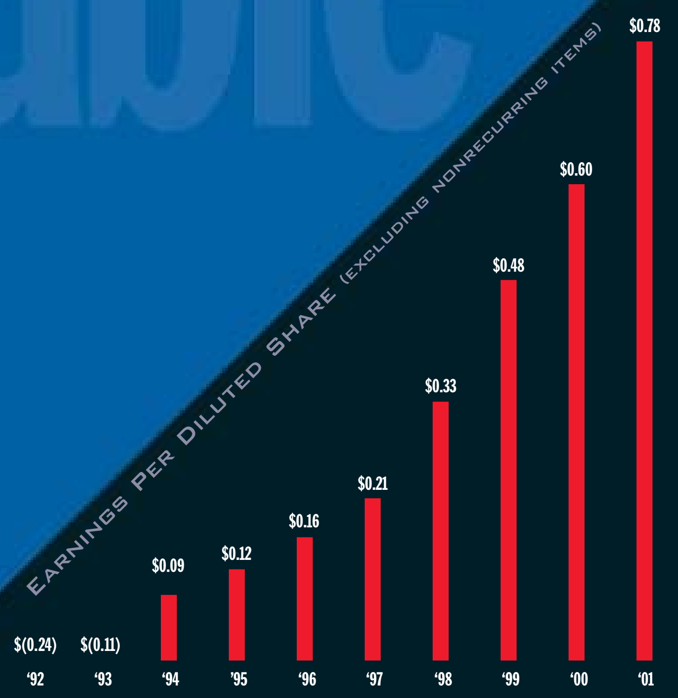
AMSURG

ANNUAL REPORT 2001

...WHAT HAVE YOU DONE FOR ME LATELY?

a decade of consistent profitable growth



AMERICA'S SINGLE SPECIALTY SURGERY CENTER LEADER

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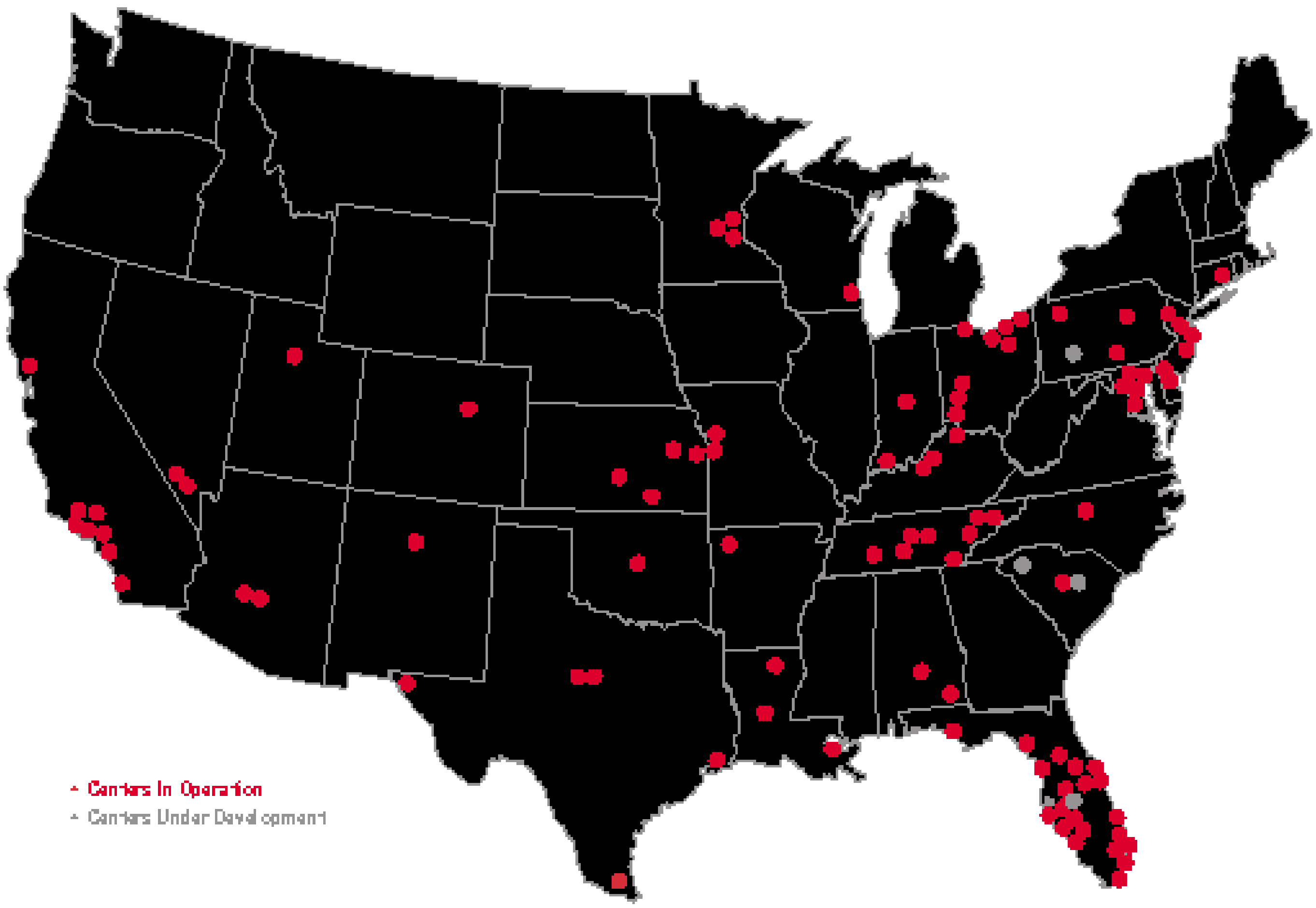
SURGERY CENTER LOCATIONS



ALABAMA
- Dothan
- Montgomery

ARIZONA
- Phoenix
- Sun City

ARKANSAS
- Fayetteville

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

COLORADO
- Denver

CONNECTICUT
- Bloomfield

DELAWARE
- Dover
- Newark

FLORIDA
- Boca Raton
- Brandon
- Cape Coral
- Coral Gables
- Crystal River
- Fort Lauderdale
- Fort Myers (2)
- Hialeah
- Inverness
- Melbourne (3)
- Miami (1)
- Mount Dora
- Naples
- Ocala
- Panama City
- Sarasota (2)
- Tamarac
- Zephyrhills

INDIANA
- Evansville
- Indianapolis

KANSAS
- Hutchinson
- Shawnee
- Topeka
- Wichita

KENTUCKY
- Crestview Hills
- Louisville (2)

LOUISIANA
- Alexandria
- Metairie
- West Monroe

MARYLAND
- Baltimore
- Bel Air
- Chevy Chase
- Waldorf

MINNESOTA
- Minneapolis (3)

MISSOURI
- Independence
- Kansas City

NEVADA
- Las Vegas (2)

NEW JERSEY
- Egg Harbor
- Florham Park
- Lawrenceville
- Oakhurst

NEW MEXICO
- Santa Fe

NORTH CAROLINA
- Greensboro

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

OKLAHOMA
- Oklahoma City

PENNSYLVANIA
- Hillmont
- Johnstown
- Kingston
- Seneca

SOUTH CAROLINA
- Clemson
- Columbia (2)

TENNESSEE
- Chattanooga
- Columbia
- Jackson
- Knoxville (2)
- Maryville
- Nashville (2)

TEXAS
- Abilene (2)
- Beaumont
- El Paso
- Harlingen

UTAH
- Salt Lake City

WASHINGTON D.C.

WISCONSIN
- Milwaukee

At December 31, 2001

AMERICA'S SINGLE SPECIALTY SURGERY CENTER LEADER

EXECUTIVE OFFICERS

From left to right:

Dennis J. Zamojski
David L. Manning
Ken P. McDonald
Claire M. Gulmi
Royce D. Harrell

Ken P. McDonald
President, Chief Executive Officer
and Director

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

James A. Deal [2][3]
Director;
Chairman and Chief Executive Officer,
Geriatrix,
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;
Former Executive Vice President of Finance and
Administration and Chief Financial Officer,
American Healthways, 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,
Corporate Services

David L. Manning
Senior Vice President,
Development

Dennis J. Zamojski
Senior Vice President,
Operations

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

AMSURG CORP.

20 BURTON HILLS BOULEVARD
NASHVILLE, TENNESSEE 37215

AMERICA'S SINGLE SPECIALTY SURGERY CENTER LEADER

COMPANY PROFILE

AmSurg Corp. develops, acquires and operates practice-based ambulatory surgery centers in partnership with surgical and other group physician practices. Headquartered in Nashville, Tennessee, AmSurg operated 95 ambulatory surgery centers at December 31, 2001. 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 payor.

FINANCIAL HIGHLIGHTS

	For the Years Ended December 31,	
	2001	2000
	(In thousands, except per share and center data)	
OPERATING RESULTS:		
Revenues	**$202,312**	$143,261
Net earnings	**14,905**	9,066
Earnings per share (diluted)	**$ 0.78**	$ 0.60
Weighted average common shares outstanding (diluted)	**19,021**	15,034
FINANCIAL POSITION AT YEAR END:		
Cash and cash equivalents	**$ 11,074**	$ 7,688
Working capital	**34,909**	26,589
Total assets	**241,383**	190,652
Long-term debt and other long-term obligations	**12,685**	71,832
Minority interest	**25,047**	21,063
Shareholders' equity	**185,569**	83,145
CENTER DATA:		
Centers at end of year	**95**	81
Procedures performed during year	**389,431**	288,494

FELLOW SHAREHOLDER:

AmSurg's strong operating and financial performance for 2001 represents a most appropriate conclusion to the Company's first decade in business. As is clear in the graphs on the cover of this report and in this letter, our first 10 years have been highly successful by any significant financial and operational measures. We have created a record of substantial and sustained profitable growth that few companies can match; we are the leader in a growing industry segment that offers high quality care in the lowest cost venue; and we have built a reputation for honesty and fair dealing in the healthcare industry and in the financial community, as well as with our physician partners.

And yet, we recognize, as the question on the cover, "What have you done for me lately?", implies, that the shareholder value of this Company is based primarily on our prospects for continued profitable growth, rather than on our historic record. In this regard, we are very pleased to report that AmSurg's dominant position of industry leadership has never been stronger, our financial resources never better and our confidence in this Company's ability to produce consistent profitable growth never higher. Before reviewing our growth strategies and discussing our key operating and financial targets for 2002 in detail, let us review the results we have produced most recently, our record performance for the year past.

