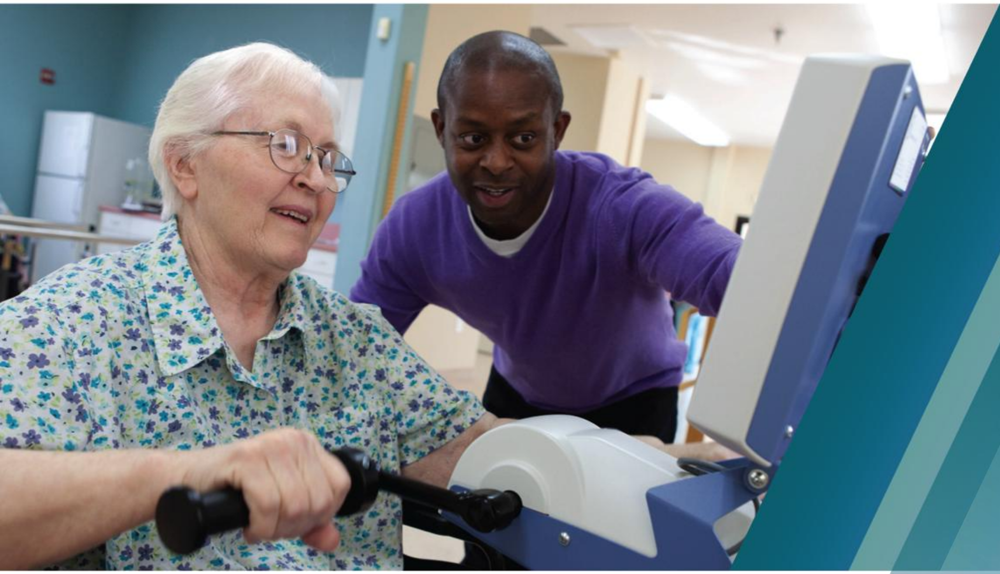
Investor Presentation

March 2014



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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 the Company'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. Statements in this presentation concerning the Company's business outlook or future economic performance, anticipated profitability, revenues, expenses or other financial items, and product or services line growth, together with other statements that are not historical facts, are forward-looking statements that are estimates reflecting the best judgment of the Company based upon currently available information.

Such forward-looking statements are inherently uncertain, and stockholders and other potential investors must recognize that actual results may differ materially from the Company'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 the Company is unable to predict or control, that may cause the Company'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 the Company's filings with the Securities and Exchange Commission.

