Corrections Corporation of America Announces Second Quarter Results

August 7, 2002

Net Income Per Share of $0.18 Before Extraordinary Charge

Adjusted Free Cash Flow Per Share Increases 11.3%

NASHVILLE, Tenn., Aug. 7 /PRNewswire-FirstCall/ -- Corrections Corporation of America (NYSE: CXW) (the "Company") today announced its operating results for the three and six month periods ended June 30, 2002.

Financial Highlights (dollars in thousands, except per share data):

	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Total revenue	$ 243,304	$ 239,898	$ 478,736	$ 474,401
Adjusted free cash flow (1)	$ 18,463	$ 16,233	$ 34,905	$ 30,548
Adjusted free cash flow per diluted share (1)	$ 0.59	$ 0.53	$ 1.12	$ 1.01
EBITDA (1)	$ 46,617	$ 48,110	$ 91,690	$ 95,237
Income tax (expense) benefit	$ (571)	$ (624)	$ 32,016	$ 166
Income (loss) from continuing operations and after preferred stock distributions	$ 5,994	$ (4,695)	$ 39,910	$ (15,857)
Income (loss) from discontinued operations	(719)	229	(688)	1,263
Extraordinary charge	(36,670)	--	(36,670)	--
Cumulative effect of accounting change	--	--	(80,276)	--
Net loss available to common stockholders	$ (31,395)	$ (4,466)	$ (77,724)	$ (14,594)
Diluted earnings (loss) per share:				
Income (loss) from continuing operations	$ 0.20	$ (0.19)	$ 1.26	$ (0.66)
Income (loss) from discontinued operations	(0.02)	0.01	(0.02)	0.05
Extraordinary charge	(1.14)	--	(1.03)	--
Cumulative effect of accounting change	--	--	(2.25)	--
Net loss available to common stockholders	$ (0.96)	$ (0.18)	$ (2.04)	$ (0.61)
Average compensated occupancy	89.2%	89.3%	88.3%	88.8%
Facility operating margin	22.8%	22.9%	22.5%	22.8%

	As of June 30, 2002	2001
Total assets	$ 1,868,715	$ 2,004,947
Total debt	$ 966,161	$ 996,669
Total market capitalization (market value of equity plus debt)	$ 1,635,979	$ 1,506,649
Total number of facilities	62	65

For the second quarter of 2002, the Company reported a net loss available to common stockholders of $31.4 million, or $0.96 per diluted share, compared with a net loss available to common stockholders of $4.5 million, or $0.18 per diluted share, for the second quarter of 2001.

For the six months ended June 30, 2002, the Company reported a net loss available to common stockholders of $77.7 million, or $2.04 per diluted share, compared with a net loss available to common stockholders of $14.6 million, or $0.61 per diluted share, for the comparable prior year period.

Results for the second quarter and six months ended June 30, 2002, include the effects of an extraordinary charge of $36.7 million associated with the Company's refinancing of its senior indebtedness as further discussed below. The per diluted share effect of this charge amounted to $1.14 for the three months ended June 30, 2002, and $1.03 for the six months ended June 30, 2002. Excluding the effect of the extraordinary charge, the Company generated net income available to common stockholders of $5.3 million, or $0.18 per diluted share, for the three months ended June 30, 2002.

Results for the six months ended June 30, 2002, also include the effect of a non-cash charge of $80.3 million, or $2.25 per diluted share, for the cumulative effect of a change in accounting for goodwill in accordance with Statement of Financial Accounting Standards No. 142 ("SFAS 142") and a one- time cash income tax benefit of $32.2 million, or $0.91 per diluted share, resulting from an income tax change that was signed into law in March. Excluding these transactions, and the effect of the aforementioned extraordinary charge, for the six months ended June 30, 2002, the Company generated net income available to common stockholders of $7.0 million, or $0.24 per diluted share.

Cash flow from operations continued to improve, with the Company generating adjusted free cash flow of $18.5 million, or $0.59 per diluted share, during the second quarter of 2002, compared with $16.2 million, or $0.53 per diluted share, during the second quarter of 2001, representing an 11.3% increase in the adjusted free cash flow per diluted share results. The improvement in adjusted free cash flow was largely due to cash interest savings partially offset by an increase in income tax payments. The cash interest savings were due to significant repayments of debt during 2001, combined with lower interest rates primarily resulting from our successful refinancing. Income tax payments increased for taxes due in the Commonwealth of Puerto Rico.

