KINDRED HEALTHCARE

NYSE: KND

Investor Presentation
February 2012

Kindred Healthcare

Forward-Looking Statements

This presentation includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements regarding Kindred's expected future financial position, results of operations, cash flows, financing plans, business strategy, budgets, capital expenditures, competitive positions, growth opportunities, plans and objectives of management and statements containing the words such as "anticipate," "approximate," "believe," "plan," "estimate," "expect," "project," "could," "should," "will," "intend," "may" and other similar expressions, are forward-looking statements.

Such forward-looking statements are inherently uncertain, and stockholders and other potential investors must recognize that actual results may differ materially from Kindred's expectations as a result of a variety of factors, including, without limitation, those discussed below. Such forward-looking statements are based upon management's current expectations and include known and unknown risks, uncertainties and other factors, many of which Kindred is unable to predict or control, that may cause Kindred's actual results or performance to differ materially from any future results or performance expressed or implied by such forward-looking statements. These statements involve risks, uncertainties and other factors discussed below and detailed from time to time in Kindred's filings with the Securities and Exchange Commission (the "SEC").

In addition to the factors set forth above, other factors that may affect Kindred's plans or results include, without limitation, (a) the impact of healthcare reform, which will initiate significant reforms to the United States healthcare system, including potential material changes to the delivery of healthcare services and the reimbursement paid for such services by the government or other third party payors. Healthcare reform will impact each of Kindred's businesses in some manner. Due to the substantial regulatory changes that will need to be implemented by the Centers for Medicare and Medicaid Services ("CMS") and others, and the numerous processes required to implement these reforms, Kindred cannot predict which healthcare initiatives will be implemented at the federal or state level, the timing of any such reforms, or the effect such reforms or any other future legislation or regulation will have on Kindred's business, financial position, results of operations and liquidity, (b) the impact of final rules issued by CMS on July 29, 2011 which significantly reduced Medicare reimbursement to nursing centers and changed payments for the provision of group therapy services effective October 1, 2011, (c) the impact of the Budget Control Act of 2011 which will automatically reduce federal spending by approximately $1.2 trillion split evenly between domestic and defense spending. At this time, Kindred believes this will result in an automatic 2% reduction on each claim submitted to Medicare beginning February 1, 2013, (d) changes in the reimbursement rates or the methods or timing of payment from third party payors, including commercial payors and the Medicare and Medicaid programs, changes arising from and related to the Medicare prospective payment system for long-term acute care ("LTAC") hospitals, including potential changes in the Medicare payment rules, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, and changes in Medicare and Medicaid reimbursements for Kindred's nursing and rehabilitation centers, inpatient rehabilitation hospitals and home health and hospice operations, and the expiration of the Medicare Part B therapy cap exception process, (e) the effects of additional legislative changes and government regulations, interpretation of regulations and changes in the nature and enforcement of regulations governing the healthcare industry, (f) the impact of the Medicare, Medicaid and SCHIP Extension Act of 2007 (the "SCHIP Extension Act"), including the ability of Kindred's hospitals to adjust to potential LTAC certification, medical necessity reviews and the moratorium on future hospital development, (g) the impact of the expiration of several moratoriums in 2012 under the SCHIP Extension Act which could impact the short stay rules, the budget neutrality adjustment as well as implement the "25 Percent Rule," which would limit certain patient admissions, (h) Kindred's ability to integrate the operations of the acquired hospitals and rehabilitation services operations and realize the anticipated revenues, economies of scale, cost synergies and productivity gains in connection with the RehabCare Group, Inc. ("RehabCare") acquisition and any other acquisitions undertaken, as and when planned, including the potential for unanticipated issues, expenses and liabilities associated with those acquisitions, (i) the potential for diversion of management time and resources in seeking to integrate RehabCare's operations, (j) the impact of Kindred's significantly increased levels of indebtedness as a result of the RehabCare acquisition on Kindred's funding costs, operating flexibility and ability to fund ongoing operations, development capital expenditures or other strategic acquisitions with additional borrowings, particularly in light of ongoing volatility in the credit and capital markets, (k) Kindred's ability to successfully pursue its development activities, including through acquisitions, and successfully integrate new operations, including the realization of anticipated revenues, economies of scale, cost savings and productivity gains associated with such operations, (l) the potential failure to retain key employees of RehabCare, (m) failure of Kindred's facilities to meet applicable licensure and certification requirements, (n) the further consolidation and cost containment efforts of managed care organizations and other third party payors, (o) Kindred's ability to meet its rental and debt service obligations, (p) Kindred's ability to operate pursuant to the terms of its debt obligations, including its obligations under financings undertaken to complete the RehabCare acquisition, and Kindred's ability to operate pursuant to its master lease agreements with Ventas, Inc. (NYSE:VTR), (q) the condition of the financial markets, including volatility and weakness in the equity, capital and credit markets, which could limit the availability and terms of debt and equity financing sources to fund the requirements of Kindred's businesses, or which could negatively impact Kindred's investment portfolio, (r) national and regional economic, financial, business and political conditions, including their effect on the availability and cost of labor, credit, materials and other services, (s) Kindred's ability to control costs, particularly labor and employee benefit costs, (t) increased operating costs due to shortages in qualified nurses, therapists and other healthcare personnel, (u) Kindred's ability to attract and retain key executives and otherhealthcare personnel, (v) the increase in the costs of defending and insuring against alleged professional liability and other claims and Kindred's ability to predict the estimated costs related to such claims, including the impact of differences in actuarial assumptions and estimates compared to eventual outcomes, (w) Kindred's ability to successfully reduce (by divestiture of operations or otherwise) its exposure to professional liability and other claims, (x) Kindred's ability to successfully dispose of unprofitable facilities, (y) events or circumstances which could result in the impairment of an asset or other charges, (z) changes in generally accepted accounting principles ("GAAP") or practices, and changes in tax accounting or tax laws (or authoritative interpretations relating to any of these matters), and (aa) Kindred's ability to maintain an effective system of internal control over financial reporting. Many of these factors are beyond Kindred's control. Kindred cautions investors that any forward-looking statements made by Kindred are not guarantees of future performance. Kindred disclaims any obligation to update any such factors or to announce publicly the results of any revisions to any of the forward-looking statements to reflect future events or developments.