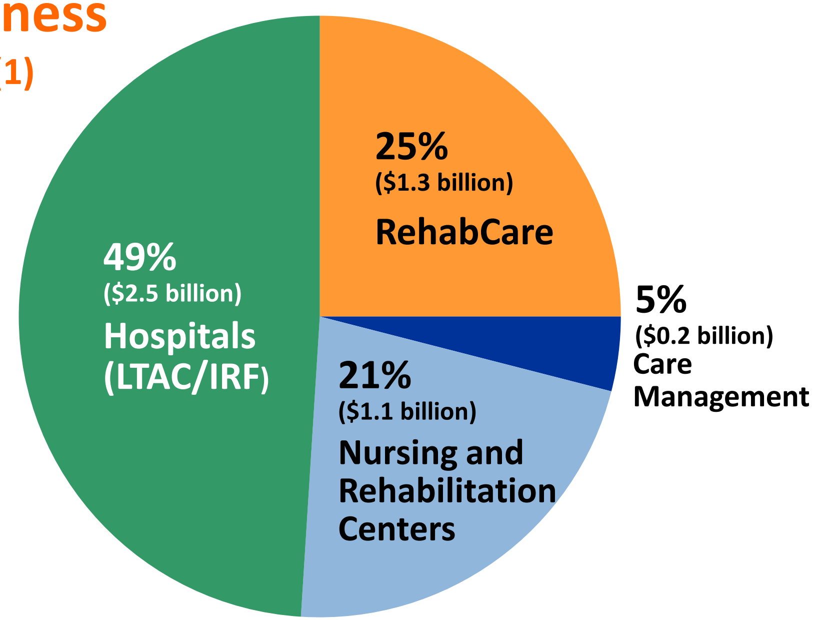
In addition to the factors set forth above, other factors that may affect the Company's plans, results or stock price include, without limitation, (a) the impact of healthcare reform, which will initiate significant changes to the United States healthcare system, including potential material changes to the delivery of healthcare services and the reimbursement paid for such services by the government or other third party payors, including reforms resulting from the Patient Protection and Affordable Care Act and the Healthcare Education and Reconciliation Act (collectively, the "ACA") or future deficit reduction measures adopted at the federal or state level. Healthcare reform is affecting each of the Company's businesses in some manner. Potential future efforts in the U.S. Congress to repeal, amend, modify or retract funding for various aspects of the ACA create additional uncertainty about the ultimate impact of the ACA on the Company and the healthcare industry. 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, the Company 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 the Company's business, financial position, results of operations and liquidity, (b) the impact of the final rules issued by CMS on August 1, 2012 which, among other things, will reduce Medicare reimbursement to the Company's transitional care ("TC") hospitals in 2013 and beyond by imposing a budget neutrality adjustment and modifying the short-stay outlier rules, (c) the impact of the final rules issued by CMS on July 29, 2011 which significantly reduced Medicare reimbursement to the Company's nursing centers and changed payments for the provision of group therapy services effective October 1, 2011, (d) the impact of the Budget Control Act of 2011 (as amended by the American Taxpayer Relief Act of 2012 (the "Taxpayer Relief Act")) which instituted an automatic 2% reduction on each claim submitted to Medicare beginning April 1, 2013, (e) the Company's ability to adjust to the new patient criteria for long-term acute care ("LTAC") hospitals under the Pathway for SGR Reform Act of 2013, which will reduce the population of patients eligible for the Company's hospital services and change the basis upon which the Company is paid, (f) the impact of the Taxpayer Relief Act which, among other things, reduces Medicare payments by an additional 25% for subsequent procedures when multiple therapy services are provided on the same day. At this time, the Company believes that the rules related to multiple therapy services will reduce the Company's Medicare revenues by $25 million to $30 million on an annual basis, (g) 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 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 reimbursement for the Company's TC hospitals, nursing centers, inpatient rehabilitation hospitals and home health and hospice operations, and the expiration of the Medicare Part B therapy cap exception process, (h) 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, (i) the ability of the Company's hospitals and nursing centers to adjust to medical necessity reviews, (j) the costs of defending and insuring against alleged professional liability and other claims (including those related to pending whistleblower and wage and hour class action lawsuits against the Company) and the Company's ability to predict the estimated costs and reserves related to such claims, including the impact of differences in actuarial assumptions and estimates compared to eventual outcomes, (k) the impact of the Company's significant level of indebtedness on the Company's funding costs, operating flexibility and ability to fund ongoing operations, development capital expenditures or other strategic acquisitions with additional borrowings, (l) the Company's ability to successfully redeploy its capital and proceeds of asset sales in pursuit of its business strategy and 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, as and when planned, including the potential impact of unanticipated issues, expenses and liabilities associated with those activities, (m) the Company's ability to pay a dividend as, when and if declared by the Board of Directors, in compliance with applicable laws and the Company's debt and other contractual arrangements, (n) the failure of the Company's facilities to meet applicable licensure and certification requirements, (o) the further consolidation and cost containment efforts of managed care organizations and other third party payors, (p) the Company's ability to meet its rental and debt service obligations, (q) the Company's ability to operate pursuant to the terms of its debt obligations, and comply with its covenants thereunder, and the Company's ability to operate pursuant to its master lease agreements with Ventas, Inc. (NYSE:VTR), (r) 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 the Company's businesses, or which could negatively impact the Company's investment portfolio, (s) the Company's ability to control costs, particularly labor and employee benefit costs, (t) the Company's ability to successfully reduce (by divestiture of operations or otherwise) its exposure to professional liability and other claims, (u) the Company's obligations under various laws to self-report suspected violations of law by the Company to various government agencies, including any associated obligation to refund overpayments to government payors, fines and other sanctions, (v) national and regional economic, financial, business and political conditions, including their effect on the availability and cost of labor, credit, materials and other services, (w) increased operating costs due to shortages in qualified nurses, therapists and other healthcare personnel, (x) the Company's ability to attract and retain key executives and other healthcare personnel, (y) the Company's ability to successfully dispose of unprofitable facilities, (z) events or circumstances which could result in the impairment of an asset or other charges, such as the impact of the Medicare reimbursement regulations that resulted in the Company recording significant impairment charges in the last three fiscal years, (aa) 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 (bb) the Company's ability to maintain an effective system of internal control over financial reporting.

Many of these factors are beyond the Company's control. The Company cautions investors that any forward-looking statements made by the Company are not guarantees of future performance. The Company 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 Company has provided information in this presentation to compute certain non-GAAP measurements for specified periods before certain charges or on a core basis. A reconciliation of the non-GAAP measurements to the GAAP measurements are included in the appendix to this presentation and on our website at www.kindredhealthcare.com under the heading "investors."