Consolidated revenues for the second quarter of 2002 amounted to $243.3 million, compared with $239.9 million for the second quarter of 2001. Consolidated EBITDA for the second quarter of 2002 was $46.6 million, compared with $48.1 million for the second quarter of 2001. Average compensated occupancy for the second quarter of 2002 was 89.2%, compared with 89.3% for the second quarter of 2001.

Commenting on the second quarter results, President and CEO John Ferguson stated, "The Company generated solid operating results during our fiscal second quarter. Adjusted free cash flow per diluted share increased 11.3% over the comparable prior year period, and we generated an operating profit prior to the extraordinary charge related to our successful refinancing. As a result of the refinancing, the Company is now in a positive working capital position."

Debt Refinancing

As previously disclosed, the Company completed a comprehensive refinancing of its senior debt in May of 2002. The new financing consists of a senior secured bank credit facility in the aggregate amount of $715 million, which includes a revolving credit facility of up to $75 million with a term of four years, a $75 million term loan A with a maturity of four years, and a $565 million term loan B with a maturity of six years. All borrowings under the new senior secured bank credit facility initially bear interest at a base rate plus 2.5%, or LIBOR plus 3.5%, at the Company's option. The refinancing also included the purchase of substantially all of the Company's existing $100 million 12% senior notes, and the issuance of $250 million of seven-year senior notes at 9.875%.

As a result of this refinancing and the related early extinguishment of the existing senior secured bank credit facility and senior notes, the Company recorded an extraordinary loss of approximately $36.7 million during the second quarter, which included the write-off of existing deferred loan costs, certain bank fees paid, premiums paid to redeem the 12% senior notes, and certain other costs associated with the refinancing.

Discontinued Operations

As a result of the previously announced termination of the contracts to manage the Ponce Young Adult Correctional Facility and the Ponce Adult Correctional Facility on May 4, 2002, and the sale of the Company's interest in a juvenile facility on June 28, 2002, in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Company has reported the operating results of these facilities as discontinued operations for the three and six months ended June 30, 2002 and 2001.

Operating EBITDA/Liquidity

EBITDA for the quarter amounted to $46.6 million, while debt service cost for the quarter, excluding non-cash items and costs associated with the refinancing, amounted to approximately $24.7 million. At June 30, 2002, the Company had cash on hand of approximately $65.8 million and $61.2 million available under a $75 million working capital line of credit.

Operations Update

At June 30, 2002, key operating statistics for the continuing operations of the Company were as follows:

Metric	Quarter Ended June 30, 2002	2001
Average Available Beds	59,520	59,908
Average Compensated Occupancy	89.2%	89.3%
Total Compensated Man-Days	4,829,421	4,868,283
Revenue per Compensated Man-Day	$ 49.34	$ 47.97
Operating Expense per Compensated Man-Day:		
Fixed	$ 27.75	$ 27.02
Variable	10.32	9.97
Total	$ 38.07	$ 36.99
Operating Margin per Compensated Man-Day	$ 11.27	$ 10.98
Operating Margin	22.8%	22.9%

Consolidated EBITDA for the second quarter of 2002 was $46.6 million, compared with $48.1 million for the second quarter of 2001. EBITDA for the prior year included the operating results of the Company's Pamlico Correctional Facility, which was sold on June 28, 2001. The sale of this facility, which had been leased to a governmental agency, was the primary reason for the decline in EBITDA from the prior year.

Operating margins increased slightly to $11.27 per compensated man-day in the second quarter of 2002 from $10.98 per compensated man-day in the prior year. The operating margin ratio remained essentially unchanged at 22.8% compared with 22.9% in the prior year.

Contract Update

As previously announced, on May 7, 2002, the Company received notice from the Commonwealth of Puerto Rico terminating the Company's contract to manage the 1,000-bed medium security Guayama Correctional Center. This followed a prior notice from the Commonwealth of Puerto Rico terminating our contracts to manage the Ponce Adult Correctional Facility and the Ponce Young Adult Correctional Facility. Operations of both Ponce facilities were transferred to the Commonwealth of Puerto Rico on May 4, 2002. Operations of the Guayama Correctional Center were transferred to the Commonwealth of Puerto Rico on August 6, 2002.

On May 30, 2002, the Company announced a contract award from the Federal Bureau of Prisons to house 1,500 federal detainees at the Company's McRae Correctional Facility located in McRae, Georgia. The initial term of the contract is for three years and includes seven one-year renewal options. Under the provisions of the award, the Company could earn revenues of up to approximately $109 million in the first three years of the contract. The contract with the BOP guarantees at least 95% occupancy on a take-or-pay basis, and is expected to commence late in the fourth quarter of 2002.

