operating Results:[1]		
Revenues	$75,448	$48,600
Net earnings[2]	4,215	2,372
Net earnings available to common shareholders[2]	4,215	2,086
Adjusted diluted earnings per share[2]	$ 0.33	$ 0.21
Weighted average common shares outstanding (diluted)	12,834	9,789

[1] *Pro forma results excluding the operations of the Company's two physician practices, which were sold in 1998.*
[2] *Excludes nonrecurring items.*

Financial Position (at year end):	1998	1997
Cash and cash equivalents	$ 6,070	$ 3,407
Working capital	12,954	9,312
Total assets	98,421	75,238
Long-term debt	12,483	24,970
Minority interest	11,794	9,192
Preferred stock	–	5,268
Shareholders' equity	64,369	29,991
Center Data:		
Procedures	156,521	101,819
Centers at year end	52	39

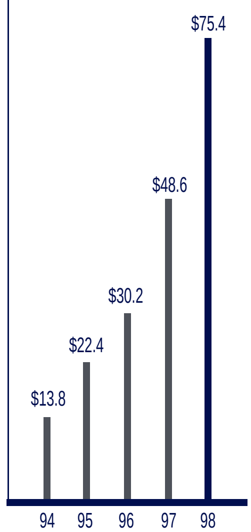
Fellow Shareholders:

Simply put, AmSurg produced outstanding operating and financial results for 1998. Revenues, net earnings and diluted earnings per share all grew more than 50%, same-center revenues increased at a 12% annual pace and the number of centers in operation increased by 33% to 52 at year end.

These results spring from the added value we continue to create for all three of the Company's business constituencies: physicians, patients and payers. Through AmSurg's practice-based ambulatory surgery centers, our physician partners provide high quality surgical care in an environment that consistently achieves high patient satisfaction. In addition, because the centers are designed to be the lowest cost venue for a given surgical procedure, this high quality care and high patient satisfaction generally cost the payer and the patient less than if the same surgical procedure was performed at alternative sites. The combination of these benefits enables our physician partners to differentiate their practices in an increasingly competitive market and, we believe, is accountable for the profitable growth AmSurg produced for 1998.

Although our efforts to refine the AmSurg business model never cease, we believe the Company's successful growth has validated the model's structure and value. In addition, all three aspects of our growth strategy contributed to our profitable expansion for 1998. We successfully grew the business through the development and acquisition of new centers, through a substantial increase in same-center revenues and through the development of new single specialty physician networks within specific managed care markets.

Revenues [1]
(In Millions)



(1) *Pro forma results excluding the operations of the Company's two physician practices, which were sold in 1998.*

As a result, we base our confidence in AmSurg's prospects for future profitable growth on the continued use of proven strategies to implement a proven business model. We have reorganized the Company's management resources to handle the growth of a bigger organization, and we have secured the financial resources to achieve the Company's goals for the current year. During 1999, we expect to strengthen AmSurg's recognized leadership in the physician practice-based ambulatory surgery center industry and thereby build additional shareholder value.

1998 Highlights

We are very proud of AmSurg's performance in its first full year as a publicly held company. Among the Company's accomplishments for the year, we include:

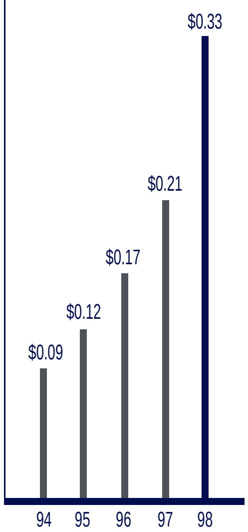
- a 55% increase in pro forma revenues for 1998 to $75.4 million from $48.6 million for 1997;
- pro forma net earnings of $4.2 million, up 78% from $2.4 million;
- 57% growth in pro forma diluted earnings per share to $0.33 for 1998 from $0.21 for 1997, which exceeded estimates, on a 31% increase in weighted average shares outstanding primarily as a result of our June 1998 common stock offering and the conversion of outstanding preferred stock into common stock;

Value Added

AmSurg's extensive experience in developing and managing the day-to-day operations of practice-based surgery centers is the key to our ability to enter new partnerships with physicians. Like the extra tools in a Swiss army knife, the additional benefits we bring to the partnership contribute substantially to our centers' success. These added value benefits include strategic planning, marketing and business development, risk management, quality accreditation, purchasing, scheduling, the development of networks to attract managed care customers and the collection and presentation of data measuring clinical and financial results, as well as patient satisfaction.

- 12% growth in same center revenues;
- the addition of 14 new surgery centers in 11 new markets, of which we developed seven and acquired seven. Centers in operation increased 33% to 52 at the end of 1998 from 39 at the end of the previous year;
- the completion of the Company's offering of common stock in June 1998, through which it sold 3.7 million shares and raised $28 million to support future growth;
- the expansion of AmSurg's bank facility to $50 million from $35 million;
- the development of three new single specialty networks, bringing total networks to seven at year end; and
- the receipt of initial or renewed three-year accreditation for 22 centers from the Joint Commission on Accreditation of Healthcare Organizations (JCAHO), which we believe enhances the Company's leadership position within its industry segment.

DILUTED EARNINGS PER SHARE [1]



[1] *Pro forma results excluding the operations of the Company's two physician practices, which were sold in 1998, and nonrecurring items.*

This industry leadership has been especially evident since the June 1998 release by the Health Care Financing Administration (HCFA) of its proposed rule that would update the rate setting methodology, payment rates, payment policies and list of covered surgical procedures for ambulatory surgical centers. AmSurg played a pivotal role in organizing the ambulatory surgery center industry's efforts to respond to this proposal. Partially as a result of the industry's response, the end of the comment period concerning the proposal has been extended five times and the proposed rule's implementation date has been pushed back to no earlier than January 2000 from October 1998.

These delays have given the industry time to understand the impact of the proposed rule and to formulate plans to work with HCFA on the collection of the data and the determination of the methodologies to be used to calculate more equitable and reasonable rates in the future. AmSurg has also used the delays to solidify its strategy for offsetting the financial impact of the proposed rule, which we believe, if implemented in its current form, would reduce annual revenue by approximately 4%. We have taken a number of specific steps to lower costs both at the center operating level and in corporate overhead. In addition, if the proposed rule were implemented, the costs of future center acquisitions, which continue to be a significant part of our growth strategy, would be adjusted accordingly. While we believe the proposed rule will be tempered in its final form, we also believe that its overall impact will not have a significant negative effect on the Company's long-term prospects.

PARTNERSHIP

In chess, all the pieces have different strengths and capabilities. Yet, to be effective, they must act in concert. AmSurg centers are based on the idea that in the increasingly complex game of healthcare, similar partnerships are needed in the ceaseless effort to provide high quality care at lower cost. The success of AmSurg's centers depends on both the clinical skills of our physician partners and our ability to manage the business aspects of the center. And, to ensure that the partnership acts as effectively as possible, we and our physician partners share the same goals and the same rewards.

1999 Outlook

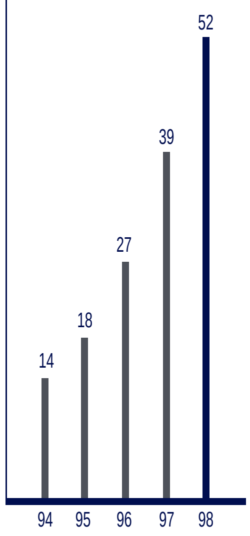
AmSurg's goal for 1999 is to build on the momentum demonstrated by its results for 1998. Within the Company's existing centers in operation, our operating teams are focused on expanding market share, thereby increasing the number of procedures performed at each center. By enabling our physician partners to control their "physician profiles," which are determined by the quality of care delivered, the level of patient satisfaction and the cost of the procedure, we expect further significant growth in same-center revenues, with a target of 7% to 9% for the year.

We also will continue to implement a strategy of adding new physician partnerships to develop or acquire new surgery centers. The Company expects to add 15 new surgery centers during 1999, and we currently have three centers in our pipeline under development and eight signed letters of intent for acquisitions.

With the inherent low-cost advantage AmSurg centers offer relative to alternative surgery center models, we believe we are positioned to successfully address a changing and dynamic healthcare environment. To enhance this advantage, we are continuing to build single specialty physician networks that we believe give our operations in specific markets the critical mass to attract business from regional and national managed care companies.