2001 Operating and Financial Performance Exceeds Expectations

The strength of the Company's business model and the demand for its services were evident in the greater-than-anticipated results the Company produced for 2001 for all its primary performance targets: revenues, same-center revenues, center expansion, cash flow from operations and earnings per diluted share. Our operating and financial highlights for 2001 include:

- **41% growth in revenues to $202.3 million from $143.3 million for 2000.** Our compound annual growth rate for the last five years is 43%.

- **a 64% increase in net earnings to $14.9 million from $9.1 million.**

- **30% growth in earnings per diluted share to $0.78 from $0.60,** on a 27% increase in weighted average shares and share equivalents outstanding, primarily because of the Company's stock offering in April 2001. This performance exceeded the Company's targeted range of 22% to 25% growth for 2001.

- **growth in same-center revenues of 10% for 2001, in excess of our targeted range of 7% to 9%.** AmSurg has now generated positive same-center revenue in each of the 16 consecutive quarters that it has been a public company. The past year also marks its fourth consecutive year of double-digit same-center revenue growth. As in every previous year, we attribute virtually all the increase in same-center revenues for 2001 to increased procedure volume, which rose 35% to 389,431 procedures for 2001 from 288,494 for 2000.

- **the addition of 16 new centers to our base of centers in operation, above our stated targeted range of 12 to 15 new centers for 2001.** These new centers, combined with the sale of two centers during the year, resulted in 17% growth in our operating base, to 95 centers at the end of 2001 from 81 at the end of 2000.

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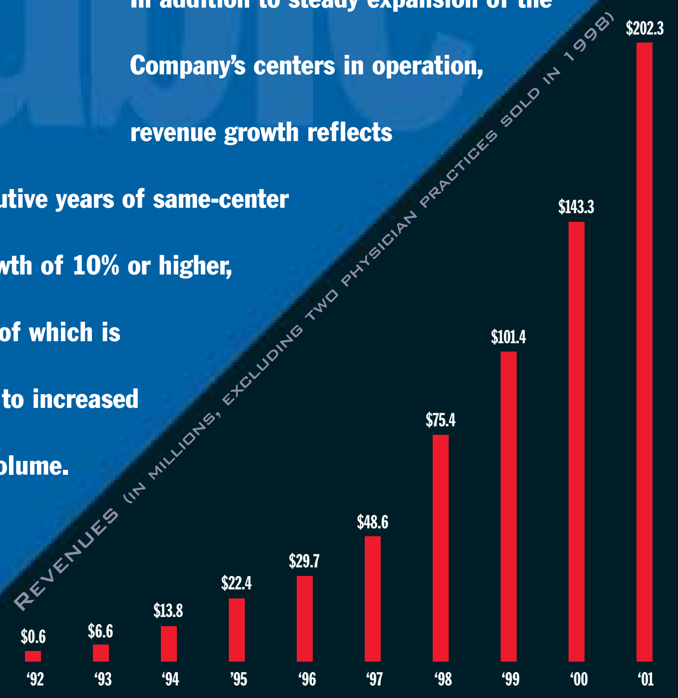
AmSurg's revenues increased 41% for 2001 from 2000 and have expanded at an annual compound growth rate of 43% for the last five years. In addition to steady expansion of the Company's centers in operation, revenue growth reflects four consecutive years of same-center revenue growth of 10% or higher, virtually all of which is attributable to increased procedure volume.



AMERICA'S SINGLE SPECIALTY SURGERY CENTER LEADER

- **a 102% increase in cash flow from operations to $37.3 million from $18.5 million.** Cash flow from operations per diluted share, at $1.96 for 2001, was 2.5 times earnings per diluted share for 2001.

- **the completion in April 2001 of a public stock offering for 4.6 million shares of AmSurg common stock.** Net proceeds from the offering were approximately $76.6 million, which the Company used to repay indebtedness under its bank credit facility.

- **the substantial strengthening of AmSurg's financial position during the year.** Cash and cash equivalents rose to $11.1 million at year end from $7.7 million at the end of 2000, long-term debt decreased to $12.7 million from $59.9 million and shareholders' equity increased to $185.6 million from $83.1 million. Our ratio of long-term debt to total capitalization improved to 6.4% at the end of 2001 from 41.9% at year-end 2000.

- **the recognition of AmSurg's performance by two of America's premier business publications, Fortune and Forbes.** AmSurg was ranked 12th in the inaugural list by *FSB: Fortune Small Business Magazine* of the 100 fastest growing publicly held small businesses in America. The *FSB* 100 list measures the three-year performance of publicly held companies with revenues for 2000 of $200 million or less. We also were included for the second consecutive year in the annual listing by *Forbes* of the "200 Best Small Companies in America." In addition to placing 79th in the overall list, which was a significant improvement over our 139th ranking in the prior year's list, AmSurg also ranked 33rd and 38th for five-year and twelve-month revenue growth, respectively, and 57th for five-year growth in earnings per share.

Consistent Implementation of a Growth Strategy Proven to Work

AmSurg's growth strategy is designed to produce steady long-term growth in earnings per share and shareholder value. While the Company actively anticipates and responds to changes in its markets by refining its growth strategy, these refinements have generally been at the periphery of a core strategy that we have consistently implemented over the past decade. Through the discipline and patience reflected in the consistency of AmSurg's growth, we have also built a reputation for high quality clinical performance and responsiveness to the needs of patients, payors and our physician partners. This reputation supports our position as the acknowledged leader of the single specialty surgery center market. To ensure this reputation, we remain highly focused on the performance of our existing centers in operation, while managing a moderate, yet consistent, new center expansion schedule.

Among other important aspects of our growth strategy has been an ongoing evaluation of the forces driving the growth in the single specialty surgery center market, through which we have positioned our business model to leverage the opportunity this growth presents. Since we first began discussing these market forces with our shareholders more than four years ago, they each have grown more powerful. It is the consistency of these forces over our decade in business that has enabled us to refine our original business model as our expertise grows, but continue to focus on the fundamental value proposition that the model was designed to deliver.

The first of these forces, demand for a lower cost venue for surgical procedures, is more evident than ever at a time when the upward spiral of healthcare costs has again become a part of the national debate. We remain confident that AmSurg's practice-based single specialty surgery centers offer the lowest cost venue available for performing an increasing array of clinical procedures. The second force, the need for increased efficiency for the physician, also remains a basic rule of the healthcare profession.

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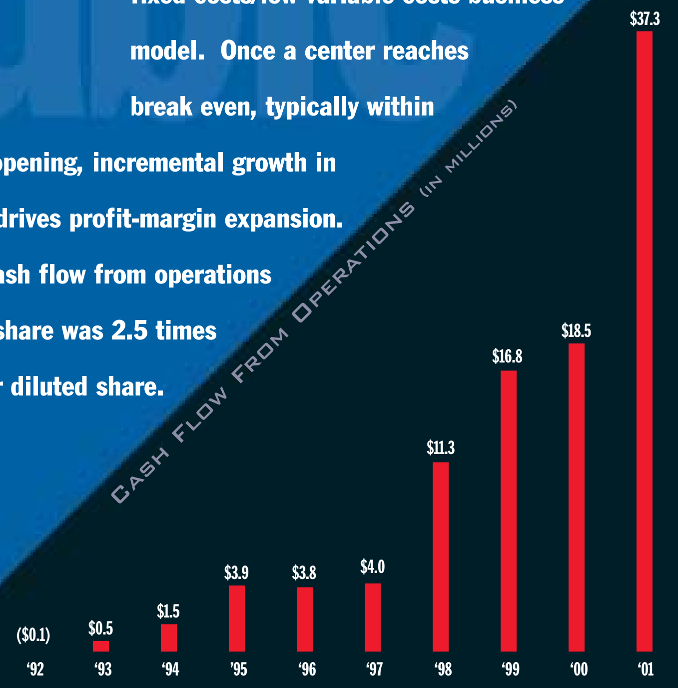
The growth in cash flow from operations, which more than doubled for 2001 from 2000, reflects the economies of scale inherent in our high fixed costs/low variable costs business model. Once a center reaches break even, typically within 90 days of opening, incremental growth in procedures drives profit-margin expansion. For 2001, cash flow from operations per diluted share was 2.5 times earnings per diluted share.



AMERICA'S SINGLE SPECIALTY SURGERY CENTER LEADER

Our centers enable physicians to schedule procedures when they want them – instead of when they can be worked into the hospital or multi-specialty center schedule – and in a more convenient location for the physician. In this way, the centers also meet the demand from both physicians and patients for greater convenience, which is a third market force. Fourth, constantly improving technology has continued the migration of a growing number of surgical procedures away from the inpatient setting into an outpatient venue.

Also important to our successful growth, Amsurg centers provide our physician partners more control over their work environment. We have already mentioned the greater control our centers give them in terms of efficiency and convenience. In addition, through our centers, physicians have greater control over the quality and cost of medical procedures and over the satisfaction level of their patients. These critical factors – quality, cost and patient satisfaction – are increasingly a primary determinant of the choice of physician made by both patients and payors.

By enabling our physician partners to provide and, importantly, to document high quality, low cost care that improves patient satisfaction, our centers accomplish another subtle but significant goal. They help transform healthcare interactions for the three participants in every procedure – the patient, physician and payor – from being perceived as win or lose transactions in which the level of one party's satisfaction is proportional to the dissatisfaction of one or more of the other parties. With the low cost, high quality care and high patient satisfaction provided in AmSurg centers, everyone is consistently pleased, transforming the interaction into a "win-win-win" experience.

In addition to our drive to make every center clinically successful, we also focus on its business success. This effort begins with the selection of our physician partners, who typically are among the leading providers in their markets, and extends to every aspect of the center operations. One of the most useful metrics of our performance in this regard is same-center revenue growth. We believe four consecutive years of double-digit growth not only validates the business model, but also illustrates our continuing intensive efforts, through customized strategies to increase market share, to build the most successful partnerships possible in each market.

Our growth strategy entails the same commitment to high quality in the expansion of our base of centers in operation. We have taken a disciplined approach to expansion, concentrating our resources on the five most promising surgical specialties – gastroenterology, ophthalmology, orthopedics, urology and otolaryngology – and today operate more gastroenterology and ophthalmology centers than any other healthcare company in the country.

