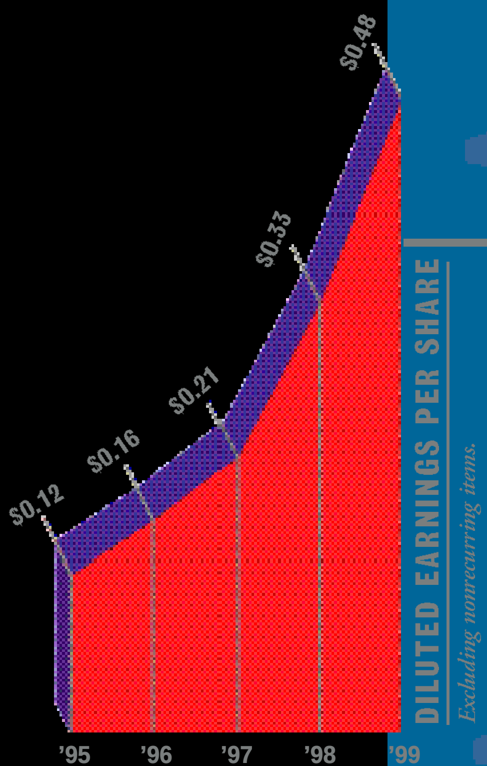
AMSURG

AMERICA'S SINGLE SPECIALTY SURGERY CENTER LEADER

41%
COMPOUND ANNUAL RATE OF GROWTH IN DILUTED EPS FOR THE PAST 5 YEARS

FOCUSING ON THE NUMBERS



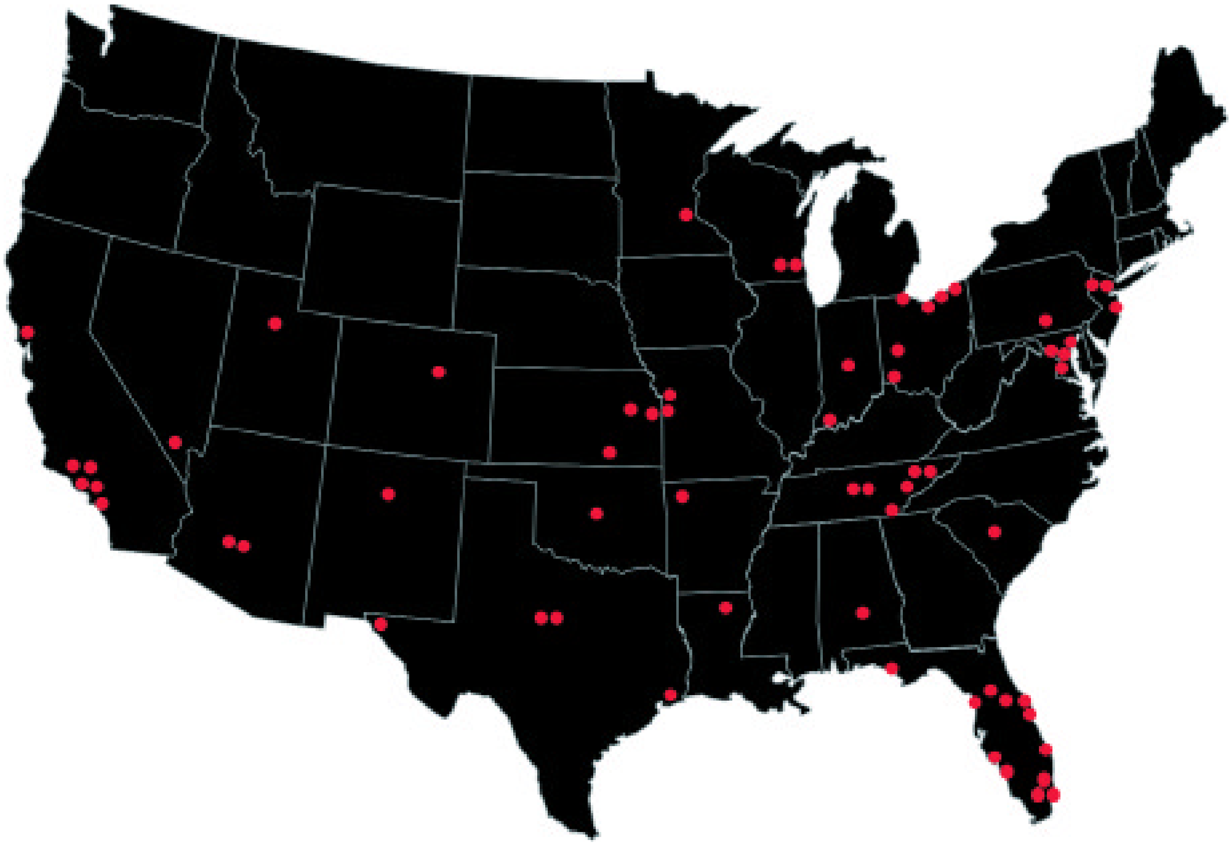
EPS 5 YR CAGR = 41%

ANNUAL REPORT '99

AMERICA'S SINGLE SPECIALTY SURGERY CENTER LEADER

AMSURG

SURGERY CENTER LOCATIONS



ALABAMA
- Montgomery

ARIZONA
- Phoenix
- Sun City

ARKANSAS
- Fayetteville

CALIFORNIA
- Burbank
- La Jolla
- Sebastopol
- Tarzana
- Torrance
- Westlake

COLORADO
- Denver

FLORIDA
- Boca Raton
- Cape Coral
- Crystal River
- Hialeah
- Melbourne (2)
- Miami (2)
- Mount Dora
- Naples
- Ocala
- Panama City

INDIANA
- Evansville
- Indianapolis

KANSAS
- Shawnee
- Topeka
- Wichita

LOUISIANA
- West Monroe

MARYLAND
- Baltimore
- Chevy Chase
- Waldorf

MINNESOTA
- Minneapolis (2)

MISSOURI
- Independence
- Kansas City

NEVADA
- Las Vegas

NEW JERSEY
- Florham Park
- Oakhurst
- West Orange

NEW MEXICO
- Santa Fe

OHIO
- Cincinnati
- Cleveland
- Lorain
- Sidney
- Toledo
- Willoughby

OKLAHOMA
- Oklahoma City

PENNSYLVANIA
- Hillmont

SOUTH CAROLINA
- Columbia

TENNESSEE
- Chatanooga
- Knoxville (2)
- Maryville
- Nashville (2)

TEXAS
- Abilene (2)
- Beaumont
- El Paso

UTAH
- Salt Lake City

WASHINGTON D.C.

WISCONSIN
- Milwaukee

AMSURG

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 63 ambulatory surgery centers at December 31, 1999. 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,* 1999	1998[1]
OPERATING RESULTS:		
Revenues	$101,446	$75,448
Net earnings[2]	7,051	4,215
Adjusted diluted earnings per share[2]	$ 0.48	$ 0.33
Weighted average common shares outstanding (diluted)	14,778	12,834

[1] *Pro forma results excluding the operations of the Company's two physician practices, which were sold in 1998.*
[2] *For 1999, before cumulative effect of an accounting change.*

	1999	1998
FINANCIAL POSITION (AT YEAR END):		
Cash and cash equivalents	$ 9,523	$ 6,070
Working capital	21,029	12,954
Total assets	137,868	98,421
Long-term debt	34,901	12,483
Minority interest	17,358	11,794
Shareholders' equity	72,708	64,369
CENTER DATA:		
Procedures	207,754	156,521
Centers at year end	63	52

AMERICA'S SINGLE SPECIALTY SURGERY CENTER LEADER

FELLOW SHAREHOLDER:

WE CHOSE THE PHRASE ON THE COVER OF THIS ANNUAL REPORT, "FOCUSING ON THE NUMBERS", TO HIGHLIGHT THE OUTSTANDING FINANCIAL PERFORMANCE AMSURG PRODUCED FOR 1999, AS WELL AS FOR THE PAST FIVE YEARS. AMSURG'S RECORD OF STRONG PROFITABLE GROWTH OVER THESE PERIODS STANDS IN CONTRAST TO THE TROUBLED OPERATING ENVIRONMENT OF THE OVERALL HEALTHCARE INDUSTRY. WE BELIEVE THIS ENVIRONMENT HAS CAUSED MUCH OF THE INVESTMENT COMMUNITY TO LOSE CONFIDENCE IN THE HEALTHCARE INDUSTRY, AND, THEREBY, HAS OBSCURED THE GREAT SUCCESS OF AMSURG'S PROVEN BUSINESS MODEL.