Center Growth

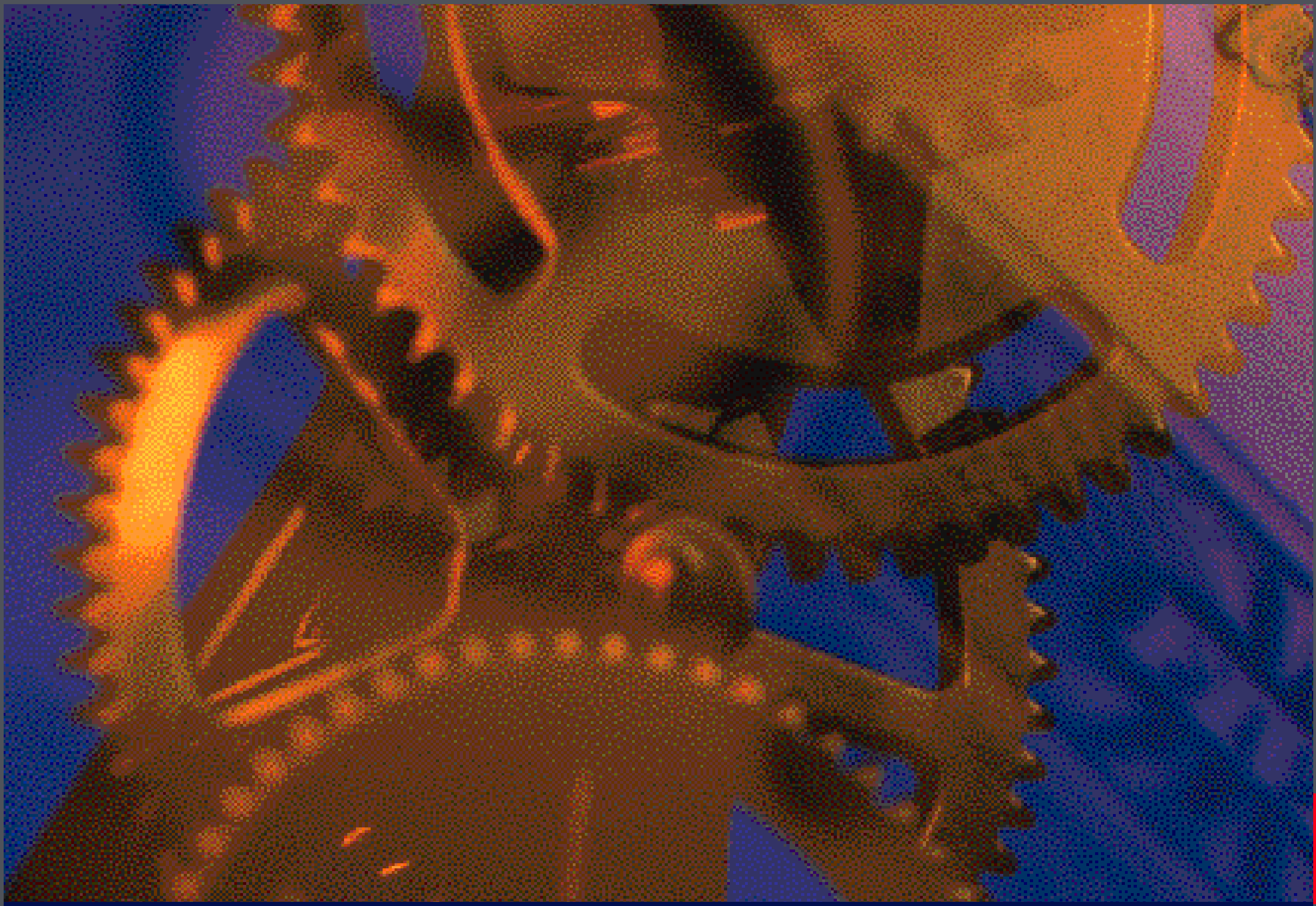
(Centers At End Of Year)



Our confidence in AmSurg's ability to implement its growth strategies and achieve its targets is supported by a number of structural strengths. First, AmSurg centers continue to represent a compelling economic business model. Centers we develop typically reach breakeven within 90 days of opening and begin to meet their goals for annualized performance within twelve months of opening. In addition, because AmSurg centers are staffed and equipped for a limited variety of procedures, they typically generate substantial operating leverage, enabling us to achieve our targeted pre-tax return on investment at the center level.

The Company intends to continue to form ambulatory surgery center partnerships with the strongest physician practices in a given market. We will also continue our joint efforts to gain market share through increased marketing and business development, quality accreditation, managed care initiatives and physician recruitment.

In addition, in spite of AmSurg's leadership position in the physician practice-based ambulatory surgery center business, we hold only a small share of this large, fragmented and growing market. For instance, in just the surgical specialties in which we currently operate, we have identified over 1,200 physician practices of three or more physicians that are potential partners in AmSurg centers. There are also more



Quality

Quality is never an accident. Our physician partners have developed their skills and reputations over years of hard work, and AmSurg center capabilities must be equal to their demanding expectations. Our surgical teams hone their skills by performing a large number of a limited variety of procedures in a single surgical specialty. Their quality is evident in the double-digit same-center revenue growth resulting primarily from increased procedure volume, consistently high patient satisfaction survey results and the success of our centers in receiving JCAHO accreditation.

than 1,000 practice-based surgery centers already in operation in these surgical specialties that we consider potential acquisition candidates. We expect these numbers to grow in the coming years as the surgical care industry continues to evolve toward a system wherein practice-based centers handle an increasing variety of high volume, low intensity procedures.

SUMMARY

A fundamental force driving the changes in the surgical care industry – and of the overall healthcare industry – continues to be the need to provide high quality care at lower prices. While the pace of change has varied in different parts of the country and in different segments of the healthcare industry, the strength of this change cannot be disputed. The healthcare industry has witnessed numerous flawed or failed business models intended to meet the challenges of this fundamental force. However, AmSurg continues to provide a proven model to successfully address changes in the healthcare industry, a model based on our commitment to the partnership approach to the delivery of quality surgery services.

Because AmSurg centers prove on a daily basis the feasibility of providing high quality care, with high patient satisfaction, at lower cost, we not only benefit from these changes but we also contribute to the momentum of this fundamental force. Indeed, our Company was founded specifically to pursue the growing opportunity these changes have created in the ambulatory surgery center industry.

But the development of a low-cost venue in which to perform surgical procedures does not in itself create a self-sustaining business. AmSurg's success lies in adding value to the partnerships we create with physicians - value that lets them provide high quality care in an optimal environment. It is the strength of these physician partnerships that has enabled us to demonstrate the potential of practice-based surgery centers for profitable growth in a healthcare environment that remains largely fee-for-service. Whether or not the transition to managed care continues, we believe the Company's potential will only grow.

Claire M. Gulmi, *Senior Vice President, Chief Financial Officer, Secretary*
Ken P. McDonald, *President and Chief Executive Officer*

Many hard-working, dedicated individuals deserve credit for AmSurg's past success and its prospects for future growth. These people include our employees, physician partners and suppliers, and we sincerely thank them for their ongoing effort. We also recognize the essential support that you provide as a shareholder of AmSurg, and we offer our thanks to you for your investment in the Company.

Sincerely,

Ken P. McDonald
President

Selected Financial Data

	Years Ended December 31,				
	1998	1997	1996	1995	1994
	(In thousands, except per share data)				
Statement of Operations Data:					
Revenues	$80,322	$57,414	$34,898	$22,389	$13,784
Operating expenses:					
Salaries and benefits	22,947	17,363	11,613	6,243	4,092
Other operating expenses	28,393	20,352	11,547	7,558	5,091
Depreciation and amortization	6,568	4,944	3,000	2,397	1,309
Net loss on sale of assets	5,462 (1)	1,425 (2)	31	–	–
Total operating expenses	63,370	44,084	26,191	16,198	10,492
Operating income	16,952	13,330	8,707	6,191	3,292
Minority interest	13,645	9,084	5,433	3,938	2,464
Other expenses:					
Interest expense, net	1,499	1,554	808	627	151
Distribution cost	–	842 (3)	–	–	–
Earnings before income taxes	1,808	1,850	2,466	1,626	677
Income tax expense	1,047	1,774	985	578	26
Net earnings	761	76	1,481	1,048	651
Accretion of preferred stock discount	–	286	22	–	–
Net earnings (loss) available to common shareholders	$ 761	$ (210)	$ 1,459	$ 1,048	$ 651
Earnings (loss) per common share:					
Basic	$ 0.06	$ (0.02)	$ 0.17	$ 0.13	$ 0.09
Diluted	$ 0.06	$ (0.02)	$ 0.16	$ 0.12	$ 0.09
Weighted average number of shares and share equivalents outstanding:					
Basic	12,247	9,453	8,689	8,174	6,999
Diluted	12,834	9,453	9,083	8,581	7,313

	At December 31,				
	1998	1997	1996	1995	1994
	(In thousands, except center data)				
Balance Sheet Data:					
Cash and cash equivalents	$ 6,070	$ 3,407	$ 3,192	$ 3,470	$ 1,750
Working capital	12,954	9,312	4,732	2,931	2,557
Total assets	98,421	75,238	54,653	35,106	27,065
Long-term debt	12,483	24,970	9,218	4,786	3,520
Minority interest	11,794	9,192	5,674	3,010	2,019
Preferred stock	–	5,268	4,982	–	–
Shareholders' equity	64,369	29,991	28,374	22,479	19,558
Center Data:					
Procedures	156,521	101,819	71,323	55,344	30,922
Centers at end of year	52	39	27	18	14

(1) Includes a loss attributable to the sale of two partnership interests in two physician practices, which had an impact after taxes of reducing basic and diluted net earnings per share by $0.29 and $0.28, respectively, for the year ended December 31, 1998. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Notes to the Consolidated Financial Statements — Note 3(c)."

(2) Includes a loss attributable to the sale of a partnership interest, net of a gain on the sale of a surgery center building and equipment, which had an impact after taxes of reducing basic and diluted net earnings per share by $0.16 for the year ended December 31, 1997. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Notes to the Consolidated Financial Statements — Note 3(c)."

(3) Reflects cost incurred related to the distribution of the Company's common stock held by American Healthcorp, Inc. to American Healthcorp, Inc.'s stockholders, which had an impact of reducing basic and diluted earnings per share by $0.09. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

OVERVIEW

The Company develops, acquires and operates practice-based ambulatory surgery centers in partnership with physician practice groups. As of December 31, 1998, the Company owned a majority interest (51% or greater) in 52 surgery centers and had established and was the majority owner (51%) of seven specialty physician networks.

"Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward-looking statements. These statements, which have been included in reliance on the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, involve risks and uncertainties. The Company's actual operations and results may differ materially from the results discussed in any such forward-looking statements. Factors that might cause such a difference include, but are not limited to, the Company's ability to enter into partnership or operating agreements for new practice-based ambulatory surgery centers and new specialty physician networks; its ability to identify suitable acquisition candidates and negotiate and close acquisition transactions; its ability to obtain the necessary financing or capital on terms satisfactory to the Company in order to execute its expansion strategy; its ability to manage growth; its ability to contract with managed care payers on terms satisfactory to the Company for its existing centers and its centers that are currently under development; its ability to obtain and retain appropriate licensing approvals for its existing centers and centers currently under development; its ability to minimize start-up losses of its development centers; its ability to maintain favorable relations with its physician partners; the implementation of the proposed rule issued by the Health Care Financing Administration ("HCFA") which would update the rate-setting methodology, payment rates, payment policies and the list of covered surgical procedures for ambulatory surgery centers; and risks relating to the Company's technological systems, including becoming Year 2000 compliant.