We continue to enjoy ample expansion opportunities. We have built a demonstrated capacity to open a significant number of de novo centers annually and to acquire and integrate existing centers. The Company's addressable market includes approximately 1,900 identified practices in applicable specialties that qualify as potential de novo opportunities and approximately 1,000 existing center acquisition opportunities. With the strength of our financial position and cash flow, we are confident of our prospects for continued expansion for the foreseeable future.

Company Targets Substantial Profitable Growth for 2002

AmSurg's financial and operating targets for 2002 are as follows:

- **Revenues of $237 million to $243 million –** Representing a 17% to 20% increase in revenues from $202 million for 2001, the Company's target revenues for 2002 assume the addition of 12 to 15 new centers for the year and same-center revenue growth of 7% to 9%.

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AmSurg's strategy for the expansion of its base of centers in operation is designed to achieve consistent and moderate growth in the Company's operating base through the development of de novo centers and through acquisitions. For 2002, AmSurg expects to add 12 to 15 new centers. As of the end of 2001, the Company had 5 centers under development, one center awaiting certificate of need certification and one center under letter of intent.

AMERICA'S SINGLE SPECIALTY SURGERY CENTER LEADER

KEN P. MCDONALD
President and Chief Executive Officer

CLAIRE M. GULMI
Senior Vice President,
Chief Financial Officer and Secretary

- **Earnings per diluted share of $1.12 to $1.14 –** While this targeted range is 44% to 46% higher than 2001's earnings per diluted share of $0.78, it includes the expected positive impact from the adoption of SFAS 142, "*Goodwill and Other Intangible Assets*," of $0.17 per diluted share for 2002. Excluding this beneficial impact, we target growth in earnings per diluted share for 2002 in a range of 22% to 25%.

Summary

Our confidence in our ability to continue giving a positive response to the question, **"What have you done for me lately?"**, rests both on the historical performance graphically illustrated in the 10-year bar charts you have seen in this report and on the nature of the opportunity before us. In building this Company over the past decade, we have created a unique expertise and a commanding market position. With our physician partners, we have proven anew year after year that AmSurg centers can achieve their clinical goals - high quality care and high patient satisfaction in the lowest cost venue – while continuing to produce consistent profitable growth. We are very confident that demand for high quality care in the lowest cost venue will continue to grow in the years ahead. We are also confident of our ability to leverage this demand with the skills, resources and strategies we already have in place.

We attribute AmSurg's past success and clear potential to the people of this Company and its physician partners who daily demonstrate their commitment to superior results. We thank them, and we thank our Board of Directors for its consistent guidance and support. We also thank you, our fellow shareholders. Your investment has provided critical support to the Company historically and is certain to in the future. We look forward to and are prepared to meet the challenges and opportunities of 2002.

Sincerely,

Ken P. McDonald

Ken P. McDonald
President and Chief Executive Officer

SELECTED FINANCIAL DATA

Years Ended December 31,

(In thousands, except per share data)

CONSOLIDATED STATEMENT OF OPERATIONS DATA:	**2001**	2000	1999	1998	1997
Revenues	**$ 202,312**	$143,261	$101,446	$ 80,322	$57,414
Operating expenses	**135,023**	96,114	69,428	63,370[1]	44,084[2]
Operating income	**67,289**	47,147	32,018	16,952	13,330
Minority interest	**39,599**	27,702	19,431	13,645	9,084
Interest and other expenses	**2,844**	4,703	1,122	1,499	2,396[3]
Earnings before income taxes and cumulative effect of an accounting change	**24,846**	14,742	11,465	1,808	1,850
Income tax expense	**9,941**	5,676	4,414	1,047	1,774
Net earnings before cumulative effect of an accounting change	**14,905**	9,066	7,051	761	76
Cumulative effect of a change in the method in which pre-opening costs are recorded	**–**	–	(126)	–	–
Net earnings	**14,905**	9,066	6,925	761	76
Accretion of preferred stock discount	**–**	–	–	–	286
Net earnings (loss) available to common shareholders	**$ 14,905**	$ 9,066	$ 6,925	$ 761	$ (210)
Basic earnings (loss) per common share:					
Net earnings (loss) before cumulative effect of an accounting change	**$ 0.81**	$ 0.62	$ 0.49	$ 0.06	$ (0.02)
Net earnings (loss)	**$ 0.81**	$ 0.62	$ 0.48	$ 0.06	$ (0.02)
Diluted earnings (loss) per common share:					
Net earnings (loss) before cumulative effect of an accounting change	**$ 0.78**	$ 0.60	$ 0.48	$ 0.06	$ (0.02)
Net earnings (loss)	**$ 0.78**	$ 0.60	$ 0.47	$ 0.06	$ (0.02)
Weighted average number of shares and share equivalents outstanding:					
Basic	**18,428**	14,594	14,429	12,247	9,453
Diluted	**19,021**	15,034	14,778	12,834	9,453

At December 31,

(Dollars in thousands)

CONSOLIDATED BALANCE SHEET DATA:	**2001**	2000	1999	1998	1997
Cash and cash equivalents	**$ 11,074**	$ 7,688	$ 9,523	$ 6,070	$ 3,407
Working capital	**34,909**	26,589	21,029	12,954	9,312
Total assets	**241,383**	190,652	137,868	98,421	75,238
Long-term debt and other long-term obligations	**12,685**	71,832	34,901	12,483	24,970
Minority interest	**25,047**	21,063	17,358	11,794	9,192
Preferred stock	**–**	–	–	–	5,268
Shareholders' equity	**185,569**	83,145	72,708	64,369	29,991
CENTER DATA:					
Centers at end of year	**95**	81	63	52	39
Procedures performed during year	**389,431**	288,494	207,754	156,521	101,819

(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. We held no ownership interest in physician practices beyond 1998.

(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.

(3) Reflects cost incurred related to the distribution of our common stock held by American Healthways, Inc., the majority shareholder of AmSurg prior to December 1997, to its 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 our control. Although we believe 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 our objectives and plans will be achieved. We undertake no obligation to publicly release any revisions to any forward-looking statements in this discussion to reflect events and circumstances occurring after the date hereof or to reflect unanticipated events.

Forward-looking statements and our liquidity, financial condition and results of operations may be affected by the following, as well as other unknown risks and and uncertainties:

- our ability to enter into partnership or operating agreements for new practice-based ambulatory surgery centers;
- our ability to identify suitable acquisition candidates and negotiate and close acquisition transactions, including centers under letter of intent;
- our ability to obtain the necessary financing or capital on terms satisfactory to us in order to execute our expansion strategy;
- our ability to generate and manage growth;
- our ability to contract with managed care payors on terms satisfactory to us for our existing centers and our centers that are currently under development;
- our ability to obtain and retain appropriate licensing approvals for our existing centers and centers currently under development;
- our ability to minimize start-up losses of our development centers;
- our ability to maintain favorable relations with our physician partners;
- the implementation of the proposed rule issued by the Department of Health and Human Services, or DHHS, which would update the ratesetting methodology, payment rates, payment policies and the list of covered surgical procedures for ambulatory surgery centers;
- risks associated with our status as a general partner of the limited partnerships;
- our ability to maintain our technological capabilities in compliance with regulatory requirements;
- risks associated with the valuation and tax deductibility of goodwill; and
- our ability to obtain the necessary financing to fund the purchase of our physician partners' minority interest in the event of a regulatory change that would require such a purchase.

OVERVIEW

We develop, acquire and operate practice-based ambulatory surgery centers in partnership with physician practice groups. As of December 31, 2001, we owned a majority interest (51% or greater) in 95 surgery centers.

The following table presents the changes in the number of surgery centers in operation and centers under development for the years ended December 31, 2001, 2000 and 1999. We consider a center to be under development when a partnership or limited liability company has been formed with the physician group partner to develop the center.

	2001	2000	1999
Centers in operation, beginning of year	**81**	63	52
New center acquisitions placed in operation	**15**	9	10
New development centers placed in operation	**1**	9	1
Centers disposed[(1)]	**(2)**	–	–
Centers in operation, end of year	**95**	81	63
Centers under development, end of year	**5**	4	12
Development centers awaiting CON approval, end of year	**1**	1	–
Average number of centers in operation, during year	**89**	69	55
Centers under letter of intent, end of year	**1**	5	4

[(1)] We sold our interests in two surgery centers in 2001 for their approximate book value.

Of the surgery centers in operation as of December 31, 2001, 57 centers perform gastrointestinal endoscopy procedures, 32 centers perform ophthalmology surgery procedures, two centers perform orthopedic procedures and four centers perform procedures in more than one specialty. The other partner or member in each partnership or limited liability company is generally an entity owned by physicians who perform procedures at the center. We intend to expand primarily through the development and acquisition of additional practice-based ambulatory surgery centers in targeted surgical specialties and through future same-center growth. Our growth targets for 2002 include the acquisition or development of 12 to 15 additional surgery centers and the achievement of same-center revenue growth of 7% to 9%.

While we generally own 51% to 67% of the entities that own the surgery centers, our 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

Substantially all of our revenue is derived from facility fees charged for surgical procedures performed in our 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 by the physicians. Our revenues are recorded net of estimated contractual allowances from third-party medical service payors.

Practice-based ambulatory surgery centers such as those in which we own a majority interest depend upon third-party reimbursement programs, including governmental and private insurance programs, to pay for services rendered to patients. The amount of payment a surgery center receives for its services may be adversely affected by market and cost factors as well as other factors over which we have no control, including Medicare and Medicaid regulations and the cost containment and utilization decisions of third-party payors. We derived approximately 38%, 37% and 38% of our revenues in the years ended December 31, 2001, 2000 and 1999, respectively, from governmental healthcare programs, primarily Medicare. The Medicare program currently pays ambulatory surgery centers in accordance with predetermined fee schedules.

CRITICAL ACCOUNTING POLICIES

Our accounting policies are described in note 1 of the consolidated financial statements. We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures 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. We consider the following policies to be most critical in understanding the judgments that are involved in preparing our financial statements and the uncertainties that could impact our results of operations, financial condition and cash flows.