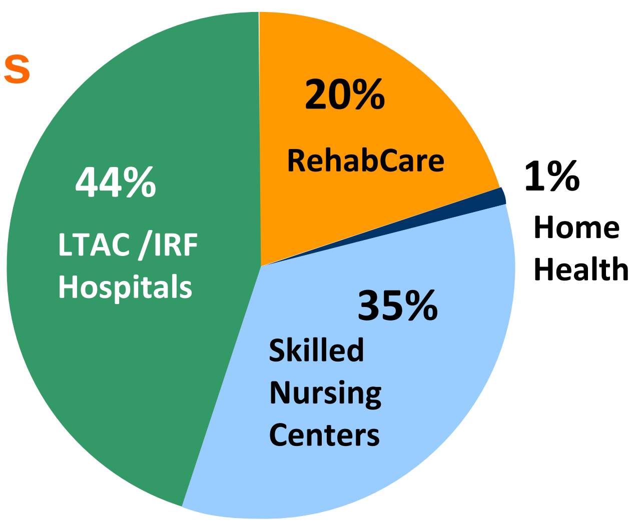
The information being provided today is as of this date only and Kindred disclaims any obligation to update any such factors or to announce publicly the results of any revisions to any of the forward-looking statements to reflect future events or developments. Additional information concerning Kindred, including our SEC filings and a copy of this presentation, is available on our website www.kindredhealthcare.com, under the heading "Investors"

Reconciliation of non-GAAP Financial Measures
The appendix to this presentation and our website also include reconciliations of any non-GAAP financial measures we mention in our presentations to their corresponding GAAP measures. The reconciliations on our website may be found at www.kindredhealthcare.com under the heading "Investors"

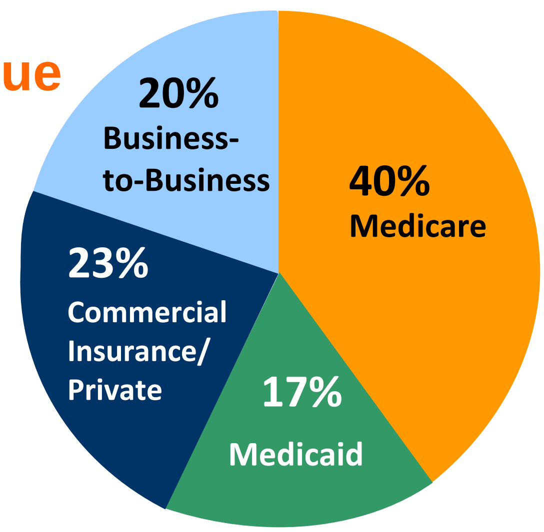
Premier Provider of Rehabilitation Services and Post-Acute Care in the United States

- $6 billion consolidated revenues[1]
- 2,200 locations, 452 facilities in 46 states[2]
- 53,500 patients and residents per day[2]
- 77,800 dedicated employees[2]

Business Mix[1]



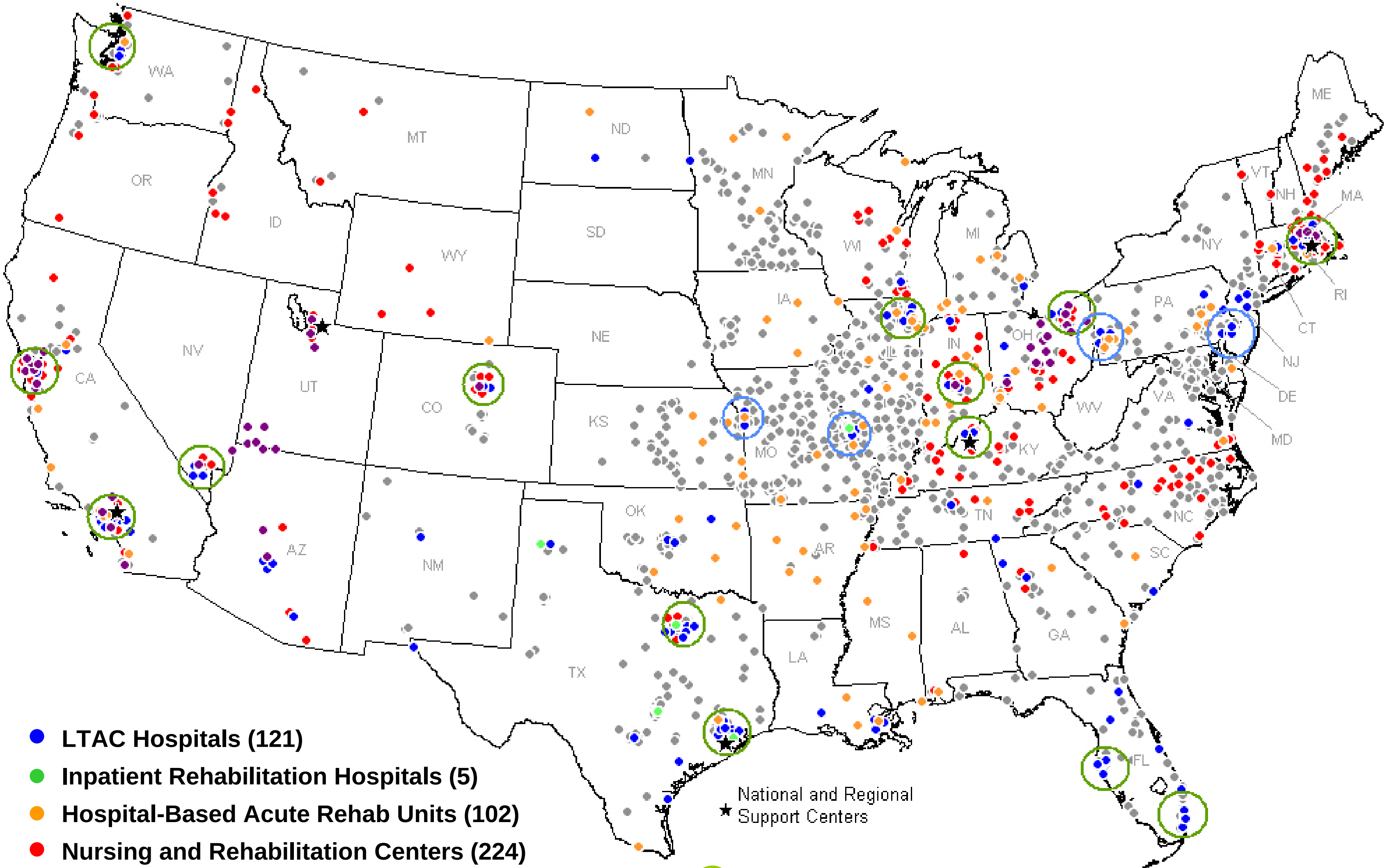
Revenue Mix[1]



(1) Pro forma revenues for the year ended December 31, 2011 (before intercompany eliminations).
(2) As of December 31, 2011.