The Company operated as a majority owned subsidiary of American Healthcorp, Inc. ("AHC") from 1992 until December 3, 1997 when AHC distributed to its stockholders all of its holdings in AmSurg common stock (the "Distribution"). Prior to the Distribution, the Company effected a recapitalization pursuant to which every three shares of the Company's then outstanding common stock were converted into one share of Class A Common Stock. Immediately following the Recapitalization, AHC exchanged a portion of its shares of Class A Common Stock for shares of Class B Common Stock. The principal purpose of the Distribution was to enable the Company to have access to debt and equity capital markets as an independent, publicly traded company. Upon the Distribution, the Company became a publicly traded company.

The following table presents the components of changes in the number of surgery centers in operation and centers under development for the years ended December 31, 1998, 1997 and 1996. A center is deemed to be under development when a partnership or limited liability company has been formed with the physician group partner to develop the center.

	1998	1997	1996
Centers in operation, beginning of year	39	27	18
New center acquisitions placed in operation	7	5	6
New development centers placed in operation	7	10	3
Centers sold	(1)	(3)	–
Centers in operation, end of year	52	39	27
Centers under development, end of year	5	10	20

Thirty-nine of the surgery centers in operation as of December 31, 1998 perform gastrointestinal endoscopy procedures; eleven centers perform ophthalmology procedures; one center performs orthopaedic procedures; and one center performs ophthalmology, urology, general surgery and otolaryngology procedures. The other partner or member in each partnership or limited liability company is in each case an entity owned by physicians who perform procedures at the center.

The specialty physician networks are owned through limited partnerships and limited liability companies in which the Company owns a majority interest. The other partners or members are individual physicians who will provide the medical services to the patient population covered by the contracts the network will seek to enter into with managed care payers. It is not expected that the specialty physician networks in themselves will be a significant source of income for the Company. These networks were and will be formed in selected markets primarily as a contracting vehicle for certain managed care arrangements to generate revenues for the Company's practice-based surgery centers. As of December 31, 1998, three networks had secured managed care contracts and were operational.

During 1998, the Company had a majority interest in two specialty physician practices which were acquired in January 1996 and January 1997, the other partners of which were entities owned by the principal physicians who provide professional medical services to patients of the practices. In May 1998, the Company's Board of Directors approved a plan to dispose of the Company's interests in these two physician practices as part of an overall strategy to exit the practice management business and focus solely on the development, acquisition and operation of ambulatory surgery centers and specialty networks. Accordingly, the Company recorded a charge of $3.6 million, net of income tax benefit of $1.8 million, in the second quarter of 1998 for the estimated loss on the disposal of these assets, and on June 26, 1998 and October 1, 1998, the Company completed the disposition of each of these practices (see Consolidated Financial Statements – Note 3(c)).

The Company intends to expand primarily through the development and acquisition of additional practice-based ambulatory surgery centers in targeted surgical specialties. In addition, the Company believes that its surgery centers, combined with its relationships with specialty physician practices in the surgery centers' markets, will provide the Company with other opportunities for growth from specialty network development. By using its surgery centers as a base to develop specialty physician networks that are designed to serve large numbers of covered lives, the Company believes that it will strengthen its market position in contracting with managed care organizations.

While the Company generally owns 51% to 70% of the entities that own the surgery centers, the Company's consolidated statements of operations include 100% of the results of operations of the entities, reduced by the minority partners' share of the net earnings or loss of the surgery center/practice entities.

SOURCES OF REVENUES

The Company's principal source of revenues is a facility fee charged for surgical procedures performed in its surgery centers. This fee varies depending on the procedure, but usually includes all charges for operating room usage, special equipment usage, supplies, recovery room usage, nursing staff and medications. Facility fees do not include the charges of the patient's surgeon, anesthesiologist or other attending physicians, which are billed directly to third-party payers by such physicians. Historically, the Company's other significant source of revenues has been the fees for physicians services performed by the two physician group practices in which the Company owned a majority interest. However, as a result of the disposition of these practices, the Company will no longer earn such revenue.

Practice-based ambulatory surgery centers and physician practices such as those in which the Company owns or has owned a majority interest depend upon third-party reimbursement programs, including governmental and private insurance programs, to pay for services rendered to patients. The Company derived approximately 41%, 37% and 36% of its revenues in the years ended December 31, 1998, 1997 and 1996, respectively, from governmental healthcare programs including Medicare and Medicaid. The Medicare program currently pays ambulatory surgery centers and physicians in accordance with fee schedules which are prospectively determined.

The Company's sources of revenues as a percentage of total revenues for the years ended December 31, 1998, 1997 and 1996 are as follows:

	1998	1997	1996
Surgery centers	94%	83%	83%
Physician practices	6	15	15
Other	–	2	2
Total	100%	100%	100%

RESULTS OF OPERATIONS

The following table shows certain statement of operations items expressed as a percentage of revenues for the years ended December 31, 1998, 1997 and 1996:

	1998	1997	1996
Revenues	100.0%	100.0%	100.0%
Operating expenses:			
Salaries and benefits	28.6	30.2	33.3
Other operating expenses	35.3	35.5	33.1
Depreciation and amortization	8.2	8.6	8.6
Net loss on sale of assets	6.8	2.5	–
Total operating expenses	78.9	76.8	75.0
Operating income	21.1	23.2	25.0
Minority interest	17.0	15.8	15.6
Other expenses:			
Interest expense, net of interest income	1.9	2.7	2.3
Distribution cost	–	1.5	–
Earnings before income taxes	2.2	3.2	7.1
Income tax expense	1.3	3.1	2.9
Net earnings	0.9	0.1	4.2
Accretion of preferred stock discount	–	0.5	–
Net earnings (loss) available to common shareholders	0.9%	(0.4)%	4.2%

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997

Revenues were $80.3 million in 1998, an increase of $22.9 million, or 40%, over revenues in 1997. The increase is primarily attributable to additional centers in operation in 1998 and same-center revenue growth of 12%. Same-center growth is primarily attributable to additional procedure volume. The Company anticipates further revenue growth during 1999 as a result of additional start-up and acquired centers expected to be placed in operation and from same-center revenue growth.

Salaries and benefits expense was $22.9 million in 1998, an increase of $5.6 million, or 32%, over salaries and benefits expense in 1997. This increase resulted primarily from additional centers in operation and from an increase in corporate staff primarily to support growth in the number of centers in operation and anticipated future growth. Salaries and benefits expense as a percentage of revenue decreased in 1998 due to the absence of physician salaries of the practice disposed of in June 1998.

Other operating expenses were $28.4 million in 1998, an increase of $8.0 million, or 40%, over other operating expenses in 1997. This increase resulted primarily from additional centers in operation. This increase was offset by a reduction in physician practice expenses of the practices disposed of in 1998.

The Company anticipates further increases in operating expenses in 1999 primarily due to additional start-up centers and acquired centers expected to be placed in operation. Typically a start-up center will incur start-up losses while under development and during its initial months of operations and will experience lower revenues and operating margins than an established center until its case load grows to a more optimal operating level, which generally is expected to occur within 12 months after a center opens.

Depreciation and amortization expense increased $1.6 million, or 33%, in 1998 over 1997, primarily due to 13 additional surgery centers in operation in 1998 compared to 1997.

Net loss on sale of assets in 1998 primarily resulted from the Company's decision to exit the physician practice management business. In the second quarter of 1998, the Company reduced the carrying value of the long-lived assets of the practices held for sale by approximately $5.4 million based on the estimated sales proceeds less estimated costs to sell. The ultimate disposition of the practices, which occurred later in 1998, resulted in no significant change from the estimate originally recorded in the second quarter of 1998.

The Company's minority interest in earnings in 1998 increased by $4.6 million, or 50%, over 1997 primarily as a result of minority partners' interest in earnings at surgery centers recently added to operations and from increased same-center profitability.

Interest expense decreased $54,000, or 3%, in 1998 over 1997 due to the repayment of long-term debt from the proceeds of the public offering in June 1998 (see "Liquidity and Capital Resources") and a decrease in the Company's borrowing rate due to a decrease in borrowing levels. The reduction in interest expense was partially offset by an increase in debt assumed or incurred in connection with additional acquisitions of interests in surgery centers, together with the interest expense associated with newly opened start-up surgery centers financed partially with bank debt.

Distribution cost in 1997 represents costs incurred by the Company related to effecting the Distribution.

The Company recognized income tax expense of $1.0 million in 1998, compared to $1.8 million in 1997. The Company's effective tax rate in both years was 40% of earnings prior to the impact of net loss on sale of assets and distribution cost and differed from the federal statutory income tax rate of 34%, primarily due to the impact of state income taxes.

Accretion of preferred stock discount in 1997 resulted from the issuance during November 1996 of redeemable preferred stock with a redemption amount of $3.0 million. The preferred stock was recorded at its fair market value, net of issuance costs. From the time of issuance, the Series A Redeemable Preferred Stock was accreted toward its redemption value, including potential dividends, over the redemption term. During the first quarter of 1998, the holders of this series of preferred stock elected to convert their preferred shares into 380,952 shares of Class A Common Stock pursuant to the provisions of the Company's Charter using a conversion ratio based on the market price of the Company's Class A Common Stock. Accordingly, the Company recorded no accretion in 1998.

YEAR ENDED DECEMBER 31, 1997 COMPARED TO YEAR ENDED DECEMBER 31, 1996

Revenues were $57.4 million in 1997, an increase of $22.5 million, or 65%, over revenues in 1996. The increase is primarily attributable to additional centers in operation in 1997 and the acquisition of a urology physician practice on January 1, 1997. Excluding the three centers which were disposed as described below, same-center revenues in 1997 increased by 6%. Same-center growth resulted from increased case volume and increases in fees.