Principles of Consolidation. The consolidated financial statements include the accounts of AmSurg and our subsidiaries and the majority owned limited partnerships and limited liability companies in which we are the general partner or member. Consolidation of such partnerships and limited liability companies is necessary as we have 51% or more of the financial interest, are the general partner or majority member with all the duties, rights and responsibilities thereof and are responsible for the day-to-day management of the partnership or limited liability company. The limited partner or minority member responsibilities are to supervise the delivery of medical services, with their rights being restricted to those that 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. Intercompany profits, transactions and balances have been eliminated.

We operate in one reportable business segment, the ownership and operation of ambulatory surgery centers.

Revenue Recognition. Center revenues consist of the billing for the use of the centers' facilities, or facility fee, directly to the patient or third-party payor. Such revenues are recognized when the related surgical procedures are performed. The facility fee excludes any amounts billed for physicians' services which are billed separately by the physicians to the patient or third-party payor.

Allowance for contractual adjustments and bad debt expense. Our revenues are recorded net of estimated contractual allowances from third-party medical service payors, which we estimate based on historical trends of the surgery centers' cash collections and contractual write-offs, accounts receivable agings, established fee schedules, relationships with payors and procedure statistics. In addition, we must estimate allowances for bad debt expense using similar information and analysis. While we believe that our allowances for contractual adjustments and bad debt expense are adequate, if the actual write-offs are in excess of our estimates, our results of operations may be overstated. At December 31, 2001 and 2000, net accounts receivable reflected allowances for contractual adjustments and bad debt expense of $28.5 million and $19.3 million, respectively.

Goodwill. Goodwill is amortized over 25 years. We have consistently assessed impairment of goodwill and other long-lived assets in accordance with criteria consistent with the provisions of Statement of Financial Accounting Standards, or 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, we assess 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.

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, *"Business Combinations,"* and SFAS No. 142, *"Goodwill and Other Intangible Assets."* The provisions of SFAS No. 141 apply to all business combinations accounted for by the purchase method for which the date of acquisition is July 1, 2001 or later. SFAS No. 142 requires, that upon adoption, amortization of goodwill and indefinite life intangible assets will cease and instead, the carrying value of goodwill and indefinite life intangible assets will be evaluated for impairment at least on an annual basis; impairment of carrying value will be evaluated more frequently if certain indicators are encountered. Identifiable intangible assets with a determinable useful life will continue to be amortized over that period and reviewed for impairment in accordance with SFAS No. 121 until the adoption of SFAS No. 144 (discussed below in "- Recent Accounting Pronouncements"). SFAS No. 142 is effective for fiscal years beginning after December 15, 2001, except for goodwill and intangible assets acquired after June 30, 2001, which are subject immediately to the nonamortization provisions of this statement. As required, we adopted SFAS No. 141 and the nonamortization provisions of SFAS No. 142 for eight business acquisitions consummated from July 1, 2001 to December 31, 2001.

We will fully adopt SFAS No. 142 on January 1, 2002, including the transitional impairment test as required by this standard. Upon adoption, SFAS No. 142 requires that goodwill be tested at the reporting unit level, defined as an operating segment or one level below an operating segment (referred to as a component), with the fair value of the reporting unit being compared to its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired. We do not expect the adoption of SFAS No. 142 and completion of the transitional impairment test to have a material impact on our financial position or results of operations.

Purchase Price Allocation. We allocate the respective purchase price of our acquisitions in accordance with SFAS No. 141. The allocation of purchase price involves first, determining the fair value of net tangible and identifiable intangible assets acquired. Secondly, the excess amount of purchase price is to be allocated to unidentifiable intangible assets (goodwill). A significant portion of each surgery center's purchase price has historically been allocated to goodwill due to the nature of the businesses acquired, the pricing and structure of our acquisitions and the absence of other factors indicating any significant value which could be attributable to separately identifiable intangible assets. Our resulting goodwill, in accordance with SFAS No. 142 as described above, will no longer be amortized, but will be tested for impairment at least annually.

RESULTS OF OPERATIONS

Our revenues are directly related to the number of procedures our surgery centers perform. Our overall growth in procedure volume is directly impacted by the increase in the number of surgery centers in operation and the growth in procedure volume at existing centers. Procedure growth at any existing center may result from additional contracts entered into with third-party payors, marketing campaigns, increased market share of the associated medical practice of our physician partners, new physician partners and/or scheduling and operating efficiencies gained at the surgery center.

Expenses directly related to such procedures include clinical and administrative salaries and benefits, supply cost and other variable expenses such as linen cost, repair and maintenance of equipment, billing fees and bad debt expense. The majority of our corporate salary and benefits cost is more directly associated with the number of centers we own and manage and tends to grow in proportion to the growth of our centers in operation. Our centers and corporate offices also incur costs which are more fixed in nature, such as lease expense, legal fees, property taxes, utilities and depreciation and amortization.

Surgery center profits are shared by our minority partners in proportion to their individual ownership percentages and reflected in the aggregate as minority interest. Our interest expense results primarily from our borrowings used to fund acquisition and development activity, as well as interest incurred on capital leases.

We file a consolidated federal income tax return and numerous state income tax returns with varying tax rates. Our income tax expense reflects the blending of these rates.

The following table shows certain statement of earnings items expressed as a percentage of revenues for the years ended December 31, 2001, 2000 and 1999:

	2001	2000	1999
Revenues	**100.0%**	100.0%	100.0%
Operating expenses:			
Salaries and benefits	**26.8**	27.8	27.4
Supply cost	**11.8**	11.6	11.3
Other operating expenses	**21.0**	20.5	22.5
Depreciation and amortization	**7.1**	7.2	7.2
Total operating expenses	**66.7**	67.1	68.4
Operating income	**33.3**	32.9	31.6
Minority interest	**19.6**	19.3	19.2
Interest expense, net of interest income	**1.4**	3.3	1.1
Earnings before income taxes and cumulative effect of an accounting change	**12.3**	10.3	11.3
Income tax expense	**4.9**	4.0	4.4
Net earnings before cumulative effect of an accounting change	7.4	6.3	6.9
Cumulative effect of a change in the method in which pre-opening costs are recorded	–	–	0.1
Net earnings	7.4%	6.3%	6.8%

YEAR ENDED DECEMBER 31, 2001 COMPARED TO YEAR ENDED DECEMBER 31, 2000

Revenues increased $59.1 million, or 41%, to $202.3 million in 2001 from $143.3 million in 2000 primarily due to the following three factors:

- 14 additional surgery centers in operation at year end, primarily resulting from acquisitions, with an average number of centers in operation throughout the year of 89 in 2001 compared to 69 in 2000;

- Same-center procedure growth resulting in 10% revenue growth (61 centers included in the same-center group); and
- A larger percentage of ophthalmology procedures performed, which have a larger average reimbursement rate per procedure than our average rate experienced in 2000.

The additional surgery centers in operation and same-center procedure growth resulted in a 35% increase in procedure volume in 2001 over 2000. In order to appropriately staff our surgery centers for these additional procedures, as well as provide appropriate corporate management for the additional centers in operation, salaries and benefits increased proportionately by 36% to $54.2 million in 2001 from $39.8 million in 2000.

Supply cost was $23.8 million in 2001, an increase of $7.2 million, or 44%, over supply cost in 2000. This increase resulted primarily from the additional procedure volume and an increased mix of ophthalmology procedures, which require more costly supplies than gastroenterology procedures, our predominant procedure type.

Other operating expenses increased $13.1 million to $42.6 million, or 45%, in 2001 over 2000, primarily as a result of the additional surgery centers in operation and additional corporate overhead.

Depreciation and amortization expense increased $4.1 million, or 40%, in 2001 over 2000 primarily due to the additional surgery centers in operation as well as a full year of amortization of additional goodwill from acquisitions completed throughout 2000 and the amortization of goodwill acquired from January 1, 2001 to June 30, 2001. In accordance with SFAS No. 142, we did not amortize goodwill for eight acquisitions completed after June 30, 2001 (see "- Critical Accounting Policies" and note 1(f) to the consolidated financial statements). This change had no material impact on our consolidated financial statements, however.

We anticipate further increases in operating expenses in 2002 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 the 12 months after a center opens. At December 31, 2001, we had five centers under development and three centers that had been open for less than one year.

Operating income margin increased by 0.4%, which reflects the leverage we achieve from having a high but consistent fixed cost component from year to year at each center. Because each incremental procedure generates only a variable cost component, procedure growth generally contributes to operating income at a rate higher than the average operating income margin of the center.

Minority interest in earnings in 2001 increased $11.9 million, or 43%, over 2000, primarily as a result of minority partners' interest in earnings at surgery centers recently added to operations and from increased same-center profitability. As a percentage of revenues, minority interest increased due to the fact that our minority partners participate in the increased profitability of our centers. Additionally, nearly all of the acquired and developed centers in 2001 have a 49% minority ownership, which diluted the impact on minority interest of those existing centers that have less than 49% minority ownership.

Interest expense decreased $1.9 million in 2001, or 40%, from 2000. Prior to April 2001, our debt level had grown to approximately $92.5 million primarily due to acquisition-related borrowings. However, net proceeds from our public offering, as further discussed in "- Liquidity and Capital Resources," were used to repay a significant portion of our outstanding debt. Additionally, we experienced lower interest rates in 2001 than in 2000.

We recognized income tax expense of $9.9 million in 2001 compared to $5.7 million in 2000. Our effective tax rate in 2001 and 2000 was 40.0% and 38.5%, respectively, of net earnings before income taxes and differed from the federal statutory income tax rate of 35% and 34%, respectively, primarily due to the impact of state income taxes.

YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999

Revenues increased $41.8 million, or 41%, to $143.3 million in 2000 from $101.4 million in 1999 primarily due to the following three factors:

- 18 additional surgery centers in operation at year end, primarily resulting from acquisitions, with an average number of centers in operation throughout the year of 69 in 2000 compared to 55 in 1999;
- Same-center procedure growth resulting in 10% revenue growth (52 centers included in the same-center group); and
- A larger percentage of ophthalmology procedures performed, which have a larger average reimbursement rate per procedure than our average rate experienced in 1999.

The additional surgery centers in operation and same-center procedure growth resulted in a 39% increase in procedure volume in 2000 over 1999. In order to appropriately staff our surgery centers for these additional procedures, as well as provide appropriate corporate management for the additional centers in operation, salaries and benefits increased proportionately by 43% to $39.8 million in 2000 from $27.9 million in 1999.