Leading Diversified Post-Acute Provider

With Focus on Developing Cluster Market Service Offerings



- **LTAC Hospitals (121)**
- **Inpatient Rehabilitation Hospitals (5)**
- **Hospital-Based Acute Rehab Units (102)**
- **Nursing and Rehabilitation Centers (224)**
- **RehabCare Total Sites of Service (2,139)**
- **Home Health and Hospice (51)**

Existing Cluster Market

Potential New Cluster Market

As of December 31, 2011

Kindred's Value Proposition/Strategic Opportunity and our "Continue The Care" Campaign

- **Be a leader in helping to coordinate and deliver high quality care at the lowest cost (particularly for those patients who are the highest users of healthcare services)**
  - Goal is to provide superior clinical outcomes in the most appropriate setting with an approach which is patient-centered, disciplined and transparent
  - To transition patients home at the highest possible level of function and wellness to prevent rehospitalizations
- **Lower healthcare costs by reducing lengths of stay in acute care hospitals (and throughout an episode of care)**
- **Participate in the development of new care delivery and payment models**
  - To better manage patients with chronic conditions
  - To reduce rehospitalizations through our integrated care management teams and protocols

Tremendous Opportunities Exist to Better Manage Patient Care for Patients Discharged From Acute Care Hospitals

Currently there are 47.6 million Medicare beneficiaries with an estimated 7,000 individuals added to the program each day.*

35% of Medicare Beneficiaries are Discharged from Acute Hospitals to Post-Acute Care

Medicare Patients' Use of Post-Acute Services Throughout an "Episode of Care" (1)

Higher ◄ Intensity of Service ► Lower

SHORT-TERM ACUTE CARE HOSPITALS	LONG-TERM ACUTE CARE HOSPITALS	INPATIENT REHAB	SKILLED NURSING FACILITIES	OUTPATIENT REHAB	HOME HEALTH CARE
Patients' ***first*** site of discharge after acute care hospital stay	2%	10%	41%	9%	37%
Patients' use of site during a ***90 day*** episode	2%	11%	52%	21%	61%

(1) Source: RTI, 2009: Examining Post Acute Care Relationships in an Integrated Hospital System

* Source: Kaiser Family Foundation, 2011 statehealthfacts.org, and AARP 2011 projections

Kindred Is Positioned to Help Determine the Most Appropriate Care Setting For Patients as they Continue Their Care Throughout a Post-Acute Episode

Patients Discharged From Kindred LTAC Hospitals

- **36%** Skilled Nursing and Rehab Centers
- **28% Home**
  - 18% with Home Health
- **5%** Inpatient Rehab Facility

Patients Discharged from Kindred Hospital-Based IRFs

- **77% Home**
  - 47% with Home Health
- **13%** Skilled Nursing and Rehab Centers

Patients Discharged from Kindred Nursing and Rehabilitation Centers

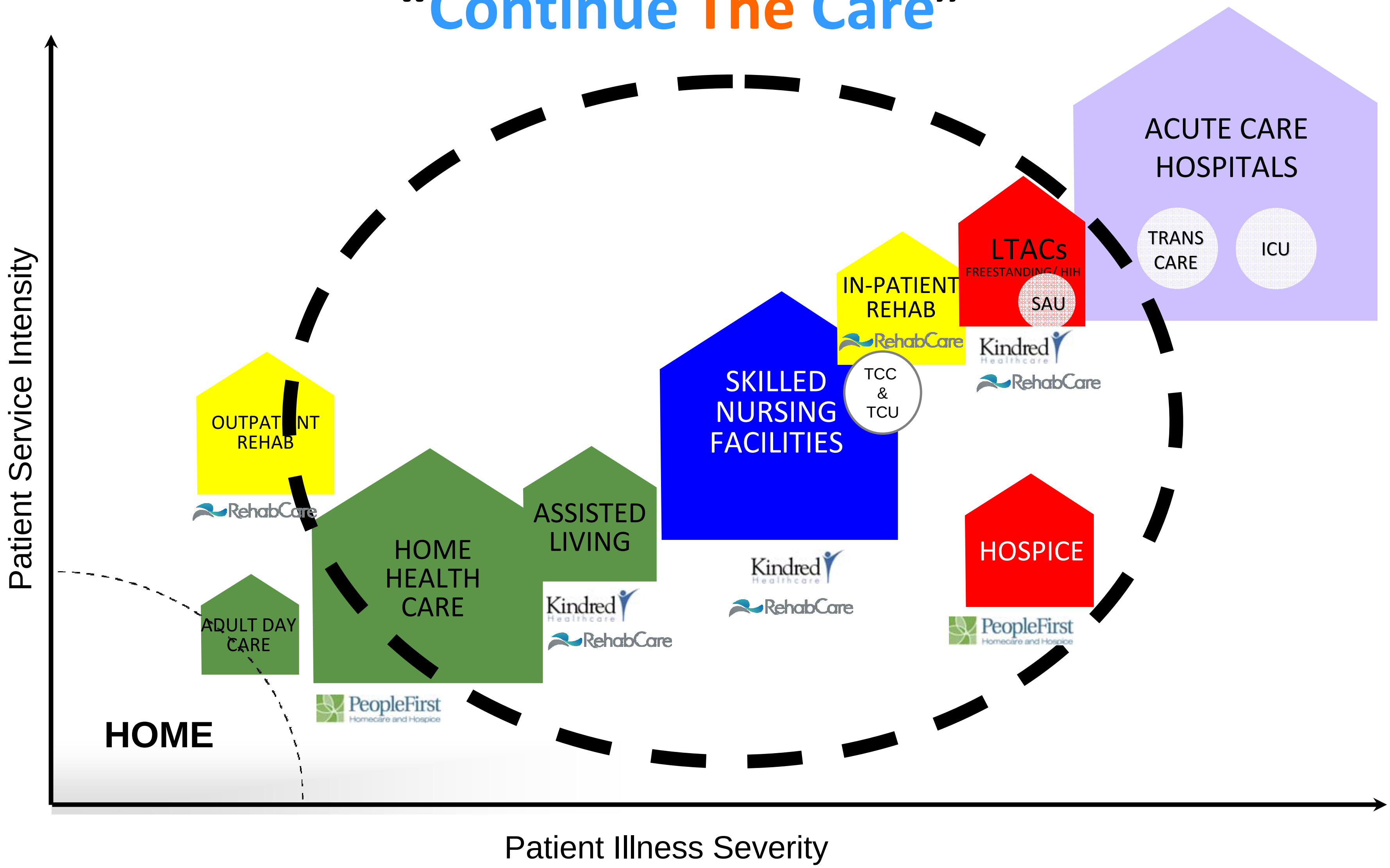
- **52% Home**
  - 33% with Home Health

(1) Source: Kindred Internal Data, 2011 data.