"Although we were disappointed with the loss of the contracts in Puerto Rico," Ferguson stated, "we nevertheless remain encouraged regarding the overall environment for private correctional services. While the budget difficulties that affect almost every governmental entity present short-term challenges with respect to per-diem rates, the fact remains that these governmental entities are also constrained with respect to funds available for prison construction. We expect little in the way of new prison construction while inmate populations should continue to rise. This demand should lead to higher occupancies and greater profitability for the Company going forward."

About the Company

The Company is the nation's largest owner and operator of privatized correctional and detention facilities and one of the largest prison operators in the United States, behind only the federal government and four states. The Company currently owns 40 correctional, detention and juvenile facilities, three of which are leased to other operators, and one additional facility which is not yet in operation. The Company currently operates 61 facilities (including the McRae, Georgia facility which is anticipated to commence full operations during the fourth quarter of 2002), including 37 company-owned facilities, with a total design capacity of approximately 60,000 beds in 21 states and the District of Columbia. The Company specializes in owning, operating and managing prisons and other correctional facilities and providing inmate residential and prisoner transportation services for governmental agencies. In addition to providing the fundamental residential services relating to inmates, the Company's facilities offer a variety of rehabilitation and educational programs, including basic education, life skills and employment training and substance abuse treatment. These services are intended to reduce recidivism and to prepare inmates for their successful re-entry into society upon their release. The Company also provides health care (including medical, dental and psychiatric services), food services and work and recreational programs.

Forward-Looking Statements

This press release contains statements as to the Company's beliefs and expectations of the outcome of future events that are forward-looking statements as defined within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the statements made. These include, but are not limited to, the risks and uncertainties associated with: (i) fluctuations in the Company's operating results because of, among other things, changes in occupancy levels, competition, increases in cost of operations, fluctuations in interest rates and risks of operations; (ii) the growth in the privatization of the corrections and detention industry, the public acceptance of the Company's services and the timing of the opening of new prison facilities; and (iii) general economic and market conditions. Other factors that could cause operating and financial results to differ are described in the filings made from time to time by the Company with the Securities and Exchange Commission.

The Company takes no responsibility for updating the information contained in this press release following the date hereof to reflect events or circumstances occurring after the date hereof or the occurrence of unanticipated events or for any changes or modifications made to this press release or the information contained herein by any third-parties, including, but not limited to, any wire or internet services.

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED AND AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

ASSETS	June 30, 2002	December 31, 2001
Cash and cash equivalents	$ 65,785	$ 46,307
Restricted cash	12,674	12,537
Accounts receivable, net of allowance of $755 and $729, respectively	125,470	137,421
Prepaid expenses and other current assets	14,734	13,303
Current assets of discontinued operations	11,522	6,763
Total current assets	230,185	216,331
Property and equipment, net	1,568,289	1,566,786
Investment in direct financing lease	18,617	18,873
Assets held for sale	836	22,312
Goodwill	24,432	104,019
Other assets	26,356	36,593
Non-current assets of discontinued operations	--	6,366
Total assets	$ 1,868,715	$ 1,971,280
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	$ 138,556	$ 144,023
Income tax payable	6,798	9,002
Distributions payable	5,205	15,853
Fair value of interest rate swap agreement	--	13,564
Current portion of long-term debt	21,508	792,009
Current liabilities of discontinued operations	400	2,269
Total current liabilities	172,467	976,720
Long-term debt, net of current portion	944,653	171,591
Deferred tax liabilities	55,106	56,511
Other liabilities	18,916	19,297
Total liabilities	1,191,142	1,224,119
Commitments and contingencies		
Preferred stock - $0.01 par value; 50,000 shares authorized:		
Series A - 4,300 shares issued and outstanding; stated at liquidation preference of $25.00 per share	107,500	107,500
Series B - 4,160 and 3,948 shares issued and outstanding at June 30, 2002 and December 31, 2001, respectively; stated at liquidation preference of $24.46 per share	101,753	96,566
Common stock -$0.01 par value; 80,000 shares authorized; 27,990 and 27,921 shares issued and 27,990 and 27,920 shares outstanding at June 30, 2002 and December 31, 2001, respectively	280	279
Additional paid-in capital	1,342,881	1,341,958
Deferred compensation	(2,176)	(3,153)
Retained deficit	(870,960)	(793,236)
Treasury stock, 1 share, at cost, at December 31, 2001	--	(242)
Accumulated other comprehensive loss	(1,705)	(2,511)
Total stockholders' equity	677,573	747,161
Total liabilities and stockholders' equity	$ 1,868,715	$ 1,971,280