Supply cost was $16.6 million in 2000, an increase of $5.1 million, or 44%, over supply cost in 1999. This increase resulted primarily from the additional procedure volume and an increased mix of ophthalmology procedures, which require more costly supplies than gastroenterology procedures, our predominant procedure type.

Other operating expenses increased $6.7 million to $29.4 million, or 29%, in 2000 over 1999, primarily as a result of the additional surgery centers in operation and additional corporate overhead.

Depreciation and amortization expense increased $3.0 million, or 41%, in 2000 over 1999, primarily due to the additional surgery centers in operation in 2000 compared to 1999, as well as additional goodwill acquired throughout 2000 and 1999.

Operating income margin increased by 1.3%, which reflects the leverage we achieve from having a high but consistent fixed cost component from year to year at each center. Because each incremental procedure generates only a variable cost component, procedure growth generally contributes to operating income at a rate higher than the average operating income margin of the center.

Our minority interest in earnings in 2000 increased by $8.3 million, or 43%, over 1999 primarily as a result of minority partners' interest in earnings at surgery centers recently added to operations and from increased same-center profitability.

Interest expense increased $3.6 million, or 319%, in 2000 in comparison to 1999 due to an increase in debt assumed or incurred in connection with additional acquisitions of interests in surgery centers in late 1999 and throughout 2000, together with the interest expense associated with newly opened start-up surgery centers financed partially with bank debt. We also experienced higher interest rates in 2000 compared to 1999.

We recognized income tax expense of $5.7 million in 2000, compared to $4.4 million in 1999. Our effective tax rate in 2000 and 1999 was 38.5% 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.

QUARTERLY STATEMENT OF EARNINGS DATA

The following table presents certain quarterly statement of earnings data for the years ended December 31, 2000 and 2001. The quarterly statement of earnings data set forth below was derived from our unaudited financial statements and includes all adjustments, consisting of normal recurring adjustments, which we consider 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.

	2000				**2001**			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	(In thousands, except per share data)							
Revenues	$31,633	$34,590	$36,717	$40,321	**$45,139**	**$49,474**	**$51,582**	**$56,117**
Earning before income taxes	3,290	3,585	3,700	4,167	**4,475**	**6,182**	**6,578**	**7,611**
Net earnings	2,023	2,205	2,275	2,563	**2,685**	**3,709**	**3,944**	**4,567**
Diluted earnings per common share	$ 0.14	$ 0.15	$ 0.15	$ 0.17	**$ 0.17**	**$ 0.19**	**$ 0.19**	**$ 0.22**

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2001, we had working capital of $34.9 million compared to $26.6 million at December 31, 2000. Operating activities for 2001 generated $37.3 million in cash flow from operations compared to $18.5 million in 2000. The increase in operating cash flow activity resulted primarily from additional net earnings before depreciation and amortization of $10.0 million and $7.6 million in tax benefits received from the exercise of employee stock options. Cash and cash equivalents at December 31, 2001 and 2000 were $11.1 million and $7.7 million, respectively.

During 2001, we used approximately $57.6 million to acquire interests in practice-based ambulatory surgery centers, including $10.5 million for the funding of other long-term obligations related to acquisitions in 2000. In addition, we made capital expenditures primarily for new start-up surgery centers and for new or replacement property at existing centers which totaled approximately $7.0 million in 2001. Maintenance capital expenditures, including new capital leases, were $5.8 million. We used our cash flow from operations and net borrowings of long-term debt of $24.7 million to fund our acquisition and development activity, and we received approximately $2.8 million from capital contributions of our minority partners to fund their proportionate share of development activity. At December 31, 2001, we and our partnerships and limited liability companies had unfunded construction and equipment purchase commitments for centers under development of approximately $1.6 million, which we intend to fund through additional borrowings of long-term debt, operating cash flow and capital contributions by minority partners.

In April 2001, we completed a public offering of 4,600,000 shares of Class A Common Stock, including 74,000 shares offered by selling shareholders, for net proceeds to us of approximately $76.6 million. The net proceeds were used to repay borrowings under our revolving credit facility. In 2001, we also received approximately $3.3 million from the issuance of stock under our employee stock option plans.

In July 2001, after receiving shareholder approval, we reclassified our Class A and Class B Common Stock into one class of common stock, having the rights of the Class A Common Stock. The Class A and Class B shares were reclassified into one class of common stock using a one-to-one conversion ratio, and, as a result, there was no increase in the total number of shares or book value of common stock outstanding due to the reclassification.

At December 31, 2001, we had $7.3 million outstanding under our revolving credit facility, which permits us to borrow up to $100.0 million to finance our acquisition and development projects at a rate equal to, at our option, the prime rate or LIBOR plus a spread of 1.5% to 3.0%, depending upon borrowing levels. The loan agreement also provides for a fee ranging between 0.375% to 0.50% of unused commitments based on borrowing levels. The loan agreement prohibits the payment of dividends and contains covenants relating to the ratio of debt to net worth, operating performance and minimum net worth. We were in compliance with all covenants at December 31, 2001. Borrowings under the credit facility are due on May 5, 2003, and are secured primarily by a pledge of the stock of our subsidiaries and our membership interests in the limited liability companies.

On June 12, 1998, DHHS 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. If implemented, the proposed rule would reduce the rates paid for certain ambulatory surgery center procedures reimbursed by Medicare, including a number of endoscopy and ophthalmology procedures performed at our centers. However, the Balanced Budget Refinement Act of 1999, or BBRA, and the Benefits Improvement and Protection Act of 2000, or BIPA, made three changes affecting DHHS' ability to implement a revised prospective payment system based on the June 1998 proposed rule. First, DHHS may not implement a revised prospective payment system before January 2002; second, if DHHS implements a new system based on the June 1998 proposed rule, Centers for Medicaid and Medicare Services, or CMS, must phase in the new rates over four years; and third, DHHS must use data based on a new ambulatory surgery center cost survey from 1999 or later in calculating new rates by January 2003. As of December 31, 2001, CMS has not implemented the phase-in of rates, has not issued a new cost survey and has given no public guidance of its intentions.

We estimate that if full implementation of new rates based on the June 1998 proposed rule occurred in 2002, it would adversely affect our annual revenues by 4% based on our historical procedure mix. However, we believe, due to the four year phase-in of such rates, coupled with updated rates based on new cost data to be used in 2003 and cost efficiencies we expect to implement at both the center and corporate level, that our financial results will not be materially impacted by implementation of the proposed rule's rates. There can be no assurance that the implementation of new rates will not adversely impact our financial condition, results of operations and business prospects.

As of December 31, 2001, in conjunction with acquisitions from 1998 through 2001, we have contingent purchase price obligations dependent upon a final implementation of the rates proposed by DHHS. As of December 31, 2001, the maximum aggregate contingent purchase price that we would pay, assuming the proposed rule is either delayed indefinitely or not implemented, is $7.8 million. Until a more definitive resolution is announced or determined, we will make bi-annual installment payments of such amounts through 2007 and capitalize the payments of additional purchase price as goodwill. However, we will be released from all or a portion of these unpaid amounts upon the final implementation of proposed reimbursement rates. We intend to fund these obligations through additional borrowings of long-term debt. These contingent liabilities are not reflected as liabilities in our consolidated balance sheet as of December 31, 2001 but are described in note 3 to the consolidated financial statements.

The following schedule summarizes all of our contractual obligations by period as of December 31, 2001:

	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
			(In thousands)		
Long-term debt [1]	$ 11,787	$ 1,274	$ 9,475	$ 885	$ 153
Capital lease obligations	3,798	1,626	1,873	227	72
Operating leases	50,123	9,696	16,965	11,631	11,831
Construction in progress commitments	1,630	1,630	–	–	–
Other long-term obligations [2]	7,840	1,706	3,412	2,563	159
Total contractual cash obligations	$75,178	$15,932	$31,725	$15,306	$12,215

[1] Our long-term debt may increase based on acquisition activity expected to occur in the future. We may use our operating cash flow to repay existing long-term debt under our credit facility prior to its maturity date.

[2] Other long-term obligations consist of purchase price commitments that are contingent upon a final implementation of rates proposed by DHHS as discussed above. These long-term obligations may increase based on acquisition activity expected to occur in the future. If no definitive implementation is announced prior to the scheduled payments, the obligations will be paid as shown in the table. However, the amount and timing of these scheduled payments may change upon final implementation (see note 3 to the consolidated financial statements).

In addition, as of December 31, 2001, we have available on our revolving credit facility $92.7 million for acquisition borrowings. Our credit facility matures on May 5, 2003 and we anticipate renewing our credit facility for an additional three-year term, although discussions with our lenders about the terms of a replacement credit facility will not commence until later in fiscal 2002.

Foregoing any significant adverse impact on our future operating results and assuming that our credit facility is renewed in 2003 for an additional three-year term, we believe that our operating cash flow and borrowing capacity will provide us with adequate liquidity for the next three years to conduct our business and further implement our growth strategy.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities."* We adopted this pronouncement on January 1, 2001, which had no impact on our consolidated financial statements.

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, *"Business Combinations,"* and SFAS No. 142, *"Goodwill and Other Intangible Assets."* The provisions of SFAS No. 141 apply to all business combinations initiated after June 30, 2001 and prohibit the use of the pooling-of-interest method for those business combinations. Furthermore, SFAS No. 141 applies to all business combinations accounted for by the purchase method for which the date of acquisition is July 1, 2001 or later. SFAS No. 142 requires that, upon adoption, amortization of goodwill and indefinite life intangible assets will cease and instead, the carrying value of goodwill and indefinite life intangible assets will be evaluated for impairment at least on an annual basis; impairment of carrying value will be evaluated more frequently if certain indicators are encountered. Identifiable intangible assets with a determinable useful life will continue to be amortized over that period and reviewed for impairment in accordance with SFAS No. 121, *"Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of,"* until the adoption of SFAS No. 144 (discussed below). SFAS No. 142 is effective for fiscal years beginning after December 15, 2001, except for goodwill and intangible assets acquired after June 30, 2001, which are subject immediately to the nonamortization provisions of this statement. We adopted SFAS No. 141 and the nonamortization provisions of SFAS No. 142 for eight business acquisitions consummated from July 1, 2001 to December 31, 2001.