The fundamental key to AmSurg's success has always been its ability to provide high quality healthcare in a manner that not only creates high patient satisfaction but also is less expensive than alternative methods. We firmly believe that combining high quality healthcare, high patient satisfaction and lower cost will continue to be the formula for success in the healthcare industry for the foreseeable future.

Over the past eight years, AmSurg has developed and refined its business model to enable it to deliver this formula consistently. Today, we have become the undisputed leader in our segment of an industry that is large, highly fragmented and growing substantially. We have achieved this position because of the value we provide the three constituencies involved in every surgical procedure: the physician, the patient and the payer. This value is real and market-tested every day. It has also grown significantly with each passing quarter, irrespective of whether the stock market recognizes it. We are, therefore, proud of the record AmSurg has built. Because of the continued momentum of AmSurg's new center development and acquisition strategies, we also believe that the Company's potential for further growth is greater and, for 2000, more visible than it has ever been.

1999: CONSISTENTLY EXCEEDING EXPECTATIONS

Throughout 1999, AmSurg's financial results consistently beat expectations. Most of the Company's growth was generated by new centers acquired or opened in 1999 and by full-year operations of centers acquired or opened in 1998. These openings, combined with greater-than-anticipated same-center revenues, contributed to the Company's 1999 results exceeding expectations.

As a result, AmSurg's revenues for 1999 increased 34% to a record $101.4 million from $75.4 million for 1998. Net earnings grew 67% to $7.1 million from $4.2 million. Diluted earnings per share increased 45% to $0.48 for 1999 from $0.33 for 1998, on a 15% increase in weighted average shares and share equivalents outstanding. These results exclude nonrecurring items and the results from the operation and disposal of two physician practices sold in 1998.

For the second consecutive year, AmSurg generated double-digit same-center revenues, which expanded 10% for 1999 after increasing 12% for 1998. In our annual report last year, we discussed a target for same-center revenue growth for 1999 of 7% to 9%, so we were pleased with the strength of this measurement for the year. As in 1998, virtually all the increase in 1999 was generated by the expansion of the number of procedures completed in our centers, an increase representative of the expanding market share captured by AmSurg and our physician partners.

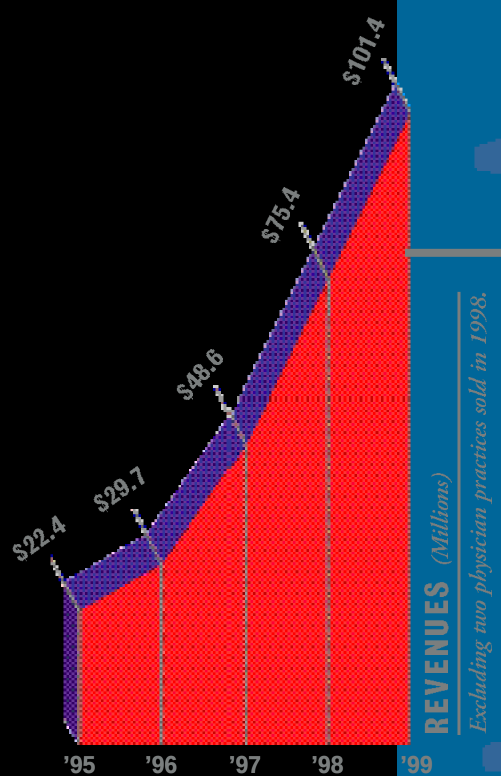
AmSurg's results also reflected the addition of 11 new surgery centers during 1999 to its base of centers in operation. We acquired 10 of these centers and developed one of them. Furthermore,

DOUBLE-DIGIT INCREASES IN SAME-CENTER REVENUES DRIVE 1999 AND 1998 TOTAL REVENUES

"AmSurg posted superb operating results for 1999. The Company's strong cash flow, same-center sales increases and exceptional returns from de novo center development should allow significant trend-line EPS growth."

Andy May
Partner, Director of Research, Healthcare Analyst
J.C. Bradford & Co.

FOCUSING ON THE NUMBERS



REVENUE 5 YR CAGR = 46%

growing momentum in our center expansion efforts throughout 1999 resulted in our completing the year with our strongest backlog of new centers ever, including 12 centers under development and four under letters of intent, in addition to the 63 centers in operation at year end.

The Company's financial position at year end benefitted from the 48% growth achieved in operating cash flow for the year, which increased to $16.7 million from $11.3 million for 1998. This growth contributed to our cash and cash equivalents position of $9.5 million at the end of 1999. We also had long-term debt of $34.9 million at the end of the year, shareholders equity of $72.7 million and a ratio of long-term debt to total capital of 32%.

BUILDING THE CASE FOR FURTHER PROFITABLE GROWTH FOR 2000

Leadership Position In A Large, Growing Industry

According to healthcare industry analysts, the ambulatory surgery center industry has grown into a business performing approximately 6 million surgical procedures annually, representing well over one-half of the total surgical procedures performed in the United States each year. The industry is expected to grow annually at approximately 8% because of continuing healthcare trends, including steadily improving technology that enables an increasing variety of surgical procedures to be conducted outside the high-intensity surgical facilities of hospitals.

Moving these procedures from hospitals to alternative locations offers benefits for physicians, patients and payers. For physicians, an AmSurg center increases their direct control over the quality of the surgical procedures they perform, the cost of the procedures and the patient experience. Patient satisfaction surveys have demonstrated that AmSurg centers are a more-comfortable, less-threatening environment for procedures, and substantially more convenient, leading to high patient satisfaction. Payers benefit because AmSurg centers represent the lowest cost venue available for the surgical procedures performed in the centers.

AmSurg is the clear leader of the practice-based surgery center segment of the ambulatory surgery center industry, in terms of centers operated, procedures performed and surgical specialties covered. We estimate that the practiced-based segment of the industry today represents market potential of $2 billion to $3 billion in annual revenues, although current annual segment revenues are probably less than one-half that range. With the 33% growth in AmSurg's procedure volume for 1999 to approximately 208,000 procedures, we believe we have a 3% to 5% share of the total ambulatory surgery center market as measured by procedures, a market we believe is growing at an annual rate in the high single digits. We believe our leadership position in our segment - and the expertise, economies of scale and financial strength gained in developing this position - will enable the Company to take advantage of the anticipated growth in the industry.

Full-Year Contribution From New Centers Added In 1999

Of the 11 new centers added to AmSurg's operating base during 1999, five were acquired and one de novo center was opened during the fourth quarter, three were acquired in the third quarter and two were acquired in the second quarter. With the great majority of these centers being added in the latter part of 1999, we believe that cumulative full-year results for 2000 from 1999's new centers will contribute substantially to our profitable growth for the year.