Positioned to Take Advantage of Changing Healthcare Landscape

Uniquely Positioned For Bundled Or Episodic Payment Environment

"Continue The Care"



Cluster Market Strategy

Designed To Improve Care Coordination and Drive Admissions Growth

- A strategy to position assets/service lines and deploy capital to take advantage of an increasingly integrated healthcare delivery system
- Diverse post-acute service lines and clinical programs to support a continuum of care within an ACO or a bundled payment environment
- Strengthen linkages with acute hospitals, managed care payors, and physicians across settings

Potential benefits include improved care coordination, reduced rehospitalizations, lower costs and admissions growth

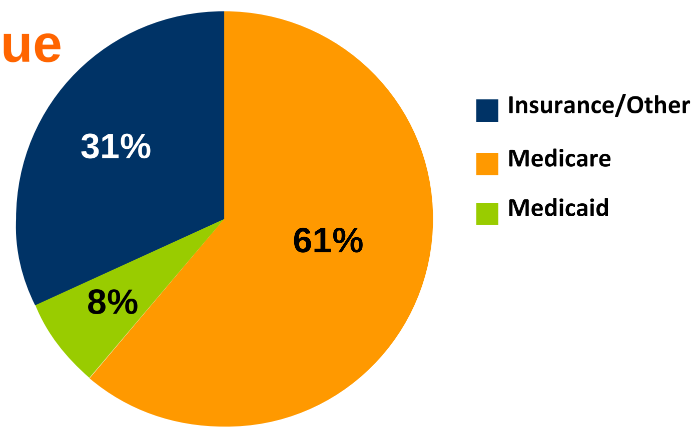
Hospital Division

$2.5 billion Revenues[1]
$487 million Operating Income[2]

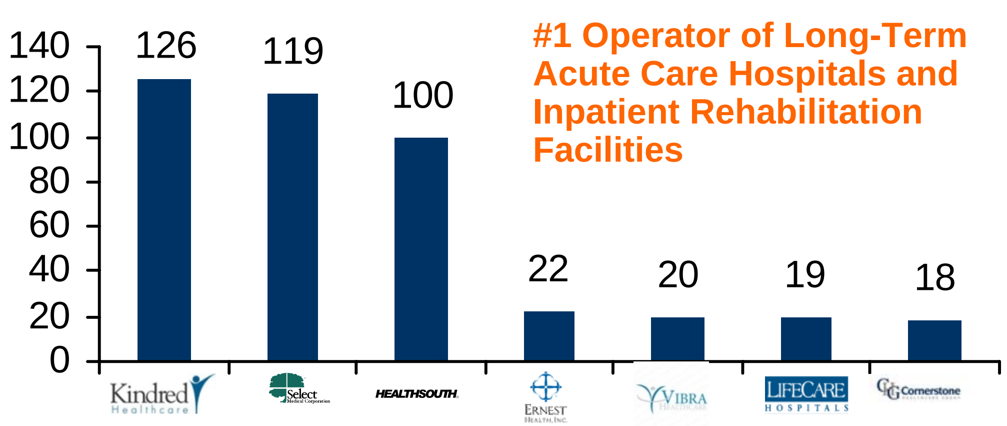
Long-Term Acute Care Hospitals (LTACs)
- 121 LTAC hospitals[3]
- 8,597 licensed beds[3]

Inpatient Rehabilitation Hospitals (IRFs)
- 5 IRFs[3]
- 183 licensed beds[3]

Revenue Mix[1]



- Consistently outperforms national benchmarks on key quality indicators
- In 4Q '11, same-store admission growth of 4% resulted in operating income margin improvement to 20.3%
- 2011 operating income grew 35% to $487 million versus last year[2]
- In 2011, successfully integrated 36 RehabCare LTAC/IRF Hospitals
- **Portfolio Update**
  - In 2011, Seattle First Hill opened with 50 LTAC beds; 30 sub-acute beds opened in February 2012
  - In February 2012, one new freestanding IRF opened with 46 beds
  - At December 31, 2011, two replacement LTAC hospitals and one new freestanding IRF is under development, which will add 126 LTAC, 72 sub-acute and 50 IRF licensed beds
  - Company intends to allow Ventas leases for 10 hospitals to expire in 2013



(1) Revenues for the year ended December 31, 2011 (divisional revenues before intercompany eliminations).
(2) Operating income for the year ended December 31, 2011.
(3) As of December 31, 2011.

Nursing Center Division

$2.3 billion Revenues[(1)]

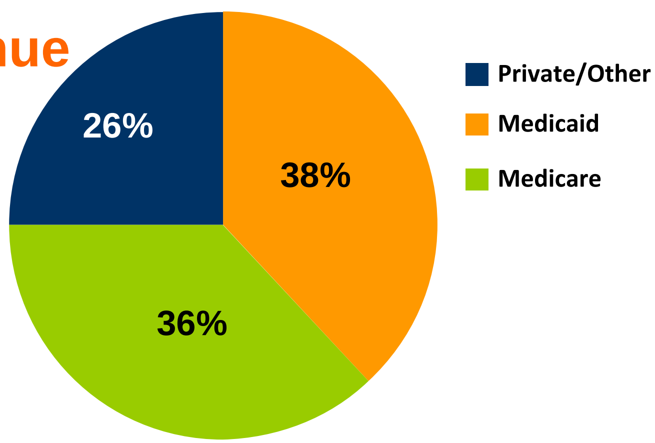
$338 million Operating Income[(2)]

37 Transitional Care Centers (TCCs)[(3)]

95 Nursing and Rehabilitation Centers (with TCUs)[(3)]

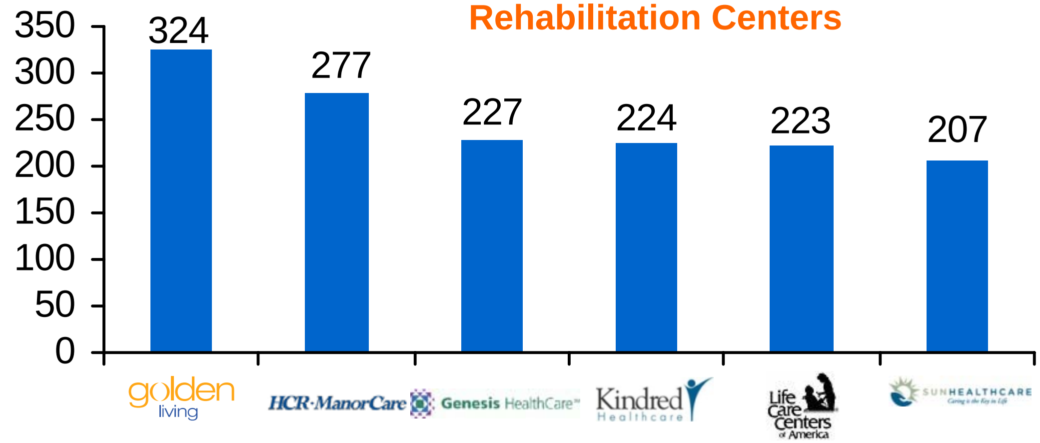
92 Skilled Nursing Centers (Traditional SNFs)[(3)]

Revenue Mix[(1)]



- Quality performance ranks 1st among large providers on surveys and national benchmarks in key areas
- Admission growth of 6% offset by increasing discharges to home and declining length of stay
- Challenging operating environment under new RUGs IV rules and Medicaid rate pressures
- **Portfolio Update**
  - Indianapolis, IN Transitional Care Center – 120 beds (Opened May '11)
  - Company intends to allow Ventas leases for 54 nursing centers to expire in 2013

#4 Operator of Skilled Nursing and Rehabilitation Centers



(1) Revenues for the year ended December 31, 2011 (divisional revenues before intercompany eliminations).
(2) Operating income for the year ended December 31, 2011, which increased 11% compared to the same period last year.
(3) As of December 31, 2011.