SFAS No. 144, *"Accounting for the Impairment or Disposal of Long-Lived Assets,"* issued in August 2001, supersedes SFAS No. 121 and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, *"Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions."* This statement retains certain requirements of SFAS No. 121 relating to the recognition and measurement of impairment of long-lived assets to be held and used. Additionally, this statement results in one accounting model, based on a framework established in SFAS No. 121, for long-lived assets to be disposed of by sale and also addresses certain implementation issues related to SFAS No. 121, including the removal of goodwill from its scope due to the issuance of SFAS No. 142. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years. We adopted this pronouncement on January 1, 2002, which had no impact on our consolidated financial statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to market risk from exposure to changes in interest rates based on our financing, investing and cash management activities. We utilize a balanced mix of maturities along with both fixed-rate and variable-rate debt to manage our exposures to changes in interest rates. Our debt instruments are primarily indexed to the prime rate or LIBOR. Although there can be no assurances that interest rates will not change significantly, we do not expect changes in interest rates to have a material effect on income or cash flows in 2002.

The table below provides information as of December 31, 2001 and 2000 about our long-term debt obligations based on maturity dates 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 Value at December 31,*
	2002	2003	2004	2005	2006	2007	**2001**
	(In thousands, except percentage data)						
Fixed rate	$2,456	$ 2,014	$ 1,223	$ 656	$ 355	$ 225	**$ 6,929**
Average interest rate	8.23%	8.06%	8.28%	8.25%	8.09%	7.84%	
Variable rate	$ 444	$ 7,707	$ 404	$ 101	$ –	$ –	**$ 8,656**
Average interest rate	5.05%	3.66%	5.04%	4.50%	–	–	

	Years Ended December 31,						*Fair Value at December 31,*
	2001	2002	2003	2004	2005	2006	**2000**
	(In thousands, except percentage data)						
Fixed rate	$1,643	$ 1,643	$ 1,140	$ 416	$ 213	$ 55	**$ 5,110**
Average interest rate	8.30%	8.55%	8.49%	8.59%	9.00%	9.00%	
Variable rate	$ 653	$ 322	$55,797	$ 290	$ –	$ –	**$57,062**
Average interest rate	8.81%	8.96%	8.69%	9.00%	–	–	

The difference in maturities of long-term obligations and overall reduction in total borrowings principally resulted from using our net proceeds of approximately $76.6 million from our public offering in April 2001 to repay outstanding debt under our revolving credit facility, net of new borrowings due to the acquisition of additional surgery centers. The average interest rates on these borrowings at December 31, 2001 decreased as compared to December 31, 2000 due to lower borrowing levels and an overall decrease in market rates.

CONSOLIDATED BALANCE SHEETS

	December 31, 2001	December 31, 2000
	(Dollars in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,074	$ 7,688
Accounts receivable, net of allowance of $3,475 and $2,506, respectively	28,069	24,468
Supplies inventory	3,298	2,645
Deferred income taxes (note 9)	537	636
Prepaid and other current assets	5,030	2,091
Total current assets	48,008	37,528
Long-term receivables and deposits (note 3)	3,069	1,861
Property and equipment, net (notes 4, 6 and 7)	42,134	39,855
Intangible assets, net (notes 3 and 5)	148,172	111,408
Total assets	$241,383	$190,652

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31, 2001	December 31, 2000
Current liabilities:		
Current portion of long-term debt (note 6)	$ 2,900	$ 2,296
Accounts payable	4,348	2,234
Accrued salaries and benefits	4,395	2,759
Other accrued liabilities	1,456	2,632
Current income taxes payable	–	1,018
Total current liabilities	13,099	10,939
Long-term debt (note 6)	12,685	59,876
Notes payable and other long-term obligations (note 3)	–	11,956
Deferred income taxes (note 9)	4,983	3,673
Minority interest	25,047	21,063
Preferred stock, no par value, 5,000,000 shares authorized	–	–
Shareholders' equity:		
Common stock, no par value, 39,800,000 shares authorized, 20,116,892 and 14,738,787 shares outstanding, respectively (note 8)	151,812	64,293
Retained earnings	33,757	18,852
Total shareholders' equity	185,569	83,145
Commitments and contingencies (notes 3, 4, 7, 10 and 12)		
Total liabilities and shareholders' equity	$241,383	$190,652

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS

	Years Ended December 31, 2001	2000	1999
	(In thousands, except earnings per share)		
Revenues (note 2)	**$202,312**	$143,261	$101,446
Operating expenses:			
Salaries and benefits (note 10)	**54,190**	39,770	27,895
Supply cost	**23,835**	16,598	11,491
Other operating expenses (note 10)	**42,572**	29,445	22,777
Depreciation and amortization	**14,426**	10,301	7,265
Total operating expenses	**135,023**	96,114	69,428
Operating income	**67,289**	47,147	32,018
Minority interest	**39,599**	27,702	19,431
Interest expense, net of interest income of $216, $230 and $237, respectively	**2,844**	4,703	1,122
Earnings before income taxes and cumulative effect of an accounting change	**24,846**	14,742	11,465
Income tax expense (note 9)	**9,941**	5,676	4,414
Net earnings before cumulative effect of an accounting change	**14,905**	9,066	7,051
Cumulative effect of a change in the method in which pre-opening costs are recorded	**–**	–	(126)
Net earnings	**$ 14,905**	$ 9,066	$ 6,925
Basic earnings per common share (note 8):			
Net earnings before cumulative effect of an accounting change	**$ 0.81**	$ 0.62	$ 0.49
Net earnings	**$ 0.81**	$ 0.62	$ 0.48
Diluted earnings per common share (note 8):			
Net earnings before cumulative effect of an accounting change	**$ 0.78**	$ 0.60	$ 0.48
Net earnings	**$ 0.78**	$ 0.60	$ 0.47
Weighted average number of shares and share equivalents outstanding (note 8):			
Basic	**18,428**	14,594	14,429
Diluted	**19,021**	15,034	14,778

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Years Ended December 31, 2001, 2000 and 1999 (In thousands)				
	Common Stock		Retained	Deferred Compensation on Restricted	
	Shares	Amount	Earnings	Stock	Total
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	34	107	–	–	107
Tax benefit related to exercise of stock options	–	9	–	–	9
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
Issuance of common stock	30	172	–	–	172
Stock options exercised	162	695	–	–	695
Tax benefit related to exercise of stock options	–	504	–	–	504
Net earnings	–	–	9,066	–	9,066
Balance December 31, 2000	14,739	64,293	18,852	–	83,145
Issuance of common stock	**4,528**	**76,661**	**–**	**–**	**76,661**
Stock options exercised	**850**	**3,264**	**–**	**–**	**3,264**
Tax benefit related to exercise of stock options	**–**	**7,594**	**–**	**–**	**7,594**
Net earnings	**–**	**–**	**14,905**	**–**	**14,905**
Balance December 31, 2001	**20,117**	**$151,812**	**$ 33,757**	**$ –**	**$185,569**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2001	2000	1999
		(In thousands)	
Cash flows from operating activities:			
Net earnings	**$ 14,905**	$ 9,066	$ 6,925
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Minority interest	**39,599**	27,702	19,431
Distributions to minority partners	**(38,560)**	(27,416)	(16,369)
Depreciation and amortization	**14,426**	10,301	7,290
Deferred income taxes	**1,409**	957	760
Amortization of deferred compensation on restricted stock	**–**	–	137
Cumulative effect of an accounting change	**–**	–	126
Increase (decrease) in cash and cash equivalents, net of effects of acquisitions and dispositions, due to changes in:			
Accounts receivable, net	**(782)**	(3,141)	(3,223)
Supplies inventory	**(22)**	(182)	(560)
Prepaid and other current assets	**(2,894)**	(460)	(216)
Other assets	**–**	278	103
Accounts payable	**1,647**	56	720
Accrued expenses and other liabilities	**7,445**	1,447	1,677
Other, net	**128**	(115)	(33)
Net cash flows provided by operating activities	**37,301**	18,493	16,768
Cash flows from investing activities:			
Acquisition of interest in surgery centers	**(57,589)**	(30,714)	(26,644)
Acquisition of property and equipment	**(7,007)**	(13,457)	(4,081)
(Increase) decrease in long-term receivables	**(89)**	167	(1,842)
Net cash flows used in investing activities	**(64,685)**	(44,004)	(32,567)
Cash flows from financing activities:			
Repayment of notes payable	**–**	–	(2,385)
Proceeds from long-term borrowings	**44,861**	37,345	38,060
Repayment on long-term borrowings	**(96,805)**	(14,145)	(17,063)
Net proceeds from issuance of common stock	**79,925**	695	107
Proceeds from capital contributions by minority partners	**2,807**	704	533
Financing cost incurred	**(18)**	(923)	–
Net cash flows provided by financing activities	**30,770**	23,676	19,252
Net increase (decrease) in cash and cash equivalents	**3,386**	(1,835)	3,453
Cash and cash equivalents, beginning of year	**7,688**	9,523	6,070
Cash and cash equivalents, end of year	**$ 11,074**	$ 7,688	$ 9,523

See accompanying notes to the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of Consolidation

AmSurg Corp. (the "Company"), through its wholly owned subsidiaries, owns majority interests, primarily between 51% and 67%, 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 that 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. 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 reportable business segment, the ownership and operation of ambulatory surgery centers.

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 of less than three months when purchased.

c. Supplies Inventory

Supplies inventory consists of medical and drug supplies 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 movable equipment is recognized over useful lives of three to ten years.

f. Intangible Assets

Goodwill

Goodwill is amortized over 25 years. The Company has consistently assessed impairment of goodwill and other long-lived assets in accordance with criteria consistent with the provisions of Statement of Financial Accounting Standards ("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.

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, *"Business Combinations,"* and SFAS No. 142, *"Goodwill and Other Intangible Assets."* The provisions of SFAS No. 141 apply to all business combinations accounted for by the purchase method for which the date of acquisition is July 1, 2001 or later. SFAS No. 142 requires, that upon adoption, amortization of goodwill and indefinite life intangible assets will cease and instead, the carrying value of goodwill and indefinite life intangible assets will be evaluated for impairment at least on an annual basis; impairment of carrying value will be evaluated more frequently if certain indicators are encountered. Identifiable intangible assets with a determinable useful life will continue to be amortized over that period and reviewed for impairment in accordance with SFAS No. 121 until the adoption of SFAS No. 144 (discussed below). SFAS No. 142 is effective for fiscal years beginning after December 15, 2001, except for goodwill and intangible assets acquired after June 30, 2001, which are subject immediately to the nonamortization provisions of this statement. As required, the Company adopted SFAS No. 141 and the nonamortization provisions of SFAS No. 142 for eight business acquisitions consummated from July 1, 2001 to December 31, 2001.