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED AND AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2001	2002	2001
REVENUE:				
Management and other	$ 242,354	$ 238,283	$ 476,839	$ 470,556
Rental	950	1,615	1,897	3,845
	243,304	239,898	478,736	474,401
EXPENSES:				
Operating	188,118	184,336	372,363	364,184
General and administrative	8,344	8,434	15,535	17,034
Depreciation and amortization	12,932	12,769	25,142	25,343
	209,394	205,539	413,040	406,561
OPERATING INCOME	33,910	34,359	65,696	67,840
OTHER (INCOME) EXPENSE:				
Equity in (earnings) loss of joint venture	90	90	(27)	175
Interest expense, net	22,469	33,113	51,285	67,286
Change in fair value of interest rate swap agreement	(51)	327	(3,462)	6,296
(Gain) loss on sale of assets	54	(39)	51	(39)
Unrealized foreign currency transaction (gain) loss	(422)	(41)	(327)	344
	22,140	33,450	47,520	74,062
INCOME (LOSS) BEFORE INCOME TAXES, EXTRAORDINARY CHARGE AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	11,770	909	18,176	(6,222)
Income tax (expense) benefit	(571)	(624)	32,016	166
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE EXTRAORDINARY CHARGE AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	11,199	285	50,192	(6,056)
Income (loss) from discontinued operations, net of taxes	(719)	229	(688)	1,263
Extraordinary charge	(36,670)	--	(36,670)	--
Cumulative effect of accounting change	--	--	(80,276)	--

NET INCOME (LOSS)	(26,190)	514	(67,442)	(4,793)
Distributions to preferred stockholders	(5,205)	(4,980)	(10,282)	(9,801)
NET LOSS AVAILABLE TO COMMON STOCKHOLDERS	$ (31,395)	$ (4,466)	$ (77,724)	$ (14,594)
BASIC EARNINGS (LOSS) PER SHARE:				
Income (loss) from continuing operations before extraordinary charge and cumulative effect of accounting change	$ 0.22	$ (0.19)	$ 1.44	$ (0.66)
Income (loss) from discontinued operations, net of taxes	(0.03)	0.01	(0.02)	0.05
Extraordinary charge	(1.33)	--	(1.33)	--
Cumulative effect of accounting change	--	--	(2.90)	--
Net loss available to common stockholders	$ (1.14)	$ (0.18)	$ (2.81)	$ (0.61)
DILUTED EARNINGS (LOSS) PER SHARE:				
Income (loss) from continuing operations before extraordinary charge and cumulative effect of accounting change	$ 0.20	$ (0.19)	$ 1.26	$ (0.66)
Income (loss) from discontinued operations, net of taxes	(0.02)	0.01	(0.02)	0.05
Extraordinary charge	(1.14)	--	(1.03)	--
Cumulative effect of accounting change	--	--	(2.25)	--
Net loss available to common stockholders	$ (0.96)	$ (0.18)	$ (2.04)	$ (0.61)

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
SUPPLEMENTAL FINANCIAL INFORMATION
CALCULATION OF EARNINGS (LOSS) PER SHARE
(UNAUDITED AND AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2001	2002	2001
NUMERATOR				
Basic:				
Income (loss) from continuing operations before extraordinary charge and cumulative effect of accounting				

change and after preferred stock distributions	$ 5,994	$ (4,695)	$ 39,910	$ (15,857)
Income (loss) from discontinued operations, net of taxes	(719)	229	(688)	1,263
Extraordinary charge	(36,670)	--	(36,670)	--
Cumulative effect of accounting change	--	--	(80,276)	--
Net loss available to common stockholders	$ (31,395)	$ (4,466)	$ (77,724)	$ (14,594)
Diluted:				
Income (loss) from continuing operations before extraordinary charge and cumulative effect of accounting change and after preferred stock distributions	$ 5,994	$ (4,695)	$ 39,910	$ (15,857)
Interest expense applicable to convertible notes	598	--	5,045	--
Diluted income (loss) from continuing operations before extraordinary charge and cumulative effect of accounting change and after preferred stock distributions	6,592	(4,695)	44,955	(15,857)
Income (loss) from discontinued operations, net of taxes	(719)	229	(688)	1,263
Extraordinary charge	(36,670)	--	(36,670)	--
Cumulative effect of accounting change	--	--	(80,276)	--
Diluted net loss available to common stockholders	$ (30,797)	$ (4,466)	$ (72,679)	$ (14,594)
DENOMINATOR				
Basic:				
Weighted average common shares outstanding	27,659	24,653	27,650	23,938
Diluted:				
Weighted average common shares outstanding	27,659	24,653	27,650	23,938
Effect of dilutive securities:				
Stock options and warrants	637	--	646	--
Stockholder litigation	310	--	310	--
Convertible notes	3,370	--	6,741	--
Restricted stock-based compensation	255	--	255	--
Weighted average shares and assumed conversions	32,231	24,653	35,602	23,938