Salaries and benefits expense was $17.4 million in 1997, an increase of $5.7 million, or 50%, over salaries and benefits expense in 1996. Other operating expenses were $20.4 million in 1997, an increase of $8.8 million, or 76%, over other operating expenses in 1996. This increase resulted primarily from additional centers in operation, the acquisition of the interest in the urology physician practice and from an increase in corporate staff primarily to support growth in the number of centers in operation and anticipated future growth. Salaries and benefits expense and other operating expenses in the aggregate as a percentage of revenues remained comparable at 66% in 1997 and 1996. However, salaries and benefits expense as a percentage of revenues decreased in 1997 while other operating expenses as a percentage of revenues increased proportionately in 1997 compared to 1996, primarily due to the addition of contracted physician service expense for the physician practice acquired in January 1997 within other operating expenses.

Depreciation and amortization expense increased $1.9 million, or 65%, in 1997 over 1996, primarily due to 12 additional surgery centers and one physician practice in operation in 1997 compared to 1996.

Included in net loss on sale of assets in 1997 is a loss of approximately $2.0 million from the disposition of the Company's investment in a partnership that owned two surgery centers acquired in 1994. Various disagreements with the sole physician partner over the operation of these centers had adversely impacted the operations of these centers. After a series of discussions and attempts to resolve these differences, the Company determined that the partners could not resolve their disagreements and that as a result the carrying value of the assets associated with this partnership would not likely be fully recovered. The Company projected the undiscounted cash flows from these centers and determined these cash flows to be less than the carrying value of the long-lived assets attributable to this partnership. Accordingly, an impairment loss equal to the excess of the carrying value of the long-lived assets over the present value of the estimated future cash flows was recorded in the first quarter of 1997 in accordance with Statement of Financial Accounting Standards No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of." In September 1997, the Company sold its interest in the partnership assets to its physician partner and recognized a partial loss recovery. Management believes it has good relationships with its other physician partners and that the loss attributable to the partnership discussed above resulted from a unique set of circumstances.

In addition, net loss on sale of assets includes a pretax gain of approximately $460,000 from the sale in July 1997 of a surgery center building and equipment which the Company had leased to a gastrointestinal physician practice. Concurrent with the sale, the Company terminated its management agreement with the physician practice for the surgery center in which the Company had no ownership interest but had managed since 1994.

The Company's minority interest in earnings in 1997 increased by $3.7 million, or 67%, over 1996 primarily as a result of minority partners' interest in earnings at surgery centers recently added to operations and from increased same-center profitability.

Interest expense increased $745,000, or 92%, in 1997 over 1996 due to debt assumed or incurred in connection with additional acquisitions of interests in surgery centers and a physician practice, together with the interest expense associated with newly opened start-up surgery centers financed partially with bank debt.

Distribution cost in 1997 represents costs incurred by the Company related to effecting the Distribution.

The Company recognized income tax expense of $1.8 million in 1997, compared to $1.0 million in 1996. The Company has recognized no tax benefit associated with distribution cost and net loss on sale of assets, while certain tax aspects of the gain transaction recorded in July 1997 resulted in income tax expense of approximately $100,000. The Company's effective tax rate in both periods was 40% of earnings prior to the impact of distribution cost and net loss on sale of assets and differed from the federal statutory income tax rate of 34%, primarily due to the impact of state income taxes.

Accretion of preferred stock discount resulted from the issuance during November 1996 of redeemable preferred stock with a redemption amount of $3.0 million. The preferred stock was recorded at its fair market value, net of issuance costs. From the time of issuance, the Series A Redeemable Preferred Stock had been accreted toward its redemption value, including potential dividends, over the redemption term.

QUARTERLY STATEMENT OF OPERATIONS DATA

The following table presents certain quarterly statement of operations data for the years ended December 31, 1998 and 1997. The quarterly statement of operations data set forth below was derived from unaudited financial statements of the Company and includes all adjustments, consisting of normal recurring adjustments, which the Company considers necessary for a fair presentation thereof. Results of operations for any particular quarter are not necessarily indicative of results of operations for a full year or predictive of future periods.

	1997				1998			
	Q1(1)	Q2	Q3(2)(3)	Q4(3)	Q1	Q2(4)	Q3	Q4
	(In thousands, except per share data)							
Revenues	$12,591	$13,890	$14,566	$16,367	$17,829	$20,120	$20,125	$22,248
Earning (loss) before income taxes	(1,496)	1,014	1,478	854	1,166	(3,877)	1,981	2,538
Net earnings (loss) available to common shareholders	(1,892)	537	862	283	700	(2,650)	1,188	1,523
Diluted earnings (loss) per common share	(0.20)	0.06	0.09	0.03	0.07	(0.25)	0.08	0.10

(1) Includes an impairment loss of $2.3 million, or $0.24 per share, on a partnership interest.

(2) Includes a gain on sale of assets of $727,000, net of income taxes, or $0.08 per share, attributable to a loss recovery on the sale of a partnership interest and gain on sale of a surgery center building and equipment.

(3) Includes distribution cost of $458,000 and $384,000, or $0.05 and $0.04 per share, respectively, incurred in the third and fourth quarters of 1997, respectively.

(4) Includes a loss from sale of assets of $3.6 million, net of income taxes, or $0.33 per share, on two partnership interests.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1998, the Company had working capital of $13.0 million compared to $9.3 million in 1997. Operating activities for 1998 generated $11.3 million in cash flow from operations compared to $4.0 million in 1997. Cash and cash equivalents at December 31, 1998 and 1997 were $6.1 million and $3.4 million, respectively.

During 1998 the Company used approximately $18.6 million to acquire interests in seven additional practice-based ambulatory surgery centers. In addition, the Company made capital expenditures primarily for new start-up surgery centers and for new or replacement property at existing centers which totaled $7.0 million in 1998, of which $1.2 million was funded from the capital contributions of the Company's minority partners. The Company used its cash flow from operations and net borrowings on long-term debt of $19.9 million to fund its acquisition and development obligations.

On June 17, 1998, the Company completed a public offering of 3,700,000 shares of Class A Common Stock, for net proceeds of $27.6 million. The net proceeds, along with cash flow from operations, were used to repay $32.8 million in borrowings under the Company's revolving credit facility (the "Loan Agreement") and other long-term debt during 1998. The Company also received cash proceeds of $650,000 from the sale of a surgery center during 1998.

At December 31, 1998, borrowings under the Company's revolving credit facility were $8.8 million, are due in January 2001 and are guaranteed by the wholly owned subsidiaries of the Company, and in some instances, the underlying assets of certain developed centers. The Loan Agreement permits the Company to borrow up to $50.0 million to finance the Company's acquisition and development projects at a rate equal to, at the Company's option, the prime rate or LIBOR plus a spread of 1.0% to 2.25%, depending upon borrowing levels. The Loan Agreement also provides for a fee ranging between 0.15% and 0.40% of unused commitments based on borrowing levels. The Loan Agreement also prohibits the payment of dividends and contains covenants relating to the ratio of debt to net worth, operating performance and minimum net worth. The Company was in compliance with all covenants at December 31, 1998.

On November 20, 1996, the Company issued shares of its Series A Redeemable Preferred Stock and Series B Convertible Preferred Stock to certain unaffiliated institutional investors for net cash proceeds of approximately $5.0 million. The purpose of the offering was to fund the acquisition and development of surgery centers and to provide other working capital as needed prior to being in position to access capital markets as an independent public company. The Series A Preferred Stock, which had a liquidation value of $3.0 million and was subject to redemption at any time at the option of the Company, upon the occurrence of certain events and in 2002 at the option of the holders, was converted during the first quarter of fiscal 1998 by its holders into 380,952 shares of Class A Common Stock using a conversion ratio based on the market price of the Class A Common Stock pursuant to the provisions of the Company's Charter. Upon the public offering completed on June 17, 1998, the Series B Preferred Stock automatically converted into 605,998 shares of Class A Common Stock as determined by a conversion ratio providing for the issuance of that number of shares which approximated 6% of the equity of the Company determined as of November 20, 1996.

On June 12, 1998, HCFA published a proposed rule that would update the rate-setting methodology, payment rates, payment policies and the list of covered surgical procedures for ambulatory surgery centers. The proposed rule is subject to a comment period that has been extended until June 30, 1999, and provides for an implementation date that has been extended to a date no earlier than January 2000. The proposed rule reduces the rates paid for certain ambulatory surgery center procedures reimbursed by Medicare, including a number of endoscopy and ophthalmological procedures performed at the Company's centers.

The Company believes that the proposed rule if adopted in its current form would adversely affect the Company's annual revenues by approximately 4% at that time. However, if the proposed rule were adopted in its current form, the Company expects that the earnings impact will be offset by certain actions taken by the Company or that the Company intends to take, including actions to effect certain cost efficiencies in center operations, reduce corporate overhead costs and provide for contingent purchase price adjustments for future acquisitions. There can be no assurance that the Company will be able to implement successfully these actions or that if implemented the actions will offset fully the adverse impact of the rule, as finally adopted, on the earnings of the Company. There also can be no assurance that HCFA will not modify the proposed rule, before it is enacted in final form, in a manner that would adversely impact the Company's financial condition, results of operation and business prospects.

YEAR 2000

The Company has evaluated its risks associated with software and hardware components which may fail due to the millennium change and has determined these risks include but are not limited to (i) risk that surgical equipment critical to the patient's care may fail, (ii) risk that billing and administration software will not support timely billing and collection efforts and (iii) risk that third party payers will not be able to provide timely reimbursement for services performed.