The Company will fully adopt SFAS No. 142 on January 1, 2002, including the transitional impairment test as required by this standard. Upon adoption, SFAS No. 142 requires that goodwill be tested at the reporting unit level, defined as an operating segment or one level below an operating segment (referred to as a component), with the fair value of the reporting unit being compared to its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired. The Company does not expect the adoption of SFAS No. 142 and completion of the transitional impairment test to have a material impact on its financial position or results of operations.

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 non-compete agreements, which are amortized over the term of the related debt and the contractual term (five years) of the non-compete agreements, respectively.

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 a 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.

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 per share is computed by dividing net earnings available to common shareholders by the combined weighted average number of common shares while diluted earnings per share is computed by dividing net earnings 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 exceeds the exercise price. The Company also provides disclosure in accordance with SFAS No. 123, *"Accounting for Stock-Based Compensation,"* to reflect the 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 (see note 8(d)).

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 accounting principles generally accepted in the United States of America 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.

The determination of contractual and bad debt allowances constitutes a significant estimate. Some of the factors considered by management in determining the amount of allowances to establish are the historical trends of the centers' cash collections and contractual and bad debt write-offs, accounts receivable agings, established fee schedules, relationships with payors and procedure statistics. Accordingly, net accounts receivable at December 31, 2001 and 2000, reflect allowances for contractual adjustments and bad debt expense of $28,544,000 and $19,265,000, respectively.

l. Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities."* The Company adopted this pronouncement on January 1, 2001, which had no impact on the Company's consolidated financial statements.

SFAS No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets,"* issued in August 2001, supersedes SFAS No. 121 and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, "*Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions."* This statement retains certain requirements of SFAS No. 121 relating to the recognition and measurement of impairment of long-lived assets to be held and used. Additionally, this statement results in one accounting model, based on a framework established in SFAS No. 121, for long-lived assets to be disposed of by sale and also addresses certain implementation issues related to SFAS No. 121, including the removal of goodwill from its scope due to the issuance of SFAS No. 142. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years. The Company adopted this pronouncement on January 1, 2002. Management believes the adoption of this standard will have no impact on the Company's consolidated financial statements.

m. Reclassifications

Certain prior year amounts have been reclassified to conform to the 2001 presentation.

2. REVENUE RECOGNITION

Center revenues consist of the billing for the use of the centers' facilities (the "facility fee") directly to the patient or third-party payor. Such revenues are recognized when the related surgical procedures are performed. The facility fee excludes any amounts billed for physicians' services which are billed separately by the physicians to the patient or third-party payor.

Revenues from centers are recognized on the date of service, net of estimated contractual allowances from third-party medical service payors including Medicare and Medicaid (see note 1 (k)). During the years ended December 31, 2001, 2000 and 1999, approximately 38%, 37% and 38%, 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 payors is limited due to the large number of such payors.

3. ACQUISITIONS AND DISPOSITIONS

a. Acquisitions

The Company, through wholly owned subsidiaries and in separate transactions, acquired a majority interest in fifteen, nine and ten practice-based surgery centers during 2001, 2000 and 1999, respectively. Consideration paid for the acquired interests consisted of cash, common stock and notes payable at rates ranging from 9.0% to 9.5%, due within 30 days from issuance. Total acquisition price and cost in 2001, 2000 and 1999 was $47,113,000, $41,563,000 and $29,417,000, respectively, of which the Company assigned $43,929,000, $38,149,000 and $27,403,000, respectively, to goodwill. The goodwill is expected to be fully deductible for tax purposes. At December 31, 2000, the Company had outstanding obligations associated with recent acquisitions of $10,479,000 in the form of a combination of notes payable and other obligations. All such amounts due as of December 31, 2000 were funded in January 2001 through long-term borrowings. All acquisitions were accounted for as purchases, and the accompanying consolidated financial statements include the results of their operations from the dates of acquisition.

As of December 31, 2001, in conjunction with acquisitions from 1998 to 2001, the Company has contingent purchase price obligations dependent upon a final implementation by the Department of Health and Human Services ("DHHS") of their proposed rule to update the ratesetting methodology, payment rates, payment policies and list of covered surgical procedures for ambulatory surgery centers as reimbursed by Medicare. As of December 31, 2001, the maximum aggregate contingent purchase price that the Company would pay, assuming the proposed rule is either delayed indefinitely or not implemented, is $7,840,000. Until a more definitive resolution is announced or determined, the Company will make bi-annual installment payments of such amounts through 2007 and capitalize the payments as goodwill. However, the amount and timing of these scheduled payments may change upon final implementation of proposed reimbursement rates. These contingent liabilities are not reflected as liabilities in the Company's consolidated balance sheet as of December 31, 2001.

b. Pro Forma Information

The unaudited consolidated pro forma results for the years ended December 31, 2001 and 2000, assuming all 2001 and 2000 acquisitions had been consummated on January 1, 2000, are as follows:

	2001	2000
	(In thousands, except per share data)	
Revenues	**$216,385**	$188,640
Net earnings	**15,668**	10,348
Earnings per common share:		
Basic	**$ 0.85**	$ 0.71
Diluted	**0.82**	0.69
Weighted average number of shares and share equivalents:		
Basic	**18,428**	14,594
Diluted	**19,021**	15,034

c. Dispositions

In three separate transactions in 2001, the Company sold all or a portion of its interests in three surgery centers. Combined proceeds of these sales approximated the book value of the assets sold and included notes receivable totaling $1,119,000, bearing interest at 7.0%, secured by the assets of a surgery center and certain personal guarantees by the buyers and due in installments through 2005.

4. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2001 and 2000 are as follows:

	2001	2000
	(In thousands)	
Land and improvements	**$ 99**	$ 99
Building and improvements	**25,315**	23,601
Moveable equipment	**43,522**	34,659
Construction in progress	**574**	1,460
	69,510	59,819
Less accumulated depreciation and amortization	**27,376**	19,964
Property and equipment, net	**$ 42,134**	$ 39,855

At December 31, 2001, the Company and its partnerships had unfunded construction and equipment purchase commitments for centers under development of approximately $1,630,000 in order to complete construction in progress.

5. INTANGIBLE ASSETS

Intangible assets at December 31, 2001 and 2000 consist of the following:

	2001	2000
	(In thousands)	
Goodwill, net of accumulated amortization of $17,510 and $12,077, respectively	**$146,763**	$110,640
Deferred financing cost, net of accumulated amortization of $558 and $256, respectively	**459**	768
Agreements not to compete, net of accumulated amortization of $50	**950**	–
Intangible assets, net	**$148,172**	$111,408

6. LONG-TERM DEBT

Long-term debt at December 31, 2001 and 2000 is comprised of the following:

	2001	2000
	(In thousands)	
$100 million credit agreement at prime or LIBOR plus a spread of 1.5% to 3.0% (average rate of 3.9% at December 31, 2001), due May 2003	$ 7,300	$55,500
Other debt at an average rate of 7.3%, due through September 2007	4,487	3,872
Capitalized lease arrangements at an average rate of 8.2%, due through September 2007 (see note 7)	3,798	2,800
	15,585	62,172
Less current portion	2,900	2,296
Long-term debt	$12,685	$59,876

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 5, 2000, permits the Company to borrow up to $100,000,000 to finance the Company's acquisition and development projects at prime rate or LIBOR plus a spread of 1.5% to 3.0% or a combination thereof, provides for a fee ranging between 0.375% to 0.50% 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, 2001.

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 $6,173,000. The Company and the partners or members have guaranteed payment of the loans in proportion to the relative partnership interests.

Principal payments required on long-term debt in the five years subsequent to December 31, 2001 and thereafter are $2,900,000, $9,721,000, $1,627,000, $757,000, $355,000 and $225,000, respectively.

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, 2001 are as follows:

Year Ended December 31,	Capitalized Equipment Leases	Operating Leases
	(In thousands)	
2002	$ 1,873	$ 9,696
2003	1,369	8,995
2004	676	7,970
2005	157	6,799
2006	99	4,832
Thereafter	74	11,831
Total minimum rentals	4,248	$50,123
Less amounts representing interest at rates ranging from 5.3% to 9.5%	450	
Capital lease obligations	$ 3,798	

At December 31, 2001, equipment with a cost of approximately $6,383,000 and accumulated amortization of approximately $2,083,000 was held under capital lease. The Company and the partners have guaranteed payment of certain of these leases. Rental expense for operating leases for the years ended December 31, 2001, 2000, and 1999 was approximately $9,757,000, $7,126,000 and $5,314,000, respectively (see note 10).

8. SHAREHOLDERS' EQUITY

a. Common Stock

In April 2001, the Company completed a public offering of 4,526,000 shares of Class A Common Stock, for net proceeds of approximately $76.6 million to the Company. Net proceeds from the offering were used to repay borrowings under the Company's revolving credit facility.