RehabCare

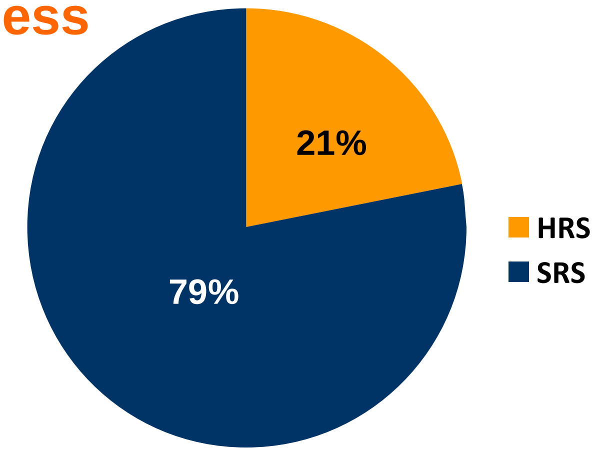
$1.0 billion Revenues[1]

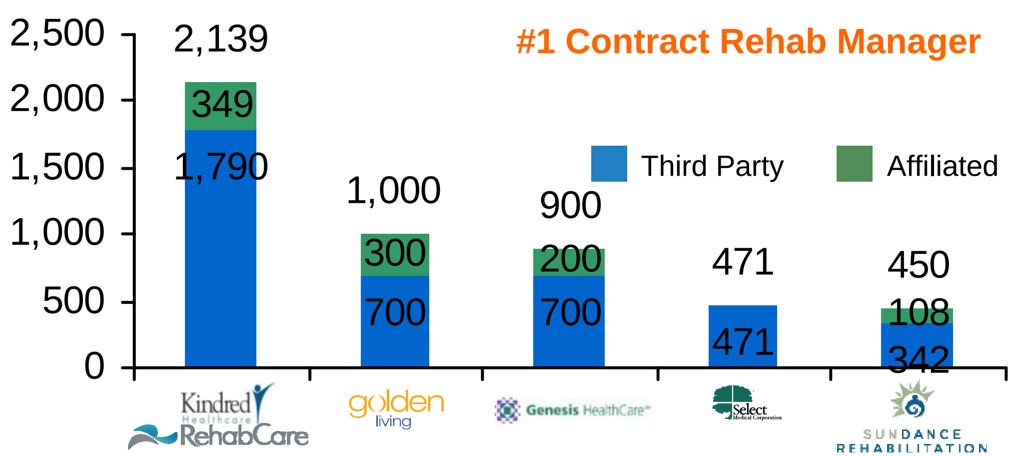
$110 million Operating Income[2]

- **2,139 sites of service served through 8,750 therapists[3]**
- **Including 102 hospital-based acute rehabilitation units[3]**

- Provides a compelling value proposition to our Hospital (HRS) and Skilled Nursing (SRS) partners through advanced tech systems, clinical programs and highly trained therapist team
- Successfully integrating skilled nursing rehabilitation (SRS) and hospital rehabilitation (HRS) businesses from the RehabCare acquisition
- New RUGs IV rules reduced SRS operating margins to 5.4% in Q4 '11 from 10.9% in Q3 '11

Business Mix[1]





(1) Revenues for the year ended December 31, 2011 (divisional revenues before intercompany eliminations).

(2) Operating income for the year ended December 31, 2011, which increased 108% compared to the same period last year.

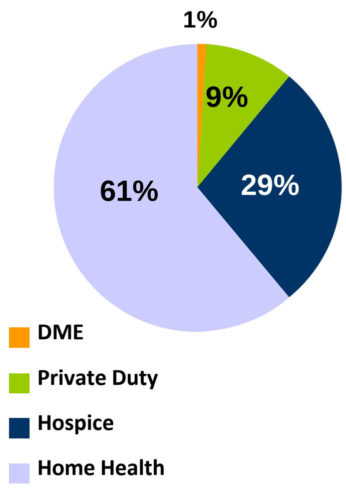
(3) As of December 31, 2011.

PeopleFirst Homecare and Hospice

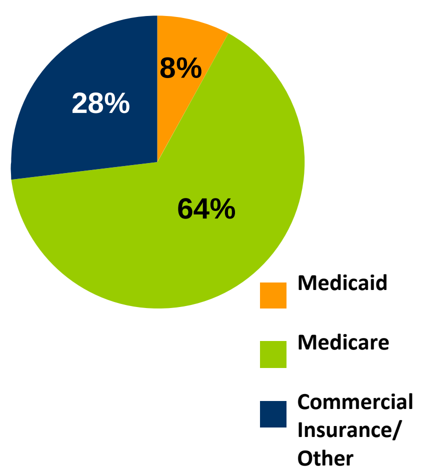
$106 million Annualized Revenues[1]

- **51 sites of service**
  34 in Kindred's Cluster Markets
- **2,100 employees serving 4,800 patients on a daily basis**

Business Mix



Revenue Mix[1]



- Building management team, including sales, clinical operations and IT capabilities to support accelerated expansion
- **Development Update**
  - **CareSouth Acquisition**
    5 locations (April '11)
  - **Professional Acquisition**
    27 locations (September '11)
  - **Synergy Home Health Acquisition**
    2 locations (October '11)
- Active pipeline of opportunities in Kindred Cluster Markets

(1) Annualized based upon revenues for the three months ended December 31, 2011 (divisional revenues before intercompany eliminations) plus annualized revenues for the Synergy acquisition.

Kindred Healthcare Year-In-Review

Delivering on Quality, Value and Innovation in Patient Care Delivery

498,000

patients and residents were cared for by Kindred in settings across the post-acute continuum.

Kindred Long-Term Acute Care and Rehabilitation Hospitals, Skilled Nursing and Rehabilitation Centers and PeopleFirst Homecare and Hospice continued to **improve in key quality indicators** and

OUTPERFORM NATIONAL QUALITY BENCHMARKS

throughout 2011.