In order to address these risks, the Company has designed and implemented a Year 2000 assessment and action plan. Because the Company generally has no internally designed software systems or hardware components nor does the Company market or support any software or hardware products, the Company has focused its efforts on ensuring that its systems are Year 2000 compliant by implementing a plan designed to evaluate all critical systems purchased from third parties at each of its operating surgery centers and its corporate offices. The assessment plan involves (i) identifying all potential Year 2000 hardware and software components, including but not limited to surgical equipment, office machinery, financial software and general service equipment and components, (ii) contracting with a third party consultant to measure surgical equipment products against their Year 2000 compliance database, (iii) obtaining verification from third parties whether their products are Year 2000 compliant and, if not, the third parties' ability to make the appropriate modifications and (iv) testing systems in a controlled environment to determine their ability to function accurately beyond 1999. In addition, the Company has begun to contact all significant suppliers and third party payers to determine if they are Year 2000 compliant and if they will be able to continue to provide products, services or reimbursement in 2000. This assessment plan was initiated in the third quarter of 1998 and is expected to continue throughout 1999. Nearly all of the Company's surgery centers have completed their identification of medical hardware and software and have measured the items' Year 2000 compliance against the third party consultants' database. Most non-medical equipment has also been identified and testing and/or communication with vendors is in process. Based on the ongoing findings of the assessment plan, the Company has begun the remediation process to replace or modify those systems not found to be Year 2000 compliant.

Although a complete cost assessment will not be determinable until all operating locations have been fully assessed, the Company currently estimates that the Company and the surgery centers in the aggregate may incur total capitalizable and non-capitalizable costs ranging from $200,000 to $400,000 in 1999 to ensure that all centers and the corporate offices are Year 2000 compliant. However, until the assessment and remediation processes are completed, the Company is unable to estimate with certainty the total costs to make the Company Year 2000 compliant. No significant costs have been incurred to date associated with Year 2000 compliance. All costs to evaluate and make modifications will be expensed as incurred, will generally be shared by the Company's physician partners in proportion to their ownership interest and are not expected to have a significant impact on the Company's financial position or ongoing results of operations.

The Company has yet to establish a contingency plan, but intends to formulate one to address its significant risks by the second quarter of 1999.

RECENT ACCOUNTING PRONOUNCEMENTS

Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income" and No. 131 "Disclosures about Segments of an Enterprise and Related Information" are effective for the Company for the year ended December 31, 1998. These standards had no effect on the Company's presentation of financial statement information.

Statement of Position ("SOP") No. 98-5 "Reporting on the Costs of Start-Up Activities" becomes effective for the Company for the year ending December 31, 1999. SOP No. 98-5 requires that start-up costs be expensed as incurred and that upon adoption, all deferred start-up costs be expensed as a cumulative effect of a change in accounting principle. The Company estimates approximately $126,000, net of minority interest and income taxes, will be expensed as of January 1, 1999 as a cumulative effect of a change in accounting principle.

Consolidated Balance Sheets

	December 31, 1998	1997
Assets		
Current assets:		
Cash and cash equivalents	$ 6,069,767	$ 3,406,787
Accounts receivable, net of allowance of $1,937,765 and $1,436,468, respectively	12,122,277	8,220,616
Supplies inventory	1,250,487	905,992
Deferred income taxes (note 10)	507,000	390,000
Prepaid and other current assets	951,638	1,020,835
Total current assets	20,901,169	13,944,230
Long-term receivables and deposits (note 3)	2,045,474	479,012
Property and equipment, net (notes 4, 6 and 7)	23,139,495	19,248,464
Intangible assets, net (notes 3 and 5)	52,334,975	41,566,684
Total assets	$98,421,113	$75,238,390

	December 31, 1998	1997
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable (note 3)	$ 2,385,150	$ –
Current portion of long-term debt (note 6)	1,378,270	1,330,595
Accounts payable	1,195,305	922,188
Accrued salaries and benefits	1,724,419	1,018,844
Other accrued liabilities	887,985	1,235,626
Current income taxes payable	376,092	125,396
Total current liabilities	7,947,221	4,632,649
Long-term debt (note 6)	12,483,458	24,969,718
Deferred income taxes (note 10)	1,827,000	1,185,000
Minority interest	11,794,389	9,191,896
Preferred stock, no par value, 5,000,000 shares authorized, 0 and 916,666 shares outstanding (note 8)	–	5,267,672
Shareholders' equity (notes 9 and 11):		
Common stock:		
Class A, no par value, 20,000,000 shares authorized, 9,533,486 and 4,758,091 shares outstanding, respectively	48,115,915	14,636,331
Class B, no par value, 4,800,000 shares authorized, 4,787,131 shares outstanding	13,528,981	13,528,981
Retained earnings	2,860,796	2,099,491
Deferred compensation on restricted stock (note 11)	(136,647)	(273,348)
Total shareholders' equity	64,369,045	29,991,455
Commitments and contingencies (notes 4, 7, 11 and 12)		
Total liabilities and shareholders' equity	$98,421,113	$75,238,390

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Operations

	Years Ended December 31, 1998	1997	1996
Revenues (note 2)	$ 80,322,270	$57,413,812	$34,898,496
Operating expenses:			
Salaries and benefits (note 11)	22,946,600	17,363,440	11,613,504
Other operating expenses (note 11)	28,392,926	20,352,442	11,546,562
Depreciation and amortization	6,568,436	4,944,483	3,000,183
Net loss on sale of assets (note 3)	5,461,720	1,424,690	30,811
Total operating expenses	63,369,682	44,085,055	26,191,060
Operating income	16,952,588	13,328,757	8,707,436
Minority interest	13,644,544	9,084,132	5,433,588
Other expenses:			
Interest expense, net of interest income of $124,748, $69,088 and $139,531, respectively	1,499,316	1,553,508	808,332
Distribution cost (note 9)	–	841,801	–
Earnings before income taxes	1,808,728	1,849,316	2,465,516
Income tax expense (note 10)	1,047,423	1,774,000	985,000
Net earnings	761,305	75,316	1,480,516
Accretion of preferred stock discount (note 8)	–	285,615	22,057
Net earnings (loss) available to common shareholders	$ 761,305	$ (210,299)	$ 1,458,459
Earnings (loss) per common share (note 9):			
Basic	$ 0.06	$ (0.02)	$ 0.17
Diluted	$ 0.06	$ (0.02)	$ 0.16
Weighted average number of shares and share equivalents outstanding (note 9):			
Basic	12,247,389	9,453,205	8,689,480
Diluted	12,834,030	9,453,205	9,082,535

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Years Ended December 31, 1998, 1997 and 1996				
	Common Stock		Retained	Deferred Compensation on Restricted	
	Shares	Amount	Earnings	Stock	Total
Balance December 31, 1995	8,302,477	$ 21,627,861	$ 851,331	$ –	$ 22,479,192
Issuance of common stock	512,239	2,366,262	–	–	2,366,262
Issuance of common stock in conjunction with acquisitions	384,809	2,069,962	–	–	2,069,962
Net earnings available to common shareholders	–	–	1,458,459	–	1,458,459
Balance December 31, 1996	9,199,525	26,064,085	2,309,790	–	28,373,875
Issuance of common stock	146,087	934,273	–	(273,348)	660,925
Issuance of common stock in conjunction with acquisitions	300,863	1,847,376	–	–	1,847,376
Acquisition of stock	(101,253)	(680,422)	–	–	(680,422)
Net loss available to common shareholders	–	–	(210,299)	–	(210,299)
Balance December 31, 1997	9,545,222	28,165,312	2,099,491	(273,348)	29,991,455
Issuance of common stock, net of offering cost	3,705,928	27,635,439	–	–	27,635,439
Issuance of common stock in conjunction with acquisitions	56,366	450,689	–	–	450,689
Stock options exercised, net of related tax benefit	26,151	125,784	–	–	125,784
Conversion of preferred stock	986,950	5,267,672	–	–	5,267,672
Net earnings	–	–	761,305	–	761,305
Amortization of deferred compensation on restricted stock	–	–	–	136,701	136,701
Balance December 31, 1998	14,320,617	$61,644,896	$2,860,796	$(136,647)	$64,369,045

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

	Years Ended December 31,		
	1998	1997	1996
Cash flows from operating activities:			
Net earnings	$ 761,305	$ 75,316	$ 1,480,516
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Minority interest	13,644,544	9,084,132	5,433,588
Distributions to minority partners	(13,479,940)	(8,907,875)	(5,084,294)
Depreciation and amortization	6,568,436	4,944,483	3,000,183
Deferred income taxes	525,000	333,000	249,000
Amortization of deferred compensation on restricted stock	136,701	–	–
Net (gain) loss on sale of assets	5,461,720	1,424,690	(30,811)
Increase (decrease) in cash, net of effects of acquisitions and dispositions, due to changes in:			
Accounts receivable, net	(2,560,418)	(1,620,141)	(1,353,365)
Supplies inventory	(76,924)	(212,403)	(128,248)
Prepaid and other current assets	42,489	(572,455)	(213,838)
Other assets	(325,416)	(803,022)	(266,801)
Accounts payable	123,442	(384,881)	648,292
Accrued expenses and other liabilities	518,413	322,870	(43,734)
Other, net	(797)	273,593	156,001
Net cash flows provided by operating activities	11,338,555	3,957,307	3,846,489
Cash flows from investing activities:			
Acquisition of interest in surgery centers	(18,565,082)	(12,643,331)	(12,669,794)
Acquisition of property and equipment	(6,967,297)	(10,578,551)	(3,863,052)
Proceeds from sale of assets	669,000	1,978,462	–
Net proceeds from long-term receivables	335,529	57,504	137,582
Net cash flows used in investing activities	(24,527,850)	(21,185,916)	(16,395,264)
Cash flows from financing activities:			
Proceeds from long-term borrowings	19,874,094	17,629,000	10,544,700
Repayment on long-term borrowings	(32,787,189)	(3,524,641)	(7,261,534)
Net proceeds from issuance of preferred stock	–	–	4,960,000
Net proceeds from issuance of common stock	27,658,696	524,216	2,366,262
Proceeds from capital contributions by minority partners	1,166,810	2,952,507	1,681,324
Financing cost incurred	(60,136)	(138,094)	(19,230)
Net cash flows provided by financing activities	15,852,275	17,442,988	12,271,522
Net increase (decrease) in cash and cash equivalents	2,662,980	214,379	(277,253)
Cash and cash equivalents, beginning of year	3,406,787	3,192,408	3,469,661
Cash and cash equivalents, end of year	$ 6,069,767	$ 3,406,787	$ 3,192,408

See accompanying notes to the consolidated financial statements.