Expected Completion Of The PRG Purchase

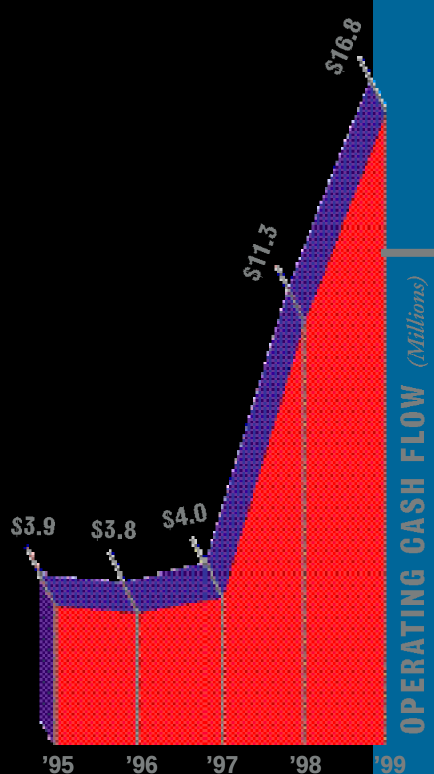
In April 1999, we announced a letter of intent with Physicians Resource Group, Inc. (PRG) to purchase its ownership position in a number of its practice-based ophthalmology surgery centers. After intensive negotiations and due diligence throughout 1999, we signed a definitive agreement with PRG on January 31, 2000, for the purchase of its interest in 11 of these centers for approximately $40 million in cash. As part of the agreement, we began managing these centers, as well as four others, effective January 1, 2000, which we believe will significantly improve our ability to integrate the centers into AmSurg's operations upon the consummation of the transaction.

ON AVERAGE, FOR THE 5 YEARS, OPERATING CASH FLOW APPROXIMATED 2.5x EARNINGS PER SHARE

"AmSurg is a great company with a terrific track record. We believe AmSurg is well positioned to grow its base of centers substantially to serve the needs of an aging American population, which gives it very attractive growth potential."

Robert Gardner
Director and Portfolio Manager
Wasatch Advisors

FOCUSING ON THE NUMBERS



1999

OCF 5 YR CAGR = 44%

The agreement also provides that we may purchase additional centers after satisfactory due diligence, although because of the many contingencies related to any such purchase, we are uncertain if any will occur. Prior to the signing of the definitive agreement, we completed the purchase of PRG's interest in two of its other centers, one of which was consummated in the fourth quarter of 1999 and one in January 2000. We expect to consummate the purchase of interests in the 11 centers under the definitive agreement during the first half of 2000.

Through the purchase of PRG's interests in its centers, which will associate AmSurg with some of the nation's most prominent eye care physicians, AmSurg will become the leading operator of ophthalmology practice-based surgery centers. We are already the leading operator of gastroenterology practice-based surgery centers. Like several of the acquired centers in 1999, a number of the PRG centers produce significantly greater revenues than our prototype center model. Because we expect acquired centers to be accretive to earnings, we believe these new centers will have a positive impact on AmSurg's future financial results.

Growth In Same-Center Revenues

One of AmSurg's central strategies for growth is to expand the business of its existing centers in operation. We attribute the past two consecutive years of double-digit same-center revenue growth to the planning and execution of this strategy at the center level throughout our network. Because we do not believe that double-digit same-center revenue growth is sustainable for the long term, we have again targeted a rate of 7% to 9% for 2000.

Our ability to achieve same-center revenue growth is naturally supported by the quality of the physician groups with which we partner and the benefits practice-based centers provide these physicians, their patients and payers. In addition, specially trained teams work with the physicians at each center to plan and implement a focused strategic plan to build on these strengths with a goal of achieving market dominance. We believe through the execution of these plans, which usually focus on contracting and screening activities, scheduling and capacity programs, network development, physician recruitment and practice consulting, AmSurg adds substantial value to its relationship with its physician partners.

Additional Potential Center Acquisitions

As 1999's results demonstrate, the PRG transaction represented only a portion of AmSurg's new center acquisition effort. For 2000, we intend to continue to pursue additional acquisitions among the approximately 1,000 practice-based surgery centers in our targeted surgical specialties. We believe that the successful growth of the Company has improved its ability to complete and integrate acquisitions, and we are confident that accretive acquisitions will continue to provide a significant channel of growth in the years to come.

Opening Centers Under Development

The strength of AmSurg's base of centers under development at year end - which at 12 is the largest it has ever been - increases the visibility of new center openings for 2000. We currently expect to open the majority of these centers in 2000, with the remainder opening in 2001. Consistent with normal startup operations, we anticipate the de novo centers opened in 2000 will have their largest positive impact on earnings growth in 2001.

Although the current-year financial impact from new partnerships for de novo centers entered into in 2000 would be minimal, we will continue to pursue such partnerships with the approximately 1,900 targeted physician groups we have identified in our current surgical specialties in non-CON (certificate of need) states. We entered into 11 de novo partnerships in 1999 and, as with potential center acquisitions, believe that the Company's successful growth has strengthened its ability to enter into new partnerships going forward.

Enactment of Balanced Budget Refinement Act

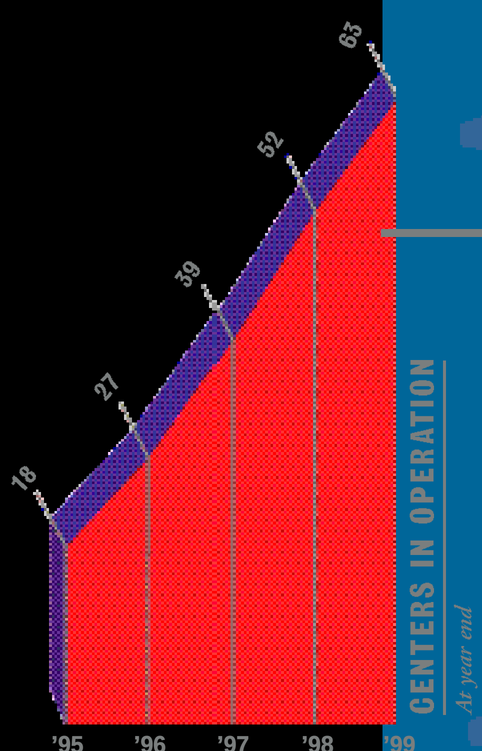
Since June 1998, when the Health Care Financing Administration (HCFA) issued proposed revisions to the ambulatory surgery center prospective payment system, our industry has operated under substantial uncertainty as to the impact of the legislation as finally enacted. With the signing of the

CURRENTLY, WE HAVE 12 CENTERS UNDER DEVELOPMENT AND 11 CENTERS UNDER DEFINITIVE PURCHASE AGREEMENT

"AmSurg is the dominant player in the highly profitable and growing practice-based segment of the ambulatory surgery center business. Given AmSurg's increasing national presence in multiple surgical specialties and its additional center acquisition and development opportunities, we maintain our 'Outperform' rating on the Company's stock."

Susan Betso, CFA
Director of Research, Healthcare Analyst
Ferris Baker Watts

FOCUSING ON THE NUMBERS



1999

OPERATING CENTER 5 YR CAGR = 37%

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

Balanced Budget Refinement Act in late 1999, Congress urged HCFA to update the 1994 data on which the original proposals were based, which we believe would substantially decrease the potential impact of the revisions on our results. If HCFA chooses not to revise its data, Congress specified that no more than one-third of the revisions can be implemented in a given year. While the revisions have not been finalized, we believe that the original proposal, phased in over three years, would not have a material adverse impact on AmSurg's future financial results.

SUMMARY

As we have just described, AmSurg has created substantial momentum for additional profitable growth in 2000. In addition, we believe our strengths driving this growth will contribute to our expansion beyond the current year. These strengths include a practice-based surgery center business model that provides high quality care and creates high patient satisfaction at lower cost; a position as the undisputed leader in a large, fragmented and growing market; strong unit economics and same-center revenue growth; and proven new center development and acquisition strategies. By capitalizing on these strengths, we are confident of AmSurg's prospects and ability to continue its profitable growth and increase its shareholder value.

In closing, we wish to thank all those people who have played a role in AmSurg's successful growth, especially our employees and physician partners. We also offer you our warmest thanks for your investment in the Company.