In 2011, Kindred's Long-Term Acute Care Hospitals treated the sickest, most medically complex patients, discharging nearly

70%

of patients home or to a lower level of care after an average length of stay of 28 days.

Customer **satisfaction** high with

92%

of our patients, residents and families indicating they would recommend Kindred again.

Kindred Healthcare Year-In-Review

Delivering on Quality, Value and Innovation in Patient Care Delivery

RehabCare

Kindred's **RehabCare** Division is the

LARGEST PROVIDER OF REHABILITATION SERVICES

in the United States with 2,139 sites of service.

RehabCare therapists helped 471,000 patients and residents achieve an average of

MORE THAN 76% IMPROVED FUNCTION

and independence from what they were able to do prior to illness or injury.

Since 2008, Kindred Nursing and Rehabilitation Centers discharged

16% MORE PATIENTS HOME

- with 52% of patients discharged home in 2011 after an

AVERAGE STAY OF 32 DAYS.

From 2008 to 2011, we have

REDUCED THE TOTAL AVERAGE LENGTH OF STAY

in our hospitals by 12% and in our nursing and rehabilitation centers by 27%.

Kindred Long-Term Acute Care Hospitals and Nursing and Rehabilitation Centers

REDUCED REHOSPITALIZATION RATES BY OVER 8%

from 2008 to 2011.

Business Strategy

- **Success in the Core**
  - Continue to improve quality and clinical outcomes
  - Promote our value proposition and grow admissions and rehab contracts
  - Take care of our teammates and promote performance improvement
  - Execute on RehabCare synergies and other cost reduction initiatives
- **Accelerate our Cluster Market (Network Development) Strategy**
  - Develop service lines and integrated care management capabilities across the care continuum
  - Expand health system, physician and managed care relationships
  - IT (electronic health record) linkages
- **Aggressively expand Home Health and Hospice Services**
- **Re-deploy Assets and Management Time to Higher Margin Growth Businesses as Ventas leases expire**
  - Hospital (LTAC/IRF development)
  - Home health/hospice businesses
  - Rehabilitation
  - Transitional care centers (TCCs) or sub-acute facilities
- **Participate and Invest in New Integrated Care and Payment Models/Businesses, including ACOs and Bundled Payment Demos with Health Systems, Physician Groups and Managed Care Payors**

Ventas Leased Facilities

- Currently, the Company has 73 nursing and rehabilitation centers and 16 LTAC hospitals within 10 bundles subject to lease renewals
- The Company intends to renew 3 bundles containing 19 nursing and rehabilitation centers and 6 LTAC hospitals
- The Company does not intend to renew 7 bundles containing 54 nursing and rehabilitation centers and 10 LTAC hospitals, whose leases will then expire in April 2013

Expiring Ventas Leased Facilities

($ millions)	7 Bundles '08's & '13's (1)
Revenue	$828
OpEx	712
Operating Income	116
Margin %	*14.0%*
Rent	78
EBITDA	38
Margin %	*4.6%*
D&A	21
EBIT	17
Margin %	*2.1%*
Net Interest Expense	4
EBT	13
Margin %	*1.6%*
Taxes (40.5%)	5
Net Income (2)	$8
Margin %	*1.0%*

(1) Projected 2013 including 2% Medicare cuts and bad debt adjustment.

(2) Assumes 1% overhead reduction.

- **The seven bundles:**
  - 54 SNFs, 35 (64.8%) are traditional SNFs
    - o Average age is 41
  - 10 LTACs
    - o Average age is 54.
  - 54 SNFs account for 38.1% of the $ Med Mal claims incurred over the last 5 years
  - 5-year average Capex per bed is: $2,097 (SNFs) and $8,773 (LTACs).

Expiring Ventas Leased Facilities
Strategic and Financial Rationale

- **The majority of these facilities are chronic-care Medicaid dependent SNFs that are not aligned with our Continue The Care and Cluster Market Strategy.**
- **In our operating model these facilities have limited opportunity for earnings growth and their expected 2013 EPS dilution of $0.10 to $0.15 (on a revenue base of almost $800 million) does not support the allocation of capital, risk, or management time over the renewal period.**
- **We believe we have superior growth opportunities in higher margin businesses including home health, Acute-Rehab Units, newer owned LTAC/Rehabilitation Hospitals and Transitional Care Centers and investments in new integrated care models.**
- **Over the longer term, divesting these facilities will be accretive to earnings and improve our capital structure by reducing our lease obligations and related leverage, and the earnings leakage attributable to rent escalators.**

Financial Update

Financial Highlights Fiscal 2011
Excluding Certain Items

- Revenues grew 27% as compared to fiscal 2010
- Operating income rose 31% to $763 million
- Continuing operations diluted EPS rose 17% to $1.80 from $1.54
- Full year operating cash flows rose 11% to $238 million