1. Summary of Significant Accounting Policies

a. Principles of Consolidation

AmSurg Corp. (the "Company"), through its wholly owned subsidiaries, owns majority interests primarily between 51% and 70% in limited partnerships and limited liability companies ("LLCs") which own and operate practice-based ambulatory surgery centers ("Centers"). The Company also has majority ownership interests in other partnerships and LLCs formed to develop additional centers. The consolidated financial statements include the accounts of the Company and its subsidiaries and the majority owned limited partnerships and LLCs in which the Company is the general partner or member. Consolidation of such partnerships and LLCs is necessary as the Company has 51% or more of the financial interest, is the general partner or majority member with all the duties, rights and responsibilities thereof and is responsible for the day-to-day management of the partnership or LLC. The limited partner or minority member responsibilities are to supervise the delivery of medical services with their rights being restricted to those which protect their financial interests, such as approval of the acquisition of significant assets or incurring debt which they, as physician limited partners or members, are required to guarantee on a pro rata basis based upon their respective ownership interests. All material intercompany profits, transactions and balances have been eliminated. All subsidiaries and minority owners are herein referred to as partnerships and partners, respectively.

b. Cash and Cash Equivalents

Cash and cash equivalents are comprised principally of demand deposits at banks and other highly liquid short-term investments with maturities less than three months when purchased.

c. Prepaid and Other Current Assets

Prepaid and other current assets are comprised of prepaid expenses and other receivables.

d. Property and Equipment

Property and equipment are stated at cost. Equipment held under capital leases is stated at the present value of minimum lease payments at the inception of the related leases. Depreciation for buildings and improvements is recognized under the straight-line method over 20 years, or for leasehold improvements, over the remaining term of the lease plus renewal options. Depreciation for moveable equipment is recognized over useful lives of five to ten years.

e. Intangible Assets

Excess of Cost over Net Assets of Purchased Operations

Excess of cost over net assets of purchased operations is amortized over 25 years. The Company has consistently assessed impairment of the excess of cost over net assets of purchased operations and other long-lived assets in accordance with criteria consistent with the provisions of Statement of Financial Accounting Standard ("SFAS") No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Whenever events or changes in circumstances indicate that the carrying amount of long-term assets may not be recoverable, management assesses whether or not an impairment loss should be recorded by comparing estimated undiscounted future cash flows with the assets' carrying amount at the partnership level. If the assets' carrying amount is in excess of the estimated undiscounted future cash flows, an impairment loss is recognized as the excess of the carrying amount over estimated future cash flows discounted at an applicable rate.

Deferred Pre-opening Costs

Deferred pre-opening costs consist of costs incurred for surgery centers while under development. Deferred pre-opening costs are amortized over one year, starting upon the commencement date of operations. Beginning in 1999, the Company will adopt Statement of Position ("SOP") No. 98-5 "Reporting on the Costs of Start-Up Activities," which requires that pre-opening costs be expensed as incurred and that upon adoption all deferred pre-opening costs be expensed as a cumulative effect of a change in accounting principle. The Company estimates approximately $126,000, net of minority interest and income taxes, will be expensed as of January 1, 1999 as a cumulative effect of a change in accounting principle.

Other Intangible Assets

Other intangible assets consist primarily of deferred financing costs of the Company and the entities included in the Company's consolidated financial statements and are amortized over the term of the related debt.

f. Income Taxes

The Company files a consolidated federal income tax return. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

g. Earnings Per Share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the combined weighted average number of Class A and Class B common shares while diluted earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of such common shares and dilutive share equivalents.

h. Stock Option Plan

The Company accounts for its stock option plan in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25 "Accounting for Stock Issued to Employees," and related interpretations. Compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. The Company also provides disclosure in accordance with SFAS No. 123 "Accounting for Stock-Based Compensation," to reflect pro forma earnings per share as if the fair value of all stock-based awards on the date of grant are recognized over the vesting period.

i. Fair Value of Financial Instruments

Cash and cash equivalents, receivables and payables are reflected in the financial statements at cost which approximates fair value. Management believes that the carrying amounts of long-term debt approximate market value, because it believes the terms of its borrowings approximate terms which it would incur currently.

j. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

k. Reclassifications

Certain prior year amounts have been reclassified to conform to the 1998 presentation.

l. Recent Accounting Pronouncements

Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income" and No. 131 "Disclosures about Segments of an Enterprise and Related Information" are effective for the Company for the year ended December 31, 1998. These standards had no effect on the Company's presentation of financial statement information.

2. REVENUE RECOGNITION

Revenues for the years ended December 31, 1998, 1997 and 1996 are comprised of the following:

	1998	1997	1996
Surgery centers	$75,334,903	$47,803,933	$28,950,498
Physician practices	4,785,678	8,677,522	5,155,148
Other	201,689	932,357	792,850
Revenues	$80,322,270	$57,413,812	$34,898,496

Surgery center revenues consist of the billing for the use of the Centers' facilities (the "usage fee") directly to the patient or third party payer. The usage fee excludes any amounts billed for physicians' services which are billed separately by the physicians to the patient or third party payer.

Physician practice revenues consist of the billing for physician services of the Company's two majority owned physician practices acquired in 1997 and 1996 and disposed of in 1998. The billings were made by the practice directly to the patient or third party payer.

Revenues from surgery centers and physician practices are recognized on the date of service, net of estimated contractual allowances from third party medical service payers including Medicare and Medicaid. During the years ended December 31, 1998, 1997 and 1996 approximately 41%, 37% and 36%, respectively, of the Company's revenues were derived from the provision of services to patients covered under Medicare and Medicaid. Concentration of credit risk with respect to other payers is limited due to the large number of such payers.

3. ACQUISITIONS AND DISPOSITIONS

a. Acquisitions

The Company, through wholly owned subsidiaries and in separate transactions, acquired a majority interest in seven, five and four practice-based surgery centers during 1998, 1997 and 1996, respectively. In addition, the Company acquired through wholly owned subsidiaries one physician practice and related entities in each of 1997 and 1996. Consideration paid for the acquired interests consisted of cash and common stock. In addition, notes payable for $2,385,150 at rates ranging from 7.75% to 8.25%, maturing through February 1999, were issued in conjunction with two acquisitions. Total consideration paid in 1998, 1997 and 1996 for all acquisitions was $21,172,207, $14,471,503 and $13,561,661, respectively, of which the Company assigned $19,504,205, $13,738,220 and $12,289,386, respectively, to excess of cost over net assets of purchased operations. In conjunction with four acquisitions in 1998, the Company is obligated to pay an additional $1,025,000 ratably over each six month interval from 2000 to 2004 in which proposed surgery center reimbursement rates by the Health Care Financing Administration are not effective. The Company will be released from any outstanding purchase price commitments upon the final implementation of proposed reimbursement rates. All acquisitions were accounted for as purchases, and the accompanying consolidated financial statements include the results of their operations from the dates of acquisition.

b. Pro Forma Information

The unaudited consolidated pro forma results for the years ended December 31, 1998 and 1997, assuming all 1998 and 1997 acquisitions had been consummated on January 1, 1997, are as follows:

	1998	1997
Revenues	$86,914,000	$73,344,000
Net earnings available to common shareholders	1,229,000	609,000
Earnings per common share:		
Basic	0.10	0.06
Diluted	0.10	0.06
Weighted average number of shares and share equivalents:		
Basic	12,262,000	9,612,000
Diluted	12,849,000	9,948,000

c. Dispositions

In three separate transactions in 1998, the Company sold certain assets comprising a surgery center developed in 1995 and its interest in two separate partnerships that owned two physician practices. The net loss associated with these transactions was $5,442,914. The Company recognized an income tax benefit of approximately $1,850,000 associated with these losses. In conjunction with the sale of the interest in one physician practice, the Company received a note for $1,945,000 which is to be paid through 2010. The note bears interest at 6.5%, is secured by the assets of the physician practice and certain personal guarantees by the owners of the physician practice.

In two separate transactions in 1997, the Company sold its investment in a partnership that owned two surgery centers acquired in 1994 and a surgery center building and equipment which the Company leased to a physician entity. In conjunction with the sale of the surgery center building and equipment, the Company also terminated its management agreement with the physician entity for the surgery center in which it had no ownership interest but had managed since 1994. The net loss associated with these transactions was $1,494,000.

4. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 1998 and 1997 are as follows:

	1998	1997
Land and improvements	$ 98,540	$ 98,540
Building and improvements	13,543,836	10,264,481
Moveable equipment	18,468,265	13,820,039
Construction in progress	45,971	1,180,250
	32,156,612	25,363,310
Less accumulated depreciation and amortization	(9,017,117)	(6,114,846)
Property and equipment, net	$23,139,495	$19,248,464

At December 31, 1998, the Company and its partnerships had unfunded construction and equipment purchase commitments for centers under development of approximately $49,000 in order to complete construction in progress.