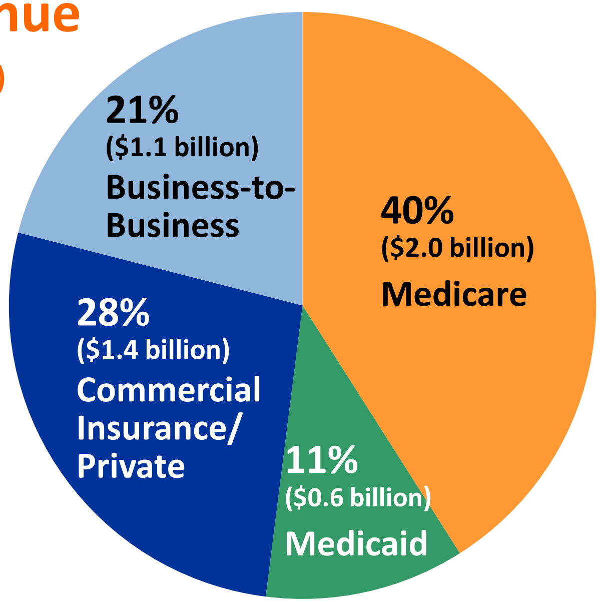
Kindred Healthcare's Diversified Business and Revenue Mix

- $5.1 billion total revenues(1)
- 2,280 locations, 310 facilities in 47 states(2)
- 500,000 patients and residents(3)
- 63,000 dedicated employees(2)

Business Mix(1)



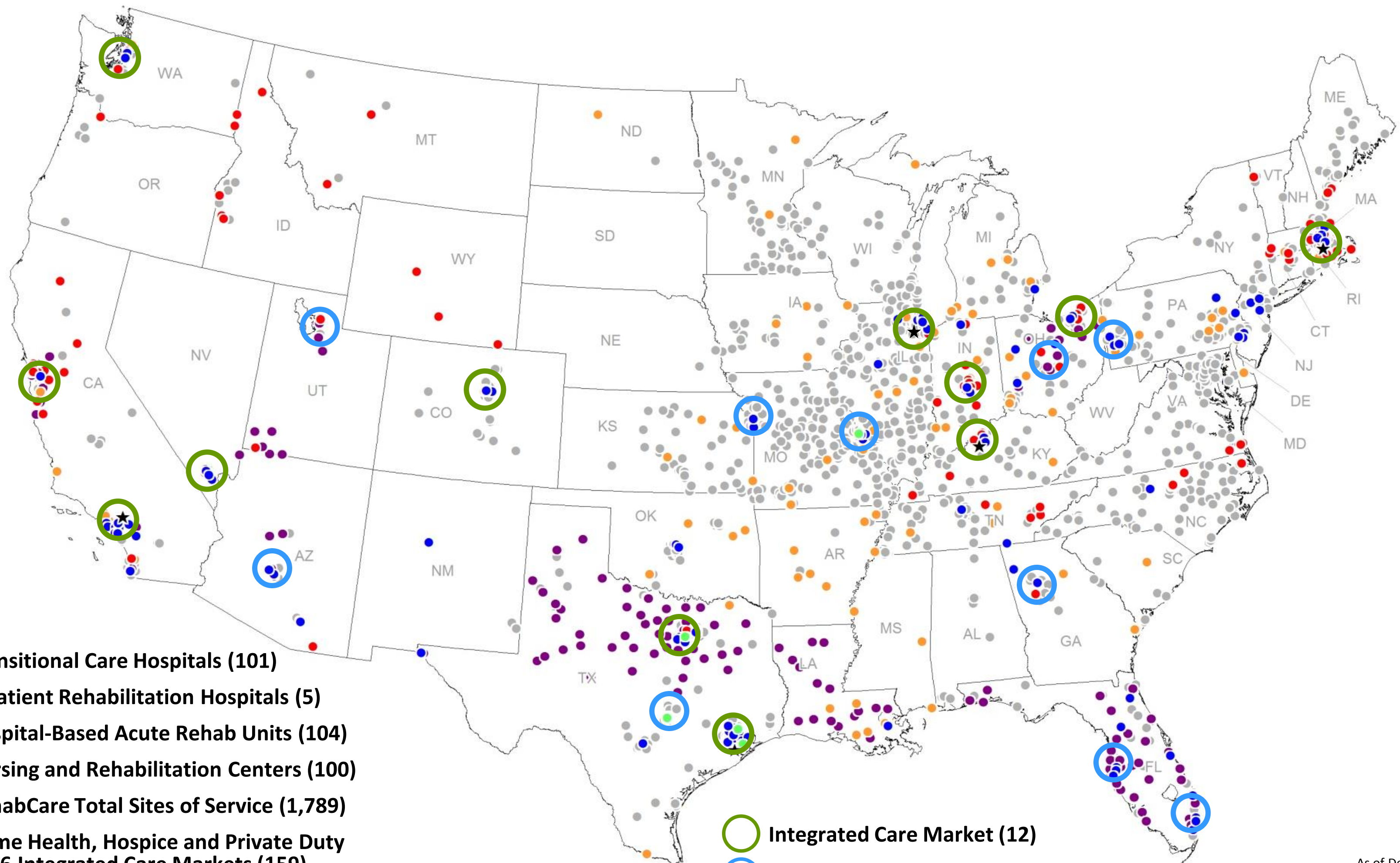
Revenue Mix(1)