In July 2001, after receiving shareholder approval, the Company reclassified its Class A and Class B Common Stock into one class of common stock, having the rights of the Class A Common Stock. The Class A and Class B shares were reclassified into one class of common stock using a one-to-one conversion ratio, resulting in no increase in the Company's total number of shares or book value of common stock outstanding.

b. Shareholder Rights Plan

In 1999, the Company's Board of Directors adopted a shareholder rights plan and declared a distribution of one stock purchase right for each outstanding share of the Company's common stock to shareholders of record on December 16, 1999 and for each share of common stock issued thereafter. Each right initially entitles its holder to purchase one one-hundredth of a share of Series C Junior Participating Preferred Stock, at $48, subject to adjustment. With certain exceptions, each right will become exercisable only when a person or group acquires, or commences a tender or exchange offer for, 15% or more of the Company's outstanding common stock. Rights will also become exercisable in the event of certain mergers or asset sales involving more than 50% of the Company's assets or earning power. Upon becoming exercisable, each right will allow the holder (other than the person or group whose actions triggered the exercisability of the rights), under specified circumstances, to buy either securities of the Company or securities of the acquiring company (depending on the form of the transaction) having a value of twice the then current exercise price of the rights. The rights expire on December 2, 2009.

c. Earnings per Share

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

	Earnings (Numerator)	Shares (Denominator)	Per Share Amount
	(In thousands, except per share amounts)		
For the year ended December 31, 2001:			
Basic earnings per share:			
Net earnings	**$14,905**	**18,428**	**$ 0.81**
Effect of dilutive securities options	–	593	
Diluted earnings per share:			
Net earnings	**$14,905**	**19,021**	**$ 0.78**
For the year ended December 31, 2000:			
Basic earnings per share:			
Net earnings	$ 9,066	14,594	$ 0.62
Effect of dilutive securities options	–	440	
Diluted earnings per share:			
Net earnings	$ 9,066	15,034	$ 0.60
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

d. Stock Options

The Company has two stock option plans under which it has granted non-qualified options to purchase shares of 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. At December 31, 2001, 1,653,762 shares were authorized for grant under the two stock option plans and 415,084 shares were available for future option grants. Stock option activity for the three years ended December 31, 2001 is summarized below:

	Number of Shares	Weighted Average Exercise Price
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
Options granted	377,059	6.82
Options exercised	(161,930)	4.29
Options terminated	(25,054)	7.62
Outstanding at December 31, 2000	1,825,879	5.40
Options granted	**793,759**	**23.90**
Options exercised	**(849,915)**	**3.84**
Options terminated	**(115,961)**	**14.91**
Outstanding at December 31, 2001	**1,653,762**	**14.41**

The following table summarizes information concerning outstanding and exercisable options at December 31, 2001:

	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 - $ 6.00	235,536	4.3	$ 4.69	215,123	$ 4.61
6.01 - 12.00	674,320	7.0	7.53	348,128	7.76
12.01 - 18.00	14,999	9.1	17.11	1,668	14.94
18.01 - 24.00	303,332	9.8	22.13	53,250	22.04
24.01 - 29.00	425,575	9.2	25.12	72,396	24.88
$ 0.75 - $29.00	1,653,762	7.7	$14.41	690,565	$ 9.69

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 2001, 2000 and 1999 were $15.23, $4.65 and $4.48 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 2001, 2000 and 1999 and an average risk free interest rate of 4.8%, 6.7% and 5.2% in 2001, 2000 and 1999, respectively. The Company also assumed a volatility rate of 66%, 70% and 60% in 2001, 2000 and 1999, respectively. Had the Company used the Black-Scholes estimates to determine compensation expense for the options granted in the years ended December 31, 2001, 2000 and 1999, net earnings and net earnings per share attributable to common shareholders would have been reduced to the following pro forma amounts:

	2001	2000	1999
	(In thousands, except per share amounts)		
Net earnings available to common shareholders:			
As reported	**$14,905**	$9,066	$6,925
Pro forma	**10,667**	8,107	6,091
Basic earnings per share available to common shareholders:			
As reported	**$ 0.81**	$ 0.62	$ 0.48
Pro forma	**0.58**	0.56	0.42
Diluted earnings per share available to common shareholders:			
As reported	**$ 0.78**	$ 0.60	$ 0.47
Pro forma	**0.56**	0.54	0.41

9. INCOME TAXES

Total income tax expense for the year ended December 31, 2001, 2000 and 1999 was allocated as follows:

	2001	2000	1999
	(In thousands)		
Income from operations	**$ 9,941**	$ 5,676	$4,414
Cumulative effect of a change in the method in which pre-opening costs are recorded	**–**	–	(84)
Shareholders' equity, for compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	**(7,594)**	(504)	(9)
Total income tax expense	**$ 2,347**	$ 5,172	$4,321

Income tax expense from operations for the years ended December 31, 2001, 2000 and 1999 is comprised of the following:

	2001	2000	1999
	(In thousands)		
Current:			
Federal	**$ 6,848**	$ 3,907	$3,010
State	**1,684**	812	560
Deferred	**1,409**	957	844
Income tax expense	**$ 9,941**	$ 5,676	$4,414

Income tax expense from operations for the years ended December 31, 2001, 2000 and 1999 differed from the amount computed by applying the U.S. Federal income tax rate of 35%, 34% and 34%, respectively, to earnings before income taxes as a result of the following:

	2001	1999	1998
	(In thousands)		
Statutory Federal income tax	**$8,696**	$5,012	$3,898
State income taxes, net of Federal income tax benefit	**1,066**	662	515
Increase (decrease) in valuation allowance	**58**	(9)	(8)
Adjustment to beginning-of-the-year net deferred tax liability to reflect 35% U.S. Federal income tax rate	**73**	–	–
Other	**48**	11	9
Income tax expense	**$9,941**	$5,676	$4,414

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2001 and 2000 are as follows:

	2001	2000
	(In thousands)	
Deferred tax assets:		
Allowance for uncollectible accounts	$ 546	$ 476
State net operating losses	65	7
Accrued liabilities and other	120	227
Gross deferred tax assets	731	710
Valuation allowance	(65)	(7)
Net deferred tax assets	666	703
Deferred tax liabilities:		
Property and equipment, principally due to difference in depreciation	133	275
Goodwill, principally due to differences in amortization	4,850	3,398
Prepaid expenses	129	67
Gross deferred tax liabilities	5,112	3,740
Net deferred tax liability	$4,446	$3,037

The net deferred tax liability at December 31, 2001 and 2000, is recorded as follows:

	2001	2000
	(In thousands)	
Current deferred income tax asset	$ 537	$ 636
Noncurrent deferred income tax liability	4,983	3,673
Net deferred tax liability	$4,446	$3,037

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.

10. 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 $5,282,000, $3,179,000 and $2,516,000 for the years ended December 31, 2001, 2000 and 1999, 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 $21,114,000, $15,660,000 and $10,857,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

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 third 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.

11. EMPLOYEE BENEFIT PROGRAMS

As of January 1, 1999, the Company adopted the AmSurg 401(k) Plan and Trust. The Plan is a defined contribution plan covering substantially all employees of AmSurg Corp. and provides for voluntary contributions by these employees, subject to certain limits. Company contributions are based on specified percentages of employee compensation. The Company funds contributions as accrued. The Company's contributions for the years ended December 31, 2001, 2000 and 1999 were approximately $81,000, $76,000 and $60,000, respectively, and vest incrementally over four years.

As of January 1, 2000, the Company adopted the Supplemental Executive Retirement Savings Plan. The Plan is a defined contribution plan covering all officers of the Company and provides for voluntary contributions up to 5% of employee annual compensation. Company contributions are at the discretion of the Compensation Committee of the Board of Directors and vest incrementally over four years. The employee and employer contributions are placed in a Rabbi Trust. The cost of the Plan for the years ended December 31, 2001 and 2000, was approximately $129,000 and $46,000, respectively.

12. COMMITMENTS AND CONTINGENCIES

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

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

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

13. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information for the years ended December 31, 2001, 2000 and 1999 is as follows:

	2001	2000	1999
		(In thousands)	
Cash paid during the year for:			
Interest	**$ 3,171**	$ 4,507	$ 1,139
Income taxes, net of refunds	**3,350**	3,376	3,475
Noncash investing and financing activities:			
Capital lease obligations incurred to acquire equipment	**1,440**	1,967	1,202
Note received for sale of a partnership interest	**1,119**	–	245
Conversion of note to partnership interest	**–**	–	2,047
Effect of acquisitions:			
Assets acquired, net of cash	**50,296**	45,090	31,864
Liabilities assumed	**(3,183)**	(4,008)	(2,483)
Issuance of common stock	**–**	(50)	(1,099)
Notes payable and other obligations	**10,476**	(10,318)	(1,638)
Payment for assets acquired	**$ 57,589**	$30,714	$26,644

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, 2001 and 2000, and the related consolidated statements of earnings, changes in shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2001. 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 its subsidiaries as of December 31, 2001 and 2000 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

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 15, 2002

CORPORATE OFFICE

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

ANNUAL SHAREHOLDERS' MEETING

The annual meeting of shareholders will be held on Friday, May 17, 2002, at 9:00 a.m. in the Board Room of the SunTrust Bank Building, 4th floor, 201 4th Avenue North, Nashville, Tennessee.

FORM 10-K/INVESTOR CONTACT

A copy of the AmSurg Corp. Annual Report on Form 10-K for Fiscal 2001 (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.

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

Prior to July 12, 2001, we had two classes of common stock, Class A Common Stock and Class B Common Stock, which traded under the symbols "AMSGA" and "AMSGB," respectively, on the Nasdaq National Market. On July 12, 2001, after receiving shareholder approval, we reclassified our Class A and Class B Common Stock into one class of common stock, having the rights of the Class A Common Stock. The Class A and Class B shares were reclassified into one class of common stock using a one-to-one conversion ratio, resulting in no increase in our total number of shares or book value of common stock outstanding. The new class of common stock trades under the symbol "AMSG" on the Nasdaq National Market. The following table sets forth the high and low sales prices per share for the common stock for each of the quarters in 2000 and 2001, as reported on the Nasdaq National Market.

At April 3, 2002 there were approximately 4,100 shareholders of our common stock, including 122 shareholders of record. We have never declared or paid a cash dividend on our common stock. We intend to retain our earnings to finance the growth and development of our business and do not expect to declare or pay any cash dividends in the foreseeable future. The declaration of dividends is within the discretion of our Board of Directors, which will review this dividend policy from time to time. Presently, the declaration of dividends would violate certain covenants associated with our credit facility with lending institutions.

	Common Stock		Class A Common Stock		Class B Common Stock	
	High	Low	High	Low	High	Low
2000:						
First Quarter	–	–	$ 7.13	$ 5.00	$ 7.00	$ 5.50
Second Quarter	–	–	$ 6.44	$ 4.75	$ 6.50	$ 5.13
Third Quarter	–	–	$14.75	$ 5.25	$13.38	$ 5.38
Fourth Quarter	–	–	$24.75	$11.25	$20.31	$10.50
2001:						
First Quarter	**–**	**–**	**$25.00**	**$14.13**	**$22.88**	**$13.56**
Second Quarter	**–**	**–**	**$30.20**	**$17.63**	**$29.75**	**$17.38**
Third Quarter	**$30.06**	**$21.91**	**$30.07**	**$27.07**	**$30.00**	**$26.10**
Fourth Quarter	**$31.13**	**$21.39**	**–**	**–**	**–**	**–**