Sincerely,

Ken P. McDonald
President and Chief Executive Officer

SELECTED FINANCIAL DATA

	Years Ended December 31, 1999	1998	1997	1996	1995
	(In thousands, except per share data)				
STATEMENT OF OPERATIONS DATA:					
Revenues	$101,446	$80,322	$57,414	$34,898	$22,389
Operating expenses	69,428	63,370[1]	44,084[2]	26,191	16,198
Operating income	32,018	16,952	13,330	8,707	6,191
Minority interest	19,431	13,645	9,084	5,433	3,938
Interest and other expenses	1,122	1,499	2,396[3]	808	627
Earnings before income taxes and cumulative effect of an accounting change	11,465	1,808	1,850	2,466	1,626
Income tax expense	4,414	1,047	1,774	985	578
Net earnings before cumulative effect of an accounting change	7,051	761	76	1,481	1,048
Cumulative effect of a change in the method in which pre-opening costs are recorded	(126)	–	–	–	–
Net earnings	6,925	761	76	1,481	1,048
Accretion of preferred stock discount	–	–	286	22	–
Net earnings (loss) available to common shareholders	$ 6,925	$ 761	$ (210)	$ 1,459	$ 1,048
Basic earnings per common share:					
Net earnings before cumulative effect of an accounting change	$ 0.49	$ 0.06	$ (0.02)	$ 0.17	$ 0.13
Net earnings	$ 0.48	$ 0.06	$ (0.02)	$ 0.17	$ 0.13
Diluted earnings per common share:					
Net earnings before cumulative effect of an accounting change	$ 0.48	$ 0.06	$ (0.02)	$ 0.16	$ 0.12
Net earnings	$ 0.47	$ 0.06	$ (0.02)	$ 0.16	$ 0.12
Weighted average number of shares and share equivalents outstanding:					
Basic	14,429	12,247	9,453	8,689	8,174
Diluted	14,778	12,834	9,453	9,083	8,581

	At December 31, 1999	1998	1997	1996	1995
	(In thousands, except center data)				
BALANCE SHEET DATA:					
Cash and cash equivalents	$ 9,523	$ 6,070	$ 3,407	$ 3,192	$ 3,470
Working capital	21,029	12,954	9,312	4,732	2,931
Total assets	137,868	98,421	75,238	54,653	35,106
Long-term debt	34,901	12,483	24,970	9,218	4,786
Minority interest	17,358	11,794	9,192	5,674	3,010
Preferred stock	–	–	5,268	4,982	–
Shareholders' equity	72,708	64,369	29,991	28,374	22,479
CENTER DATA:					
Procedures	207,754	156,521	101,819	71,323	55,344
Centers at end of year	63	52	39	27	18

(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 "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 Healthways, Inc. (f/k/a American Healthcorp, Inc.) to American Healthways, Inc.'s stockholders, which had an impact of reducing basic and diluted earnings per share by $0.09.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements (all statements other than with respect to historical fact) within the meaning of the federal securities laws, which are intended to be covered by the safe harbors created thereby. Investors are cautioned that all forward-looking statements involve known and unknown risks and uncertainties including, without limitation, those described below, some of which are beyond the control of the Company. Although the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate. Therefore there can be no assurance that the forward-looking statements included in this report will prove to be accurate. Actual results could differ materially and adversely from those contemplated by any forward-looking statement. In light of the significant risks and uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that the objectives and plans of the Company will be achieved. We undertake no obligation to publicly release any revisions to any forward-looking statements contained herein to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events.

Forward-looking statements and the Company's liquidity, financial condition and results of operations may be affected by 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 which would update the ratesetting methodology, payment rates, payment policies and the list of covered surgical procedures for ambulatory surgery centers; risks associated with the Company's status as a general partner of the limited partnerships; and risks relating the Company's technological systems. Additionally, with regard to the proposed transaction with Physicians Resource Group, Inc. ("PRG"), factors include, but are not limited to, the parties' respective ability to meet all the conditions of the definitive agreement and the consummation of the transactions contemplated thereunder; the Company's ability to obtain the necessary financing or capital on terms satisfactory to the Company for the PRG transaction; the Company's ability to enter into partnership or operating agreements with the physician owners of PRG surgery centers; the Company's ability to effectively integrate the operations of the PRG surgery centers into its operations; and the Company's ability to operate the PRG surgery centers profitably.

OVERVIEW

The Company develops, acquires and operates practice-based ambulatory surgery centers in partnership with physician practice groups. As of December 31, 1999, the Company owned a majority interest (51% or greater) in 63 surgery centers and had established eight specialty physician networks, of which it was the majority owner (51%) of seven of such networks.

The Company operated as a majority owned subsidiary of American Healthways, Inc. ("AHI"), formerly known as American Healthcorp, Inc., from 1992 until December 3, 1997 when AHI 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, AHI 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, 1999, 1998 and 1997. 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.

	1999	1998	1997
Centers in operation, beginning of year	52	39	27
New center acquisitions placed in operation	10	7	5
New development centers placed in operation	1	7	10
Centers sold	–	(1)	(3)
Centers in operation, end of year	63	52	39
Centers under development, end of year	12	5	10

The specialty physician networks are owned through limited partnerships and limited liability companies in which the Company generally 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 enters into with managed care payers. The Company does not expect that the specialty physician networks alone will be a significant source of income. 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, 1999, five networks had secured managed care contracts and were operational.

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.

On January 31, 2000, the Company signed a definitive agreement with PRG for the purchase of a portion of PRG's ownership interest in 11 single specialty ophthalmology ambulatory surgery centers for approximately $40 million in cash. In addition, AmSurg may purchase additional centers from PRG upon completion of satisfactory due diligence. As a part of this agreement, the Company began managing these 11 centers and an additional four centers the Company may purchase upon completion of negotiations with PRG. PRG has filed for bankruptcy in the United States Bankruptcy Court for the Northern District of Texas.

Consummation of this transaction, which is expected during the first half of 2000, is subject to, among other things, the ability of AmSurg and PRG to meet all the conditions contemplated under the definitive agreement; AmSurg's ability to enter into partnership or operating agreements with the physician owners of PRG surgery centers; and AmSurg's ability to obtain the necessary financing or capital on terms satisfactory to AmSurg.

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)).

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 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 had been the fees for physician services performed by two physician group practices in which the Company owned a majority interest. However, as a result of the disposition of these practices occurring in 1998, the Company no longer earns such revenue.

Practice-based ambulatory surgery centers such as those in which the Company owns 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 38%, 41% and 37% of its revenues in the years ended December 31, 1999, 1998 and 1997, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company's sources of revenues as a percentage of total revenues for the years ended December 31, 1999, 1998 and 1997 are as follows:

	1999	1998	1997
Surgery centers	99%	94%	83%
Physician practices	–	6	15
Other	1	–	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, 1999, 1998 and 1997:

	1999	1998	1997
Revenues	100.0%	100.0%	100.0%
Operating expenses:			
Salaries and benefits	27.4	28.6	30.2
Other operating expenses	33.8	35.3	35.5
Depreciation and amortization	7.2	8.2	8.6
Net loss on sale of assets	–	6.8	2.5
Total operating expenses	68.4	78.9	76.8
Operating income	31.6	21.1	23.2
Minority interest	19.2	17.0	15.8
Other expenses:			
Interest expense, net of interest income	1.1	1.9	2.7
Distribution cost	–	–	1.5
Earnings before income taxes and cumulative effect of an accounting change	11.3	2.2	3.2
Income tax expense	4.4	1.3	3.1
Net earnings before cumulative effect of an accounting change	6.9	0.9	0.1
Cumulative effect of a change in the method in which pre-opening costs are recorded	0.1	–	–
Net earnings	6.8	0.9	0.1
Accretion of preferred stock discount	–	–	0.5
Net earnings (loss) available to common shareholders	6.8%	0.9%	(0.4)%

YEAR ENDED DECEMBER 31, 1999 COMPARED TO YEAR ENDED DECEMBER 31, 1998

Revenues were $101.4 million in 1999, an increase of $21.1 million, or 26%, over revenues in 1998. The increase is primarily attributable to additional centers in operation in 1999 and same-center revenue growth of 10%. Same-center growth is primarily attributable to additional procedure volume. The Company anticipates further revenue growth during 2000 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 $27.9 million in 1999, an increase of $4.9 million, or 22%, over salaries and benefits expense in 1998. 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. The increase was offset in part by a $2.0 million decrease due to the absence of physician salaries of a practice disposed of in June 1998, which also contributed to a decrease in salaries and benefits expense as a percentage of revenues in 1999.