5. INTANGIBLE ASSETS

Intangible assets at December 31, 1998 and 1997 consist of the following:

	1998	1997
Excess of cost over net assets of purchased operations, net of accumulated amortization of $5,586,616 and $4,123,482, respectively	$51,765,355	$40,636,399
Deferred pre-opening cost, net of accumulated amortization of $273,191 and $336,091, respectively	346,240	614,944
Other intangible assets, net of accumulated amortization of $408,497 and $388,108, respectively	223,380	315,341
Intangible assets, net	$52,334,975	$41,566,684

6. LONG-TERM DEBT

Long-term debt at December 31, 1998 and 1997 is comprised of the following:

	1998	1997
$50,000,000 credit agreement at prime or LIBOR plus a spread of 1.0% to 2.25% (average rate of 6.6% at December 31, 1998), due January 10, 2001	$ 8,800,000	$22,399,935
Other debt at an average rate of 8.3%, due through September 23, 2003	4,045,584	2,847,048
Capitalized lease arrangements at an average rate of 8.6%, due through December 1, 2002 (see note 7)	1,016,144	1,053,330
	13,861,728	26,300,313
Less current portion	(1,378,270)	(1,330,595)
Long-term debt	$12,483,458	$24,969,718

The borrowings under the credit facility are guaranteed by the wholly owned subsidiaries of the Company, and in some instances, the underlying assets of certain developed centers. The credit agreement, as most recently amended on May 19, 1998, permits the Company to borrow up to $50,000,000 to finance the Company's acquisition and development projects at prime rate or LIBOR plus a spread of 1.0% to 2.25% or a combination thereof, provides for a fee ranging between 0.15% and 0.40% of unused commitments based on borrowing levels, prohibits the payment of dividends and contains covenants relating to the ratio of debt to net worth, operating performance and minimum net worth. The Company was in compliance with all covenants at December 31, 1998.

Certain partnerships and LLCs included in the Company's consolidated financial statements have loans with local lending institutions which are collateralized by certain assets of the centers with a book value of approximately $7,500,000. The Company and the partners or members have guaranteed payment of the loans.

Principal payments required on long-term debt in the six years subsequent to December 31, 1998 are $1,378,270, $1,286,257, $9,891,360, $586,420, $499,858 and $219,563.

7. LEASES

The Company has entered into various building and equipment operating leases and equipment capital leases for its surgery centers in operation and under development and for office space, expiring at various dates through 2014. Future minimum lease payments at December 31, 1998 are as follows:

Year Ended December 31,	Capitalized Equipment Leases	Operating Leases
1999	$ 557,029	$ 4,104,712
2000	386,203	3,985,895
2001	175,236	3,626,444
2002	20,746	3,055,161
2003	–	2,649,142
Thereafter	–	6,589,688
Total minimum rentals	1,139,214	$24,011,042
Less amounts representing interest at rates ranging from 6.5% to 13.5%	(123,070)	
Capital lease obligations	$1,016,144	

At December 31, 1998, equipment with a cost of approximately $1,785,000 and accumulated amortization of approximately $665,000 was held under capital lease. The Company and its limited partners have guaranteed payment of the leases. Rental expense for operating leases for the years ended December 31, 1998, 1997 and 1996 was approximately $4,167,000, $3,093,000 and $1,775,000 (see note 11).

8. PREFERRED STOCK

Preferred stock, net of issuance costs, at December 31, 1998 and 1997 is comprised of the following:

	1998	1997
Series A Redeemable Preferred Stock, 0 and 500,000 shares outstanding	$ –	$ 2,059,905
Series B Convertible Preferred Stock, 0 and 416,666 shares outstanding	–	3,207,767
	$ –	$ 5,267,672

On November 20, 1996, the Company issued to unaffiliated institutional investors a combination of redeemable and convertible preferred stock for net proceeds of $4,960,000. The preferred stock was recorded at its fair value, net of issuance costs. The Series A Redeemable Preferred Stock, which had a stated amount of $3,000,000, was to pay a cumulative dividend of 8% commencing November 21, 1998, was subject to redemption at any time at the option of the Company, upon the occurrence of certain events and in 2002 at the option of the holders, was converted in 1998 by its holders into 380,952 shares of Class A Common Stock using a conversion ratio based on the market price of the Class A Common Stock pursuant to the provisions of the Company's Charter. Upon a public offering of common stock completed on June 17, 1998 (see note 9), the Series B Convertible Preferred Stock, which had a stated amount of $2,500,000, automatically converted into 605,998 shares of Class A Common Stock as determined by a conversion ratio providing for the issuance of that number of shares which approximated 6% of the equity of the Company determined as of November 20, 1996. From the time of issuance, the Series A Redeemable Preferred Stock had been accreted toward its stated amount, including potential dividends, over the redemption term. The Series B Convertible Preferred Stock was not accreted because management expected its conversion.

9. SHAREHOLDERS' EQUITY

a. Common Stock

The Company operated as a majority owned subsidiary of American Healthcorp, Inc. ("AHC") from 1992 until the distribution by AHC to its stockholders of the shares of the AmSurg common stock owned by it (the "Distribution") on December 3, 1997. The principal purpose of the Distribution was to enable the Company to have access to debt and equity capital markets as an independent, publicly traded company. Upon the Distribution, the Company became a publicly traded company.

Prior to the Distribution, the Company effected a recapitalization pursuant to which every three shares of the Company's then outstanding common stock were converted into one share of Class A Common Stock. Immediately following the recapitalization, AHC exchanged a portion of its shares of Class A Common Stock for shares of Class B Common Stock which differs from Class A Common Stock in that it has ten votes per share in the election and removal of directors of the Company, while the Class A Common Stock has one vote per share. Other than the election and removal of directors of the Company, the Class A Common Stock and the Class B Common Stock have equal voting and other rights. The Company does not have the right to issue additional Class B Common Stock. All shares and earnings per share data included herein have been adjusted to reflect the recapitalization. Expenses incurred in connection with the Distribution are reflected as distribution cost in the consolidated statement of operations for the year ended December 31, 1997.

From the time of the Company's inception, the Company has sold Class A Common Stock to AHC, partners and members of certain of its partnerships and LLCs and other private investors at fair value. In addition, the Company has issued shares of Class A Common Stock in connection with acquisitions of surgery center assets. On June 17, 1998, the Company completed a public offering of 3,700,000 shares of Class A Common Stock, for net proceeds of approximately $27,600,000. Net proceeds from the offering were used to repay borrowings under the Company's revolving credit facility.

b. Earnings per Share

The following is a reconciliation of the numerator and denominators of basic and diluted earnings per share:

	Earnings (Loss) (Numerator)	Shares (Denominator)	Per Share Amount
For the year ended December 31, 1998:			
Basic earnings per share:			
Net earnings	$ 761,305	12,247,389	$ 0.06
Effect of dilutive convertible preferred stock	–	191,683	
Effect of dilutive securities options	–	394,958	
Diluted earnings per share:			
Net earnings	$ 761,305	12,834,030	$ 0.06
For the year ended December 31, 1997:			
Net earnings	$ 75,316		
Less accretion of preferred stock	(285,615)		
Basic and diluted loss per share:			
Loss available to common shareholders	$ (210,299)	9,453,205	$(0.02)
For the year ended December 31, 1996:			
Net earnings	$1,480,516		
Less accretion of preferred stock	(22,057)		
Basic earnings per share:			
Earnings available to common shareholders	1,458,459	8,689,480	$ 0.17
Effect of dilutive securities options	–	393,055	
Diluted earnings per share:			
Earnings available to common shareholders	$1,458,459	9,082,535	$ 0.16

Options to purchase 1,174,849 shares of common stock at prices ranging from $0.75 to $8.70, representing common share equivalents of 335,927 under the treasury stock method, were outstanding at December 31, 1997 but were not included in the computation of diluted earnings per share for the year then ended because to do so would have been anti-dilutive to the net loss per share available to common shareholders. The options will expire at various dates through December 2007. The effect of the conversion of 500,000 shares of Series A Redeemable Preferred Stock into 380,952 shares of Class A Common Stock, which occurred subsequent to December 31, 1997 (see note 8), has also been excluded from the computation of diluted earnings per share for the year ended December 31, 1997 because to do so would have been anti-dilutive after giving consideration to the elimination of related accretion of preferred stock.

c. Stock Options

The Company has two stock option plans under which it has granted non-qualified options to purchase shares of Class A Common Stock to employees and outside directors. Options are granted at market value on the date of the grant and vest over four years at the rate of 25% per year. Options have a term of 10 years from the date of grant. As of December 31, 1998, 153,368 shares were reserved and available for future option grants.

Stock option activity for the years ended December 31, 1998, 1997 and 1996 is summarized below:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 1995	685,867	$1.80
Options granted	229,750	5.01
Options exercised	(2,917)	2.70
Options terminated	(5,917)	3.21
Outstanding at December 31, 1996	906,783	2.61
Options granted	294,033	6.70
Options exercised	(1,500)	3.44
Options terminated	(24,467)	5.21
Outstanding at December 31, 1997	1,174,849	3.56
Options granted	233,902	8.76
Options exercised	(26,151)	3.18
Options terminated	(38,106)	7.21
Outstanding at December 31, 1998	1,344,494	4.37

The following table summarizes information concerning outstanding and exercisable options at December 31, 1998:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life (Yrs.)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$0.75 - $ 2.50	427,331	3.36	$ 1.07	427,331	$1.07
2.51 - 4.25	224,388	5.29	3.00	216,472	2.98
4.26 - 6.00	310,866	7.56	5.32	145,927	5.22
6.01 - 7.75	138,431	8.59	6.48	73,751	6.15
7.76 - 9.50	233,478	8.78	8.97	24,036	8.79
9.51 - 10.13	10,000	9.32	10.08	–	N/A
0.75 - 10.13	1,344,494	6.17	4.37	887,517	2.85

The Company accounts for its stock options issued to employees and outside directors pursuant to APB No. 25. Accordingly, no compensation expense has been recognized in connection with the issuance of stock options. The estimated weighted average fair values of the options at the date of grant using the Black-Scholes option pricing model as promulgated by SFAS No. 123 in 1998, 1997 and 1996 were $4.79, $3.93 and $2.73 per share, respectively. In applying the Black-Scholes model, the Company assumed no dividends, an expected life for the options of seven years and a forfeiture rate of 3% in 1998, 1997 and 1996 and an average risk free interest rate of 5.6% in 1998, 6.4% in 1997 and 6.2% in 1996. The Company also assumed a volatility rate of 50% in 1998 based on its own volatility, 54% in 1997 based upon the volatility rate of AHC, and 49% in 1996 based upon an average of comparable companies. Had the Company used the Black-Scholes estimates to determine compensation expense for the options granted in the years ended December 31, 1998, 1997 and 1996, net earnings (loss) and net earnings (loss) per share attributable to common shareholders would have been reduced to the following pro forma amounts.