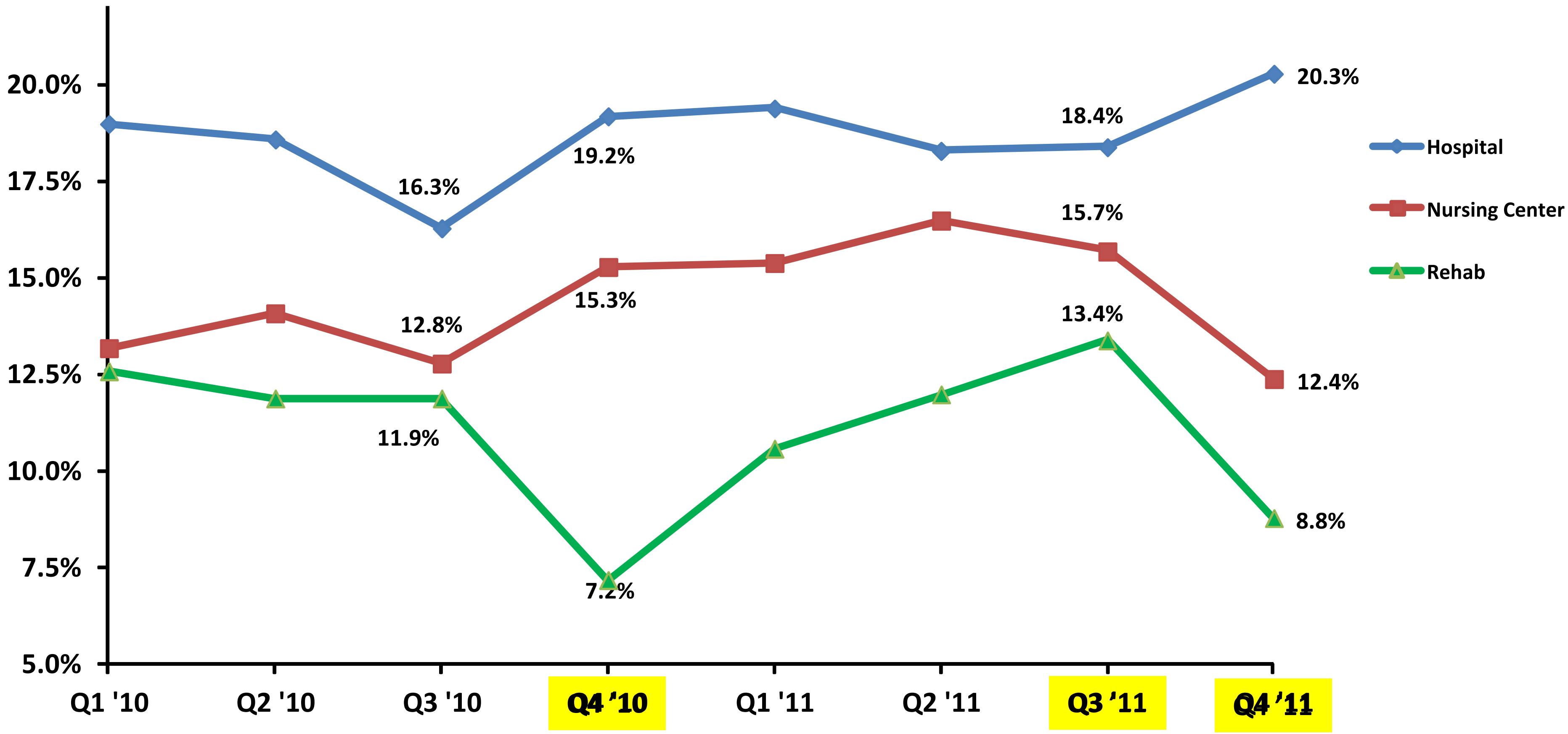
Financial Highlights
Q4 2011

- **Continued integration success was negated by regulatory and reimbursement changes in the quarter**
  - Initial quarter under new RUGs IV and group therapy rule changes more challenging than expected
- **Revenues grew 34% to $1.5 billion**
- **Excluding certain items, operating income rose 25% to $200 million**
- **Diluted earnings per share declined 50% to $0.27 as compared to last year, excluding certain items**

Financial Highlights
Q4 2011 (Continued)

- **Hospitals reported solid fourth quarter results**
  - Operating income grew 49% to $145 million as margins improved to 20.3% from 19.2%
- **Recent Medicare cuts negatively impacted Q4 nursing center results**
  - Revenues declined 3% while admissions rose 4%
  - Operating income was reduced by 22% and operating margins declined to 12.4% from 15.3%
- **RehabCare acquisition drove fourth quarter year-over-year growth in rehabilitation division**
  - Operating margins improved to 8.8% from 7.2% a year ago
  - However, Q4 regulatory changes drove margins down from 13.4% in the third quarter of 2011
- **Home health and hospice fourth quarter revenues more than quadrupled as a result of acquisitions**

Operating Margins



Significant LTAC margin improvement was more than offset by regulatory changes in Nursing Center and RehabCare businesses.

An Improving Synergy Forecast and the Implementation of Additional Cost Reductions in 2012

- In 2012, Synergies from the RehabCare integration should approach $70 million, up from our previous estimate of $62 million

- In addition, we intend to reduce compensation, employee benefit and overhead costs by an annualized amount of $50 million to $55 million; these cost reductions should be fully implemented by the end of the third quarter

RehabCare Synergies and Reimbursement Cut Mitigation Update

	Previous Estimate	Current Estimate
RehabCare Acquisition Synergies	$62	$70
Nursing Center Division Reorganization	14	21
Hospital Division Reorganization	0	13
Other Enterprise Cost Reduction Initiatives	0	20
	$76	$124

Earnings Guidance Ranges – Fiscal 2012

(In millions, except per share amounts)

	As of February 23, 2012		As of November 2, 2011	
	Low	High	Low	High
Operating income	$868	$884	$911	$928
Rent	434	434	445	445
Depreciation and amortization	197	197	200	200
Interest, net	107	107	110	110
Income from continuing operations before income taxes	130	146	156	173
Provision for income taxes	54	60	63	69
Income from continuing operations	76	86	93	104
Earnings attributable to noncontrolling interests	(3)	(3)	(4)	(4)
Income attributable to the Company	73	83	89	100
Allocation to participating unvested restricted stockholders	(2)	(2)	(2)	(2)
Available to common stockholders	$71	$81	$87	$98
Earnings per diluted share	$1.35	$1.55	$1.65	$1.85
Shares used in computing earnings per diluted share	52.5	52.5	53.0	53.0