(1) Revenues for the twelve months ended December 31, 2013 (before intercompany eliminations).
(2) As of December 31, 2013.
(3) For the twelve months ended December 31, 2013.

Leading Diversified Post-Acute Provider

With Focus on Developing *Integrated Care Market* Capabilities



- Transitional Care Hospitals (101)
- Inpatient Rehabilitation Hospitals (5)
- Hospital-Based Acute Rehab Units (104)
- Nursing and Rehabilitation Centers (100)
- RehabCare Total Sites of Service (1,789)
- Home Health, Hospice and Private Duty in 16 Integrated Care Markets (159)
- Regional Support Centers

- Integrated Care Market (12)
- Targeted Integrated Care Market (10)

As of December 31, 2013

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Kindred's Value Proposition 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)**
  - By providing superior clinical outcomes in the most appropriate setting, with an approach which is patient-centered, disciplined and transparent

- **Lower healthcare costs by reducing rehospitalizations and lengths-of-stay in acute care hospitals and throughout an episode of care**
  - By transitioning patients home at the highest possible level of function and wellness

- **Participate in the development of new care delivery and payment models**
  - To better coordinate care and manage patients with chronic conditions, including the dual-eligibles, with our partners through our integrated care management teams and protocols

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Delivering on Quality, Value and Innovation in Patient Care Delivery

500,000

Patients and Residents were cared for in settings across the continuum

Outperforming National Quality Benchmarks

Kindred Hospitals, Nursing Centers, and Home Health and Hospice continue to improve on quality indicators and beat industry benchmarks

Sending More Patients Home… [1]

- **56%** of our Nursing Center patients go home after **32 days**
- **70%** of our Hospital patients go home or to a Lower Level of Care after **27 days**

… and More Quickly… (Reducing Average Length-of-Stay) [2]

Reduced the total average length of stay

- by **10.3%** in our Hospitals
- by **11%** in our Nursing Centers

… Reducing Rehospitalization [2]

Kindred Hospitals reduced rehospitalization rates by **14%**

Kindred Nursing Centers have reduced rehospitalization rates by **15%**

(1) 2013 Results
(2) Same store Comparison 2013 to 2009

Kindred's Five-Year Strategic Plan

Creating Value for Patients, Payors, Teammates and Shareholders

1

Succeed In The Core

- People Services
- Quality and Clinical Outcomes
- Organic Growth
- Manage Cost and Capital

2

Reposition Portfolio

- In Integrated Care Markets
- Redeploy Capital to Higher Margin Businesses

3

Aggressively Grow Kindred at Home, RehabCare, and Assisted Living Business

4

Develop Care Management Capabilities

- To Operationalize **Continue The Care**
- Support new Risk-Based Payment Arrangements

5

Advance Integrated Care Market Strategy

- Partner with Hospitals, Payors and ACOs

6

Improve Capital Structure and Enhance Shareholder Returns

- Continue to Delever
- Acquire Facility Real Estate
- Grow Dividend

Succeed Today in a Fee-For-Service World → **Prepare for a Future Value-Based Payment World**