Other operating expenses were $34.3 million in 1999, an increase of $5.9 million, or 21%, over other operating expenses in 1998. This increase also resulted primarily from additional centers in operation but was offset by a $2.1 million reduction in physician practice expenses of the practices disposed of in 1998.

The Company anticipates further increases in operating expenses in 2000 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. The Company had 12 centers under development at December 31, 1999.

Depreciation and amortization expense increased $722,000, or 11%, in 1999 over 1998, primarily due to 11 additional surgery centers in operation in 1999 compared to 1998. This increase was offset by a reduction in the depreciation, amortization of excess of cost over net assets of purchased operations and deferred pre-opening cost in the aggregate of approximately $1.0 million in 1999 due to physician practices sold in 1998 and the adoption in 1999 of Statement of Position ("SOP") No. 98-5 *"Reporting on Cost of Start-Up Activities,"* as further discussed below.

The Company experienced no significant capital gain/loss transactions in 1999. The 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 1999 increased by $5.8 million, or 42%, over 1998 primarily as a result of minority partners' interest in earnings at surgery centers recently added to operations and from increased same-center profitability. Minority interest as a percentage of revenues increased in 1999 compared to 1998 primarily as a result of the absence of physician practice revenues of the practices disposed of in 1998 which are not as marginally profitable to the Company's respective minority partners as are the Company's existing surgery centers, as well as increased same-center profitability as a result of same-center revenue growth.

Interest expense decreased $377,000, or 25%, in 1999 in comparison to 1998 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 in late 1998 and throughout 1999, together with the interest expense associated with newly opened start-up surgery centers financed partially with bank debt.

The Company recognized income tax expense of $4.4 million in 1999, compared to $1.0 million in 1998. Excluding the impact of the practice dispositions in 1998, the Company's effective tax rate in 1999 and 1998 was 38.5% and 40.0%, respectively, of net earnings before income taxes and cumulative effect of an accounting change and differed from the federal statutory income tax rate of 34% primarily due to the impact of state income taxes.

Prior to January 1, 1999, deferred pre-opening costs, which consist of costs incurred for surgery centers while under development, had been amortized over one year, starting upon the commencement date of operations. In 1999, the Company adopted SOP No. 98-5, which requires that pre-opening costs be expensed as incurred and that upon adoption all unamortized deferred pre-opening costs be expensed as a cumulative effect of a change in accounting principle. Accordingly, as of January 1, 1999, the Company expensed $126,000, net of minority interest and income taxes, as a cumulative effect of an accounting change.

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.

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.

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 $55,000, or 4%, 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.

QUARTERLY STATEMENT OF OPERATIONS DATA

The following table presents certain quarterly statement of operations data for the years ended December 31, 1999 and 1998. 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.

	1998				1999			
	Q1	Q2[(1)]	Q3	Q4	Q1[(2)]	Q2	Q3	Q4
	(In thousands, except per share data)							
Revenues	$17,829	$20,120	$20,125	$22,248	$23,394	$24,677	$25,386	$27,989
Earning (loss) before income taxes and cumulative effect of accounting change	1,166	(3,877)	1,981	2,538	2,544	2,819	2,913	3,189
Net earnings (loss) available to common shareholders	700	(2,650)	1,188	1,523	1,439	1,733	1,792	1,961
Diluted earnings (loss) per common share	0.07	(0.25)	0.08	0.10	0.10	0.12	0.12	0.13

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

(2) Includes a charge of $126,000, net of income taxes, or $0.01 per share, for the cumulative effect of an accounting change related to the method in which pre-opening costs are recorded.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1999, the Company had working capital of $21.0 million compared to $13.0 million in 1998. Operating activities for 1999 generated $16.8 million in cash flow from operations compared to $11.3 million in 1998. Cash and cash equivalents at December 31, 1999 and 1998 were $9.5 million and $6.1 million, respectively.

During 1999 the Company used approximately $26.6 million to acquire interests in 10 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 $4.1 million in 1999, of which $533,000 was funded from the capital contributions of the Company's minority partners. The Company used its cash flow from operations and net borrowings on notes payable and long-term debt of $18.6 million to fund its acquisition and development obligations. At December 31, 1999, the Company had unfunded contingent acquisition purchase price commitments of approximately $3.4 million, which the Company intends to fund through additional borrowings of long-term debt and operating cash flow. At December 31, 1999, the Company and the Company's partnerships and limited liability companies had unfunded construction and equipment purchase commitments for centers under development of approximately $3.2 million, which the Company intends to fund through additional borrowings of long-term debt, operating cash flow and capital contributions by minority partners.

During 1999, notes receivable increased by approximately $1.8 million primarily as the result of the financing of a sale of an additional interest in a surgery center to a minority partner and development costs incurred by a development surgery center.

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 in 1998, were used to repay $32.8 million in borrowings under the Company's revolving credit facility (the "Loan Agreement") and other long-term debt.

At December 31, 1999, borrowings under the Company's revolving credit facility were $31.3 million 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, 1999. In March 2000, the Company amended the Loan Agreement to extend the due date of the credit facility to January 1, 2002.

The consummation of the acquisition agreement with PRG would require the Company to increase its revolving credit facility in order to finance in full this transaction. The Company is in negotiations with its lenders to increase this facility and it is anticipated that the refinancing of the Loan Agreement will increase the borrowing rates on the facility. There can be no assurance that the Company will be able to consummate the agreement with PRG or effect this increase in its revolving credit facility on terms acceptable to the Company.

On June 12, 1998, HCFA published a proposed rule that would update the ratesetting methodology, payment rates, payment policies and the list of covered surgical procedures for ambulatory surgery centers. 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 Medicare, Medicaid and SCHIP Balanced Budget Refinement Act, enacted in November 1999, requires HCFA to either update the surgery center cost survey used in the proposed rule or to phase the new rates and methodology into use over a three-year period. The rule is expected to be revised and published in the spring of 2000 and the Company expects the earliest implementation date to be July 1, 2000. There can be no assurance that the final rule will not adversely impact the Company's financial condition, results of operation and business prospects.

The Company believes that the proposed rule if adopted as proposed in June 1998 would adversely affect the Company's annual revenues by approximately 4% at the time of full implementation based on the rates stated therein and the Company's historical procedure mix. However, 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 prior to implementation. 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.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard ("SFAS") No. 133, *"Accounting for Derivative Instruments and Hedging Activities."* SFAS No. 133 is effective for all fiscal quarters of all fiscal years beginning after June 15, 2000. The Company is evaluating the effects of adopting SFAS No. 133, but does not expect the adoption of this pronouncement to have a material effect the Company's consolidated financial statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is subject to market risk from exposure to changes in interest rates based on its financing, investing and cash management activities. The Company utilizes a balanced mix of debt maturities along with both fixed-rate and variable-rate debt to manage its exposures to changes in interest rates. Although there can be no assurances that interest rates will not change significantly, the Company does not expect changes in interest rates to have a material effect on income or cash flows in 2000. The table below provides information about the Company's long-term debt obligations that are sensitive to changes in interest rates, including principal cash flows and related weighted average interest rates by expected maturity dates.