BASIC EARNINGS (LOSS) PER SHARE:

Income (loss) from continuing operations before extraordinary charge and cumulative effect of accounting change	$ 0.22	$ (0.19)	$ 1.44	$ (0.66)
Income (loss) from discontinued operations, net of taxes	(0.03)	0.01	(0.02)	0.05
Extraordinary charge	(1.33)	--	(1.33)	--
Cumulative effect of accounting change	--	--	(2.90)	--
Net loss available to common stockholders	$ (1.14)	$ (0.18)	$ (2.81)	$ (0.61)

DILUTED EARNINGS (LOSS) PER SHARE:

Income (loss) from continuing operations before extraordinary charge and cumulative effect of accounting change	$ 0.20	$ (0.19)	$ 1.26	$ (0.66)
Income (loss) from discontinued operations, net of taxes	(0.02)	0.01	(0.02)	0.05
Extraordinary charge	(1.14)	--	(1.03)	--
Cumulative effect of accounting change	--	--	(2.25)	--
Net loss available to common stockholders	$ (0.96)	$ (0.18)	$ (2.04)	$ (0.61)

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
SUPPLEMENTAL FINANCIAL INFORMATION
CALCULATION OF ADJUSTED FREE CASH FLOW AND EBITDA
(UNAUDITED AND AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2001	2002	2001
Pre-tax loss available to common stockholders	$ (30,824)	$ (3,842)	$ (109,740)	$ (14,760)
Extraordinary charge	36,670	--	36,670	--
Cumulative effect of accounting change	--	--	80,276	--
Income taxes paid	(4,080)	(855)	(4,110)	(2,267)
Depreciation and amortization	12,932	12,769	25,142	25,343
Depreciation and amortization for discontinued operations	1,867	407	2,115	534
Income tax expense (benefit) for discontinued operations	(1,251)	413	(397)	428
Amortization of debt costs and other non-cash interest	2,937	5,567	9,123	11,167
Change in fair value				

of derivative instruments	(51)	327	(3,462)	6,296
Series B preferred stock dividend satisfied with series B preferred stock	3,055	2,830	5,982	5,501
Maintenance capital expenditures	(2,792)	(1,383)	(6,694)	(1,694)
Adjusted free cash flow	$ 18,463	$ 16,233	$ 34,905	$ 30,548
ADJUSTED FREE CASH FLOW PER SHARE:				
BASIC	$ 0.67	$ 0.66	$ 1.26	$ 1.28
DILUTED	$ 0.59	$ 0.53	$ 1.12	$ 1.01

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2001	2002	2001
Operating income	$ 33,910	$ 34,359	$ 65,696	$ 67,840
Depreciation and amortization	12,932	12,769	25,142	25,343
Discontinued operations, net of taxes	(719)	229	(688)	1,263
Depreciation and amortization for discontinued operations	1,867	407	2,115	534
Income tax expense (benefit) for discontinued operations	(1,251)	413	(397)	428
Interest income for discontinued operations	(31)	(67)	(87)	(171)
Gain on sale of assets for discontinued operations	(91)	--	(91)	--
EBITDA	$ 46,617	$ 48,110	$ 91,690	$ 95,237

Note (1) EBITDA and adjusted free cash flow are presented because we believe they are frequently used by securities analysts, investors and other interested parties as a supplemental measure of company performance. However, other companies may calculate EBITDA and adjusted free cash flow differently than we do. EBITDA and adjusted free cash flow are not measures of performance under generally accepted accounting principles and should not be considered as an alternative to cash flows from operating activities or as a measure of liquidity or an alternative to net income as indicators of our operating performance or any other measure of performance derived in accordance with generally accepted accounting principles. This data should be read in conjunction with our combined and consolidated financial statements and related notes included in our filings with the Securities and Exchange Commission.

SOURCE Corrections Corporation of America

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