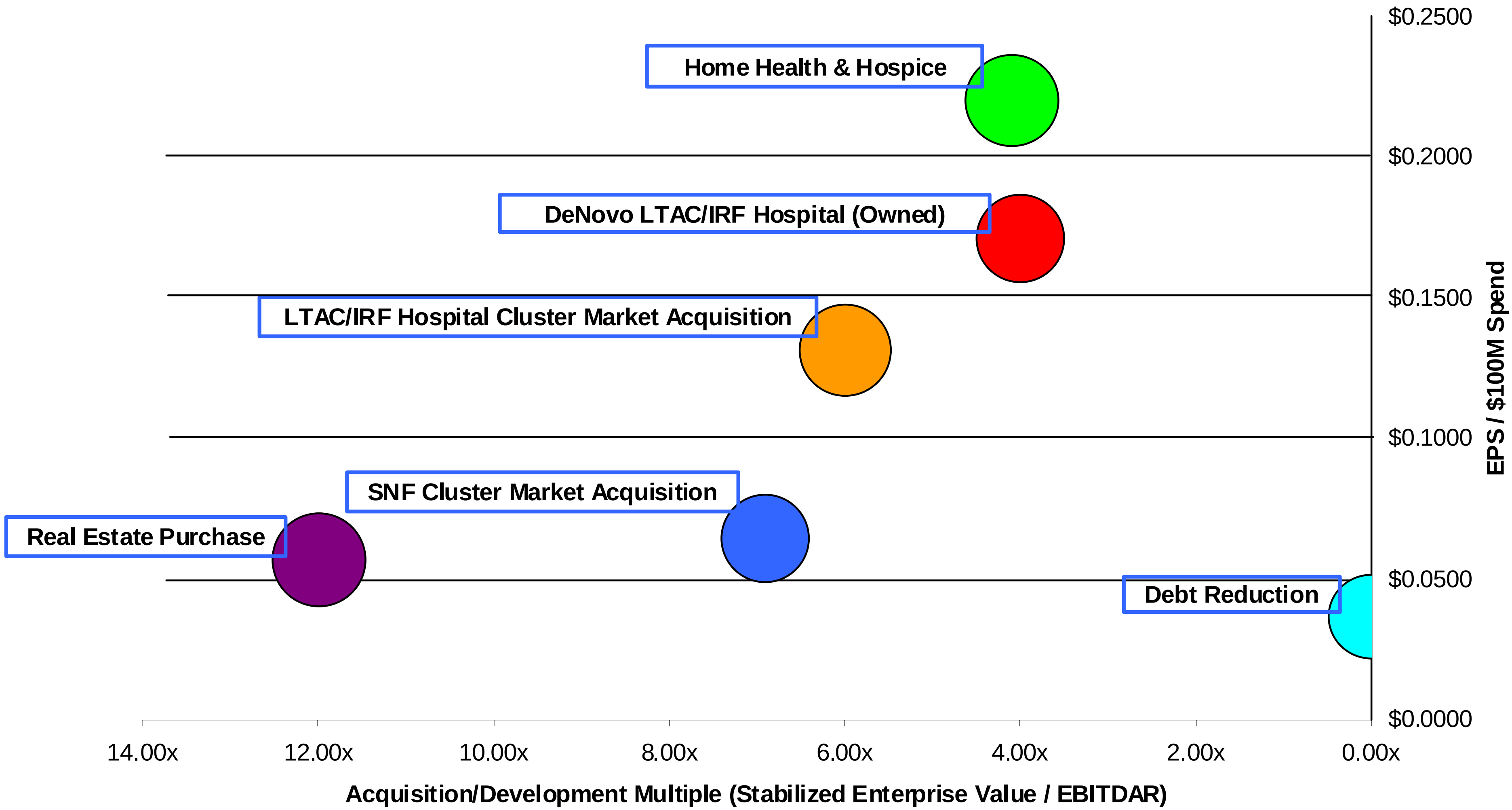
Improved Financial Flexibility

- **Financing arrangements provide higher capacity at favorable terms**
  - $343 million of revolving credit capacity available at December 31
  - Favorable pricing in place for both secured and unsecured financing
  - Financial covenants support operational flexibility
    - Financial covenants provide adequate margin
    - Substantial acquisition and capital investment baskets
  - Extended tenor of agreements
    - Revolving credit – 2016
    - Term loan – 2018
    - Unsecured notes – 2019

Strategic Capital Allocation Framework

FRAMEWORK	CONSIDERATIONS
Invest in higher margin and less capital intensive businesses primarily in Cluster Markets	• Invest in businesses that have good organic growth characteristics • Establish range of investment returns for each asset class
Own more of our own real estate	• Provides higher margins and operational flexibility • Allows de-leveraging through free cash flow • Removes increasing rent payments • Enter leases on a selective basis • Continue asset replacement plan in our Cluster Markets
Pay down debt incurred in RHB acquisition	• Reduce adjusted leverage over time

Capital Allocation Return Characteristics



Investment Rationale

- Each year, nearly 9 million people – 24,000 a day – are discharged from short-term acute care hospitals and require some form of post-acute care
- As the largest diversified post-acute provider, Kindred is uniquely positioned to grow and succeed in what will be an increasingly integrated healthcare delivery system
- Kindred has a track record of providing quality, cost-effective care, operational excellence and consistent levels of free cash flows
- Our experienced management team, robust technology platform, and demonstrated ability to adapt to change, together with our successful organic development strategy, offer the potential for creating significant value for shareholders over time

KINDRED HEALTHCARE

NYSE: KND

Investor Presentation
February 2012

Kindred Healthcare

Appendix

Reconciliation of Non-GAAP Measures

(In millions, except per share amounts)

	Three months ended December 31,		Year ended December 31,	
	2011	2010	2011	2010
Detail of charges excluded from core operating results:				
Transaction-related costs	($7)	($2)	($66)	($5)
Severance and retirement costs	-	-	-	(3)
Loss on hospital divestiture	(2)	-	(2)	-
Impairment charges	(102)	-	(129)	-
	(111)	(2)	(197)	(8)
Income tax benefit	24	-	56	3
Charges net of income taxes	(87)	(2)	(141)	(5)
Allocation to participating unvested restricted stockholders	-	-	-	-
Available to common stockholders	($87)	($2)	($141)	($5)
Weighted average diluted shares outstanding	51.3	39.1	46.3	39.0
Diluted loss per common share related to charges	($1.69)	($0.04)	($3.05)	($0.12)

Reconciliation of Non-GAAP Measures (Continued)

(In millions, except per share amounts)

	Three months ended December 31,		Year ended December 31,	
	2011	2010	2011	2010
Reconciliation of adjusted operating income before charges:				
Operating income before charges	$200	$160	$763	$583
Detail of charges excluded from core operating results:				
Transaction-related costs	(5)	(2)	(51)	(5)
Severance and retirement costs	-	-	-	(3)
Loss on hospital divestiture	(2)	-	(2)	-
Impairment charges	(102)	-	(129)	-
	(109)	(2)	(182)	(8)
Reported operating income	$91	$158	$581	$575
Reconciliation of adjusted income from continuing operations before charges:				
Amounts attributable to Kindred stockholders:				
Income from continuing operations before charges	$14	$22	$85	$61
Charges net of income taxes	(87)	(2)	(141)	(5)
Reported income (loss) from continuing operations	($73)	$20	($56)	$56
Reconciliation of diluted income per common share from continuing operations before charges:				
Diluted income per common share before charges (a)	$0.27	$0.54	$1.80	$1.54
Charges net of income taxes as computed on page 30	(1.69)	(0.04)	(3.05)	(0.12)
Other	-	-	0.04	-
Reported diluted income (loss) per common share from continuing operations	($1.42)	$0.50	($1.21)	$1.42
Weighted average diluted shares outstanding	51.4	39.1	46.6	39.0

(a) For purposes of computing diluted earnings per common share, income from continuing operations before charges was reduced by $0.2 million and $0.4 million for the three months ended December 31, 2011 and 2010, respectively, and $1.4 million and $1.1 million for the years ended December 31, 2011 and 2010 respectively, for the allocation of income to participating unvested restricted stockholders.

Reconciliation of Non-GAAP Measures (Continued)
(In millions)

	Year ended December 31, 2011	Year ended December 31, 2010
Reconciliation of net cash flows provided by operating activities to adjusted operating cash flows:		
Net cash provided by operating activities	**$154**	**$210**
Adjustments to remove certain payments:		
Financing costs:		
Capitalized as deferred financing costs	**46**	**-**
Charged to interest expense	**13**	**-**
Transaction costs	**34**	**4**
Severance and retirement costs	**11**	**3**
Benefit of reduced income tax payments resulting from financing, transaction, severance and retirement costs	**(20)**	**(3)**
	84	**4**
Adjusted operating cash flows	**$238**	**$214**

KINDRED HEALTHCARE

NYSE: KND

Investor Presentation
February 2012

Kindred Healthcare