	Years Ended December 31,					*Fair Market Value at December 31,*
	2000	2001	2002	2003	2004	1999
	(In thousands, except percentage data)					
Fixed rate	$1,101	$ 922	$ 554	$ 291	$ 93	$ 2,961
Average interest rate	8.08%	7.85%	7.93%	7.76%	7.89%	
Variable rate	$ 708	$32,016	$ 390	$ 370	$ 265	$33,749
Average interest rate	5.58%	7.70%	8.66%	8.20%	6.00%	

CONSOLIDATED BALANCE SHEETS

(All dollar amounts are expressed in thousands)

	December 31, 1999	December 31, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,523	$ 6,070
Accounts receivable, net of allowance of $2,266 and $1,938, respectively	17,462	12,122
Supplies inventory	2,077	1,250
Deferred income taxes (note 10)	590	507
Prepaid and other current assets	1,608	952
Total current assets	31,260	20,901
Long-term receivables and deposits (note 3)	2,036	2,045
Property and equipment, net (notes 4, 6 and 7)	27,995	23,140
Intangible assets, net (notes 3 and 5)	76,577	52,335
Total assets	$137,868	$98,421

	December 31, 1999	December 31, 1998
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable (note 3)	$ 1,238	$ 2,385
Current portion of long-term debt (note 6)	1,809	1,378
Accounts payable	1,915	1,195
Accrued salaries and benefits	2,204	1,725
Other accrued liabilities	2,594	888
Current income taxes payable	471	376
Total current liabilities	10,231	7,947
Long-term debt (note 6)	34,901	12,484
Deferred income taxes (note 10)	2,670	1,827
Minority interest	17,358	11,794
Preferred stock, no par value, 5,000,000 shares authorized (note 8)	–	–
Shareholders' equity:		
Common stock (note 9):		
Class A, no par value, 35,000,000 shares authorized, 9,760,228 and 9,533,486 shares outstanding, respectively	49,393	48,116
Class B, no par value, 4,800,000 shares authorized, 4,787,131 shares outstanding	13,529	13,529
Retained earnings	9,786	2,861
Deferred compensation on restricted stock (note 11)	–	(137)
Total shareholders' equity	72,708	64,369
Commitments and contingencies (notes 4, 7, 11 and 12)		
Total liabilities and shareholders' equity	$137,868	$98,421

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

(All amounts are expressed in thousands, except for earnings per share)	*Years Ended December 31,*		
	1999	1998	1997
Revenues (note 2)	$101,446	$80,322	$57,414
Operating expenses:			
Salaries and benefits (note 11)	27,895	22,947	17,363
Other operating expenses (note 11)	34,268	28,393	20,352
Depreciation and amortization	7,290	6,568	4,944
Net (gain) loss on sale of assets (note 3)	(25)	5,462	1,425
Total operating expenses	69,428	63,370	44,084
Operating income	32,018	16,952	13,330
Minority interest	19,431	13,645	9,084
Other expenses:			
Interest expense, net of interest income of $237, $125 and $69, respectively	1,122	1,499	1,554
Distribution cost (note 9)	–	–	842
Earnings before income taxes and cumulative effect of an accounting change	11,465	1,808	1,850
Income tax expense (note 10)	4,414	1,047	1,774
Net earnings before cumulative effect of an accounting change	7,051	761	76
Cumulative effect of a change in the method in which pre-opening costs are recorded	(126)	–	–
Net earnings	6,925	761	76
Accretion of preferred stock discount (note 8)	–	–	286
Net earnings (loss) available to common shareholders	$ 6,925	$ 761	$ (210)
Basic earnings per common share (note 9):			
Net earnings before cumulative effect of an accounting change	$ 0.49	$ 0.06	$ (0.02)
Net earnings	$ 0.48	$ 0.06	$ (0.02)
Diluted earnings per common share (note 9):			
Net earnings before cumulative effect of an accounting change	$ 0.48	$ 0.06	$ (0.02)
Net earnings	$ 0.47	$ 0.06	$ (0.02)
Weighted average number of shares and share equivalents outstanding (note 9):			
Basic	14,429	12,247	9,453
Diluted	14,778	12,834	9,453

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(All amounts are expressed in thousands)

	Years Ended December 31, 1999, 1998 and 1997				
	Common Stock		Retained	Deferred Compensation on Restricted	
	Shares	Amount	Earnings	Stock	Total
Balance December 31, 1996	9,199	$26,064	$2,310	$ –	$28,374
Issuance of common stock	146	934	–	(274)	660
Issuance of common stock in conjunction with acquisitions	301	1,847	–	–	1,847
Acquisition of stock	(101)	(680)	–	–	(680)
Net loss available to common shareholders	–	–	(210)	–	(210)
Balance December 31, 1997	9,545	28,165	2,100	(274)	29,991
Issuance of common stock, net of offering cost	3,706	27,635	–	–	27,635
Issuance of common stock in conjunction with acquisitions	56	451	–	–	451
Stock options exercised, including related tax benefit of $42	26	126	–	–	126
Conversion of preferred stock	987	5,268	–	–	5,268
Net earnings	–	–	761	–	761
Amortization of deferred compensation on restricted stock	–	–	–	137	137
Balance December 31, 1998	14,320	61,645	2,861	(137)	64,369
Issuance of common stock in conjunction with acquisitions	9	61	–	–	61
Issuance of common stock	184	1,100	–	–	1,100
Stock options exercised, including related tax benefit of $9	34	116	–	–	116
Net earnings	–	–	6,925	–	6,925
Amortization of deferred compensation on restricted stock	–	–	–	137	137
Balance December 31, 1999	14,547	$62,922	$9,786	$ –	$72,708

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(All amounts are expressed in thousands)	*Years Ended December 31,* 1999	1998	1997
Cash flows from operating activities:			
Net earnings	$ 6,925	$ 761	$ 76
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Cumulative effect of an accounting change	126	–	–
Minority interest	19,431	13,645	9,084
Distributions to minority partners	(16,369)	(13,480)	(8,908)
Depreciation and amortization	7,290	6,568	4,944
Deferred income taxes	760	525	333
Amortization of deferred compensation on restricted stock	137	137	–
Net (gain) loss on sale of assets	(25)	5,462	1,425
Increase (decrease) in cash, net of effects of acquisitions and dispositions, due to changes in:			
Accounts receivable, net	(3,223)	(2,560)	(1,620)
Supplies inventory	(560)	(77)	(212)
Prepaid and other current assets	(216)	42	(573)
Other assets	103	(325)	(803)
Accounts payable	720	123	(385)
Accrued expenses and other liabilities	1,677	519	323
Other, net	(8)	(1)	273
Net cash flows provided by operating activities	16,768	11,339	3,957
Cash flows from investing activities:			
Acquisition of interest in surgery centers	(26,644)	(18,565)	(12,643)
Acquisition of property and equipment	(4,110)	(6,967)	(10,579)
Proceeds from sale of assets	29	669	1,978
(Increase) decrease in long-term receivables	(1,842)	335	58
Net cash flows used in investing activities	(32,567)	(24,528)	(21,186)
Cash flows from financing activities:			
Repayment of notes payable	(2,385)	–	–
Proceeds from long-term borrowings	38,060	19,874	17,629
Repayment on long-term borrowings	(17,063)	(32,787)	(3,525)
Net proceeds from issuance of common stock	107	27,659	524
Proceeds from capital contributions by minority partners	533	1,167	2,953
Financing cost incurred	–	(61)	(138)
Net cash flows provided by financing activities	19,252	15,852	17,443
Net increase in cash and cash equivalents	3,453	2,663	214
Cash and cash equivalents, beginning of year	6,070	3,407	3,193
Cash and cash equivalents, end of year	$ 9,523	$ 6,070	$ 3,407

See accompanying notes to the consolidated financial statements.

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.