	1998	1997	1996
Net earnings (loss) available to common shareholders:			
As reported	$ 761,305	$ (210,299)	$1,458,459
Pro forma	152,102	(690,359)	1,241,874
Basic earnings (loss) per share available to common shareholders:			
As reported	0.06	(0.02)	0.17
Pro forma	0.01	(0.07)	0.14
Diluted earnings (loss) per share available to common shareholders:			
As reported	0.06	(0.02)	0.16
Pro forma	0.01	(0.07)	0.14

10. INCOME TAXES

Total income tax expense for the years ended December 31, 1998, 1997 and 1996 was allocated as follows:

	1998	1997	1996
Income from operations	$1,047,423	$1,774,000	$ 985,000
Shareholders' equity, for compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	(42,506)	–	–
Total income tax expense	$1,004,917	$1,774,000	$ 985,000

Income tax expense from operations for the years ended December 31, 1998, 1997 and 1996 is comprised of the following:

	1998	1997	1996
Current:			
Federal	$ 219,868	$1,188,000	$ 593,000
State	302,555	253,000	143,000
Deferred	525,000	333,000	249,000
Income tax expense	$1,047,423	$1,774,000	$ 985,000

Income tax expense from operations for the years ended December 31, 1998, 1997 and 1996 differed from the amount computed by applying the U.S. Federal income tax rate of 34 percent to earnings before income taxes as a result of the following:

	1998	1997	1996
Statutory Federal income tax	$ 614,968	$ 629,000	$ 838,000
State income taxes, net of Federal income tax benefit	71,626	188,000	132,000
Increase (decrease) in valuation allowance	(10,000)	(26,000)	49,000
Non-deductible distribution cost and net loss on sale of assets	324,000	812,000	–
Other	46,829	171,000	(34,000)
Income tax expense	$1,047,423	$1,774,000	$ 985,000

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1998 and 1997 are as follows:

	1998	1997
Deferred tax assets:		
Allowance for uncollectible accounts	$ 475,000	$ 354,000
State net operating losses	26,000	69,000
Other	32,000	36,000
Gross deferred tax assets	533,000	459,000
Valuation allowance	(24,000)	(34,000)
Net deferred tax assets	509,000	425,000
Deferred tax liabilities:		
Property and equipment, principally due to difference in depreciation	197,000	95,000
Excess of cost over net assets of purchased operations, principally due to differences in amortization	1,632,000	1,125,000
Gross deferred tax liabilities	1,829,000	1,220,000
Net deferred tax liability	$1,320,000	$ 795,000

The net deferred tax liability at December 31, 1998 and 1997, is recorded as follows:

Current deferred income tax asset	$ 507,000	$ 390,000
Noncurrent deferred income tax liability	1,827,000	1,185,000
Net deferred tax liability	$1,320,000	$ 795,000

The Company has provided a valuation allowance on its gross deferred tax asset primarily related to state net operating losses to the extent that management does not believe that it is more likely than not that such asset will be realized.

11. RELATED PARTY TRANSACTIONS

The Company leases space for certain surgery centers from its physician partners affiliated with its centers at rates the Company believes approximate fair market value. Payments on these leases were approximately $2,378,000, $2,199,000 and $1,206,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

The Company reimburses certain of its limited partners for salaries and benefits related to time spent by employees of their practices on activities of the centers. Total reimbursement of such salary and benefit costs totaled approximately $9,652,000, $7,025,000 and $4,617,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

Included in other operating expenses for the years ended December 31, 1997 and 1996 is $382,467 and $213,820, respectively, paid to AHC for management and financial services provided by AHC to the Company. These expenses were incurred pursuant to an agreement under which AHC was paid for the services of AHC's chief executive officer and chief financial officer as well as ongoing accounting and tax services for surgery center and corporate operations. Upon the Distribution, the Company issued to AHC's chief executive officer and chief financial officer, who also serve as directors of the Company, restricted shares of Class A Common Stock valued at approximately $350,000, in accordance with an agreement in which they are to provide advisory services to the Company through December 3, 1999. Deferred compensation associated with the restricted stock is amortized over the term of the agreement.

The Company also rents approximately 15,000 square feet of office space from AHC pursuant to a sublease which expires December 1999. Included in other operating expenses for the years ended December 31, 1997 and 1996 is $271,194 and $163,212, respectively, related to this sublease.

The Company believes that the foregoing transactions are in its best interests. It is the Company's current policy that all transactions by the Company with officers, directors, five percent shareholders and their affiliates will be entered into only if such transactions are on terms no less favorable to the Company than could be obtained from unaffiliated parties, are reasonably expected to benefit the Company and are approved by a majority of the disinterested independent members of the Company's Board of Directors.

12. Commitments and Contingencies

The Company and its partnerships are insured with respect to medical malpractice risk on a claims made basis. Management is not aware of any claims against it or its partnerships which would have a material financial impact.

The Company or its wholly owned subsidiaries, as general partners in the limited partnerships, are responsible for all debts incurred but unpaid by the partnership. As manager of the operations of the partnership, the Company has the ability to limit its potential liabilities by curtailing operations or taking other operating actions.

In the event of a change in current law which would prohibit the physicians' current form of ownership in the partnerships or LLCs, the Company is obligated to purchase the physicians' interests in the partnerships or LLCs. The purchase price to be paid in such event is generally the greater of the physicians' capital account or a multiple of earnings.

13. Supplemental Cash Flow Information

Supplemental cash flow information for the years ended December 31, 1998, 1997 and 1996 is as follows:

	1998	1997	1996
Cash paid during the year for:			
Interest	$ 1,573,936	$ 1,583,963	$ 909,884
Income taxes, net of refunds	229,221	1,398,190	970,309
Noncash investing and financing activities:			
Capital lease obligations incurred to acquire equipment	798,548	333,041	–
Conversion of preferred stock	5,267,672	–	–
Note received for sale of a partnership interest	1,945,000	–	–
Forgiveness of debt and treasury stock received in connection with sale of a partnership interest	–	808,070	–
Effect of acquisitions:			
Assets acquired, net of cash	22,810,028	15,253,504	17,181,505
Liabilities assumed	(1,409,107)	(762,797)	(2,441,749)
Issuance of common stock	(450,689)	(1,847,376)	(2,069,962)
Issuance of note payable	(2,385,150)	–	–
Payment for assets acquired	$18,565,082	$12,643,331	$12,669,794

Independent Auditors' Report

Board of Directors and Shareholders
AmSurg Corp.
Nashville, Tennessee

We have audited the accompanying consolidated balance sheets of AmSurg Corp. and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of AmSurg Corp. and subsidiaries as of December 31, 1998 and 1997 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998 in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

Nashville, Tennessee
February 15, 1999

CORPORATE OFFICE

AmSurg Corp.
One Burton Hills Boulevard
Nashville, Tennessee 37215
615/665-1283

FORM 10-K/INVESTOR CONTACT

A copy of the AmSurg Corp. Annual Report on Form 10-K for Fiscal 1998 (without exhibits) filed with the Securities and Exchange Commission is available from the Company at no charge. These requests and other investor contacts should be directed to Claire M. Gulmi, Senior Vice President, Chief Financial Officer and Secretary, at the Company's corporate office.

ANNUAL SHAREHOLDERS' MEETING

The annual meeting of shareholders will be held on Friday, May 21, 1999, at 9:00 a.m. at the SunTrust Bank Building, 5th Floor Auditorium, 424 Church Street, Nashville, Tennessee.

REGISTRAR AND TRANSFER AGENT

SunTrust Bank, Atlanta
Corporate Trust Department
58 Edgewood Avenue, Room 225 Annex
Atlanta, Georgia 30303
800/568-3476

COMMON STOCK AND DIVIDEND INFORMATION

The Class A Common Stock and Class B Common Stock of AmSurg Corp. are trading on The Nasdaq Stock Market (National Market) under the symbols AMSGA and AMSGB, respectively. At March 22, 1999, there were approximately 2,100 holders of the Class A Common Stock, including 167 shareholders of record and approximately 1,600 holders of the Class B Common Stock, including 98 shareholders of record. No dividends have been paid on the Common Stock. The Company intends to retain its earnings to finance the growth and development of its business and does not expect to declare or pay any cash dividends in the foreseeable future. The declaration of dividends is within the discretion of the Company's Board of Directors, which will review this dividend policy from time to time. Presently, the declaration of dividends would violate certain covenants associated with the Company's credit facility with lending institutions.

The following table sets forth the high and low sales prices per share of each class of common stock as reported on the Nasdaq National Market from December 4, 1997 through December 31, 1997 and in each of the quarters in 1998.

	High	*Low*
December 4, 1997 through December 31, 1997		
AMSGA	$ 9.50	$7.50
AMSGB	$ 9.25	$7.38
Quarter ended March 31, 1998:		
AMSGA	$10.25	$6.75
AMSGB	$10.00	$6.63
Quarter ended June 30, 1998:		
AMSGA	$11.25	$7.25
AMSGB	$11.00	$6.00
Quarter ended September 30, 1998:		
AMSGA	$ 7.81	$6.00
AMSGB	$ 7.38	$5.00
Quarter ended December 31, 1998:		
AMSGA	$ 7.88	$6.50
AMSGB	$ 7.56	$6.00