The Company operates in one business segment, the ownership and operation of ambulatory surgery centers. The Company's ownership and management of physician practices was discontinued in 1998 and such businesses did not meet the quantitative thresholds for segment reporting under Financial Accounting Standard ("SFAS") No. 131 *"Disclosures about Segments of an Enterprise and Related Information."*

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. Supplies Inventory

Supplies inventory consists of medical and drug supply and is recorded at cost on a first-in, first-out basis.

d. Prepaid and Other Current Assets

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

e. 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.

f. 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 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 and Cumulative Effect of an Accounting Change
Prior to January 1, 1999, deferred pre-opening costs, which consist of costs incurred for surgery centers while under development, had been amortized over one year, starting upon the commencement date of operations. In 1999, the Company adopted 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 unamortized deferred pre-opening costs be expensed as a cumulative effect of a change in accounting principle. Accordingly, as of January 1, 1999, the Company expensed $126,000, net of minority interest and income taxes, as a cumulative effect of an accounting change. The impact of the accounting change on the Company's results of operations in 1999 was not material.

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.

g. 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.

h. 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.

i. 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.

j. 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.

k. 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.

l. Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities."* SFAS No. 133 is effective for all fiscal quarters of all fiscal years beginning after June 15, 2000. The Company is evaluating the effects of adopting SFAS No. 133, but does not expect the adoption of this pronouncement to have a material effect on the Company's consolidated financial statements.

2. REVENUE RECOGNITION

Revenues for the years ended December 31, 1999, 1998 and 1997 are comprised of the following:

	1999	1998	1997
		(in thousands)	
Surgery centers	$100,937	$ 75,334	$ 47,804
Physician practices	–	4,786	8,678
Other	509	202	932
Revenues	$101,446	$ 80,322	$ 57,414

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, 1999, 1998 and 1997 approximately 38%, 41% and 37%, 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 ten, seven and five practice-based surgery centers during 1999, 1998 and 1997, respectively. In addition, the Company acquired through wholly owned subsidiaries one physician practice and related entities in 1997. Consideration paid for the acquired interests consisted of cash, common stock and notes payable at rates ranging from 7.75% to 9%. Total consideration paid in 1999, 1998 and 1997 for all acquisitions was $29,417,000, $21,172,000 and $14,472,000, respectively, of which the Company assigned $27,360,000, $19,504,000 and $13,738,000, respectively, to excess of cost over net assets of purchased operations. In conjunction with acquisitions in 1999 and 1998, the Company is obligated to pay an additional $3,430,000 ratably over each six month interval from 2000 to 2005 in which proposed surgery center reimbursement rates by the Health Care Financing Administration are not effective, of which the Company had accrued $287,000 as of December 31, 1999. 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, 1999 and 1998, assuming all 1999 and 1998 acquisitions had been consummated on January 1, 1998, are as follows:

	1999	1998
	(in thousands)	
Revenues	$114,788	$103,987
Net earnings	7,491	1,940
Earnings per common share:		
Basic	0.51	0.16
Diluted	0.50	0.15
Weighted average number of shares and share equivalents:		
Basic	14,556	12,446
Diluted	14,905	13,033

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 $5,443,000. 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, 1999 and 1998 are as follows:

	1999	1998
	(in thousands)	
Land and improvements	$ 99	$ 99
Building and improvements	16,947	13,544
Moveable equipment	24,244	18,468
Construction in progress	429	46
	41,719	32,157
Less accumulated depreciation and amortization	(13,724)	(9,017)
Property and equipment, net	$ 27,995	$ 23,140

At December 31, 1999, the Company and its partnerships had unfunded construction and equipment purchase commitments for centers under development of approximately $3,214,000 in order to complete construction in progress.

5. INTANGIBLE ASSETS

Intangible assets at December 31, 1999 and 1998 consist of the following:

	1999	1998
	(in thousands)	
Excess of cost over net assets of purchased operations, net of accumulated amortization of $8,097 and $5,587, respectively	$ 76,461	$ 51,765
Deferred pre-opening cost, net of accumulated amortization of $0 and $273, respectively	–	346
Other intangible assets, net of accumulated amortization of $444 and $408, respectively	116	224
Intangible assets, net	$ 76,577	$ 52,335

6. LONG-TERM DEBT

Long-term debt at December 31, 1999 and 1998 is comprised of the following:

	1999	1998
	(in thousands)	
$50,000,000 credit agreement at prime or LIBOR plus a spread of 1.0% to 2.25% (average rate of 7.7% at December 31, 1999), due January 10, 2001	$ 31,300	$ 8,800
Other debt at an average rate of 8.4%, due through September 30, 2004	3,577	4,046
Capitalized lease arrangements at an average rate of 8.1%, due through June 30, 2004 (see note 7)	1,833	1,016
	36,710	13,862
Less current portion	(1,809)	(1,378)
Long-term debt	$ 34,901	$ 12,484

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, 1999.

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 $7,009,000. The Company and the partners or members have guaranteed payment of the loans.

Principal payments required on long-term debt in the five years subsequent to December 31, 1999 are $1,809,000, $32,938,000, $944,000, $660,000 and $359,000.

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, 1999 are as follows:

Year Ended December 31,	Capitalized Equipment Leases	Operating Leases
	(in thousands)	
2000	$ 929	$ 5,249
2001	695	4,903
2002	313	4,434
2003	79	3,877
2004	40	2,680
Thereafter	–	8,244
Total minimum rentals	2,056	$ 29,387
Less amounts representing interest at rates ranging from 6.0% to 13.5%	(223)	
Capital lease obligations	$ 1,833	

At December 31, 1999, equipment with a cost of approximately $3,013,000 and accumulated amortization of approximately $1,139,000 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, 1999, 1998 and 1997 was approximately $5,314,000, $4,167,000 and $3,093,000 (see note 11).

8. PREFERRED STOCK

Preferred stock, consisting of Series A Redeemable and Series B Convertible and originally recorded at $4,960,000, was converted to 986,950 shares of Class A Common Stock in 1998. 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 Healthways, Inc. ("AHI"), formerly known as American Healthcorp, Inc., from 1992 until the distribution by AHI 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, AHI 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 AHI, 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, which 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
	(in thousands, except per share amounts)		
For the year ended December 31, 1999:			
Basic earnings per share:			
Net earnings	$6,925	14,429	$ 0.48
Effect of dilutive securities options	–	349	
Diluted earnings per share:			
Net earnings	$6,925	14,778	$ 0.47
For the year ended December 31, 1998:			
Basic earnings per share:			
Net earnings	$ 761	12,247	$ 0.06
Effect of dilutive convertible preferred stock	–	192	
Effect of dilutive securities options	–	395	
Diluted earnings per share:			
Net earnings	$ 761	12,834	$ 0.06
For the year ended December 31, 1997:			
Net earnings	$ 76		
Less accretion of preferred stock	(286)		
Basic and diluted loss per share:			
Loss available to common shareholders	$ (210)	9,453	$(0.02)

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 ratably over four years. Options have a term of 10 years from the date of grant. As of December 31, 1999, 299,412 shares were reserved and available for future option grants. Stock option activity for the years ended December 31, 1999, 1998 and 1997 is summarized below:

	Number of Shares	Weighted Average Exercise Price
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
Options granted	362,961	7.41
Options exercised	(33,562)	3.20
Options terminated	(38,089)	7.41
Outstanding at December 31, 1999	1,635,804	5.00

The following table summarizes information concerning outstanding and exercisable options at December 31, 1999:

	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	422,332	2.35	$ 1.06	422,332	$ 1.06
2.51 - 4.25	201,888	4.31	3.01	201,888	3.01
4.26 - 6.00	308,136	6.67	5.33	208,989	5.26
6.01 - 7.75	462,194	8.74	7.16	136,781	6.75
7.76 - 9.50	231,254	7.86	8.96	79,083	8.91
9.51 - 10.13	10,000	8.32	10.08	2,502	10.08
0.75 - 10.13	1,635,804	6.03	5.00	1,051,575	3.62

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 1999, 1998 and 1997 were $4.48, $4.79 and $3.93 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 1999, 1998 and 1997 and an average risk free interest rate of 5.2%, 5.6% and 6.4% in 1999, 1998 and 1997, respectively. The Company also assumed a volatility rate of 60% and 50% in 1999 and 1998, respectively, based on its own volatility and 54% in 1997 based upon the volatility rate of AHI. Had the Company used the Black-Scholes estimates to determine compensation expense for the options granted in the years ended December 31, 1999, 1998 and 1997 net earnings (loss) and net earnings (loss) per share attributable to common shareholders would have been reduced to the following pro forma amounts:

	1999	1998	1997
	(in thousands, except per share amounts)		
Net earnings (loss) available to common shareholders:			
As reported	$6,925	$ 761	$ (210)
Pro forma	6,091	152	(690)
Basic earnings (loss) per share available to common shareholders:			
As reported	0.48	0.06	(0.02)
Pro forma	0.42	0.01	(0.07)
Diluted earnings (loss) per share available to common shareholders:			
As reported	0.47	0.06	(0.02)
Pro forma	0.41	0.01	(0.07)

10. INCOME TAXES

Total income tax expense for the year ended December 31, 1999, 1998 and 1997 was allocated as follows:

	1999	1998	1997
		(in thousands)	
Income from operations	$4,414	$1,047	$1,774
Cumulative effect of a change in the method in which pre-opening costs are recorded	(84)	–	–
Shareholders' equity, for compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	(9)	(42)	–
Total income tax expense	$4,321	$1,005	$1,774

Income tax expense from operations for the years ended December 31, 1999, 1998 and 1997 is comprised of the following:

	1999	1998	1997
		(in thousands)	
Current:			
Federal	$3,010	$ 220	$1,188
State	560	302	253
Deferred	844	525	333
Income tax expense	$4,414	$1,047	$1,774

Income tax expense from operations for the years ended December 31, 1999, 1998 and 1997 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:

	1999	1998	1997
		(in thousands)	
Statutory Federal income tax	$3,898	$ 615	$ 629
State income taxes, net of Federal income tax benefit	515	71	188
Increase (decrease) in valuation allowance	(8)	(10)	(26)
Non-deductible distribution cost and net loss on sale of assets	–	324	812
Other	9	47	171
Income tax expense	$4,414	$1,047	$1,774

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1999 and 1998 are as follows:

	1999	1998
	(in thousands)	
Deferred tax assets:		
Allowance for uncollectible accounts	$ 504	$ 475
State net operating losses	25	26
Other	86	32
Gross deferred tax assets	615	533
Valuation allowance	(16)	(24)
Net deferred tax assets	599	509
Deferred tax liabilities:		
Property and equipment, principally due to difference in depreciation	185	197
Excess of cost over net assets of purchased operations, principally due to differences in amortization	2,494	1,632
Gross deferred tax liabilities	2,679	1,829
Net deferred tax liability	$2,080	$1,320

The net deferred tax liability at December 31, 1999 and 1998, is recorded as follows:

	1999	1998
	(in thousands)	
Current deferred income tax asset	$ 590	$ 507
Noncurrent deferred income tax liability	2,670	1,827
Net deferred tax liability	$2,080	$1,320

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 $2,516,000, $2,378,000 and $2,199,000 for the years ended December 31, 1999, 1998 and 1997, 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 $10,857,000, $9,652,000 and $7,025,000 for the years ended December 31, 1999, 1998 and 1997, respectively.

Included in other operating expenses for the year ended December 31, 1997 is $382,000 paid to AHI for management and financial services provided by AHI to the Company. These expenses were incurred pursuant to an agreement under which AHI was paid for the services of AHI'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 AHI'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 provided advisory services to the Company through December 3, 1999. Deferred compensation associated with the restricted stock was amortized over the term of the agreement.

The Company also rented approximately 15,000 square feet of office space from AHI pursuant to a sublease which expired in December 1999. Included in other operating expenses is $271,000 related to this sublease for the year ended December 31, 1997, the last annual period in which AHI held an interest in the Company.

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. SUBSEQUENT EVENTS

On January 21, 2000, the Company, through a wholly owned subsidiary, acquired a majority interest in a physician practice-based surgery center for approximately $4,628,000.

On January 31, 2000, the Company signed a definitive agreement with Physicians Resource Group, Inc. ("PRG") for the purchase of PRG's majority ownership interest in 11 surgery centers for approximately $40,000,000. During the period of time in which the Company and PRG expect to consummate this transaction, the Company is to manage the operations of these 11 centers as well as four additional centers under a management agreement beginning on January 1, 2000.

14. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information for the years ended December 31, 1999, 1998 and 1997 is as follows:

	1999	1998	1997
		(in thousands)	
Cash paid during the year for:			
Interest	$ 1,139	$ 1,573	$ 1,584
Income taxes, net of refunds	3,475	229	1,398
Noncash investing and financing activities:			
Capital lease obligations incurred to acquire equipment	1,202	799	333
Conversion of preferred stock	–	5,267	–
Note received for sale of a partnership interest	245	1,945	–
Conversion of note to partnership interest	2,047	–	–
Forgiveness of debt and treasury stock received in connection with sale of a partnership interest	–	–	808
Effect of acquisitions:			
Assets acquired, net of cash	31,864	22,810	15,253
Liabilities assumed	(2,483)	(1,409)	(763)
Issuance of common stock	(1,099)	(451)	(1,847)
Purchase price payable	(1,638)	(2,385)	–
Payment for assets acquired	$26,644	$18,565	$12,643

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, 1999 and 1998, 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, 1999. 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, 1999 and 1998 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1999 in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, AmSurg Corp. changed its method of accounting for pre-opening costs in 1999.

Deloitte & Touche LLP

Nashville, Tennessee
February 16, 2000

SHAREHOLDER INFORMATION

CORPORATE OFFICE

AmSurg Corp.
20 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 1999 (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 19, 2000, 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 24, 2000, there were approximately 1,900 holders of the Class A Common Stock, including 159 shareholders of record and approximately 1,200 holders of the Class B Common Stock, including 97 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 for each of the quarters in 1999 and 1998.

	High	*Low*
Quarter ended March 31, 1999:		
AMSGA	$ 9.50	$6.50
AMSGB	$ 8.75	$6.50
Quarter ended June 30, 1999:		
AMSGA	$ 8.75	$6.00
AMSGB	$ 8.63	$5.75
Quarter ended September 30, 1999:		
AMSGA	$ 8.13	$5.66
AMSGB	$ 7.75	$5.88
Quarter ended December 31, 1999:		
AMSGA	$ 8.13	$5.13
AMSGB	$ 7.88	$4.75
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

AMSURG

DIRECTORS AND EXECUTIVE OFFICERS

EXECUTIVE OFFICERS

Standing left to right:
Rodney H. Lunn
Royce D. Harrell

Seated left to right:
David L. Manning
Claire M. Gulmi
Ken P. McDonald

Ken P. McDonald[1]
President, Chief Executive Officer
and Director

Thomas G. Cigarran[1]
Chairman;
Chairman, President and
Chief Executive Officer,
American Healthcorp, Inc.,
healthcare services

James A. Deal[2][3]
Director;
President and Chief Executive Officer,
CDI, Inc.,
healthcare services

Steven I. Geringer[3]
Director;
Former President and
Chief Executive Officer,
PCS Health Systems, Inc.,
pharmaceutical services

Debora A. Guthrie[2][3]
Director;
President and Chief Executive Officer
of the general partner of Capitol Health
Partners, L.P.,
healthcare venture capital

Henry D. Herr[2]
Director;
Executive Vice President of Finance and
Administration and Chief Financial Officer,
American Healthcorp, Inc.,
healthcare services

Bergein F. Overholt, M.D.[1]
Director;
President,
Gastrointestinal Associates, P.C.
physician

Claire M. Gulmi
Senior Vice President, Chief Financial
Officer and Secretary

Royce D. Harrell
Senior Vice President,
Operations

Rodney H. Lunn
Senior Vice President,
Center Development

David L. Manning
Senior Vice President,
Development and Assistant Secretary

(1) Nominating Committee
(2) Audit Committee
(3) Compensation Committee

AMERICA'S SINGLE SPECIALTY SURGERY CENTER LEADER