Executing on Kindred's 5-Year Strategic Plan

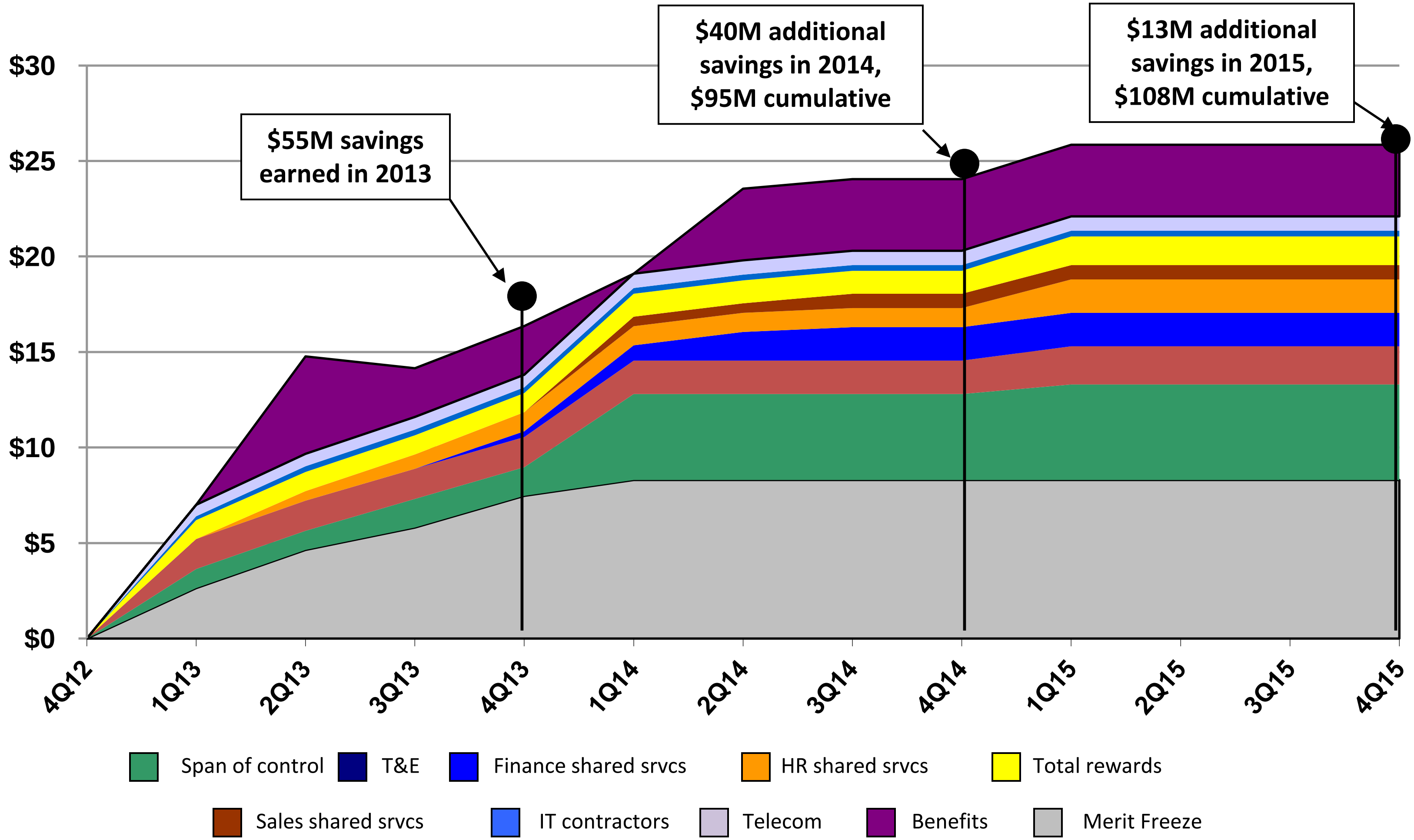
1	Succeed in the Core	Despite $100 million of reimbursement cuts in 2013, and significant organizational change, the Company is executing well on its People, Clinical and Financial Goals

- **People Initiatives (Led by new Chief People Officer)**
  - Increase Teammate Engagement and Satisfaction
  - Leadership Development, especially leaders who can operate across silos
  - Reduce Turnover / Improve Retention
  - Advance Culture of Patient Safety
  - Lead move to Shared Services Model
- **Quality and Organizational Excellence, especially at a time of constrained resources and system-wide change**
  - Develop Quality Indicators and Clinical Programs that support Continue-the-Care and patient transitions and improve clinical outcomes
  - Re-energize Performance Improvement Programs
- **Growth (Sales and Marketing / Managed Care)**
- **Cost Effectiveness, including overhead re-sizing and transformation (e.g. Project Apollo)**
- **Capital Management, with specific focus on cash to fund development and/or shareholder return strategy**

Executing on Kindred's 5-Year Strategic Plan

1 Succeed in the Core

Project Apollo Planned Savings and Timing (Continuing Operations)



Executing on Kindred's 5-Year Strategic Plan

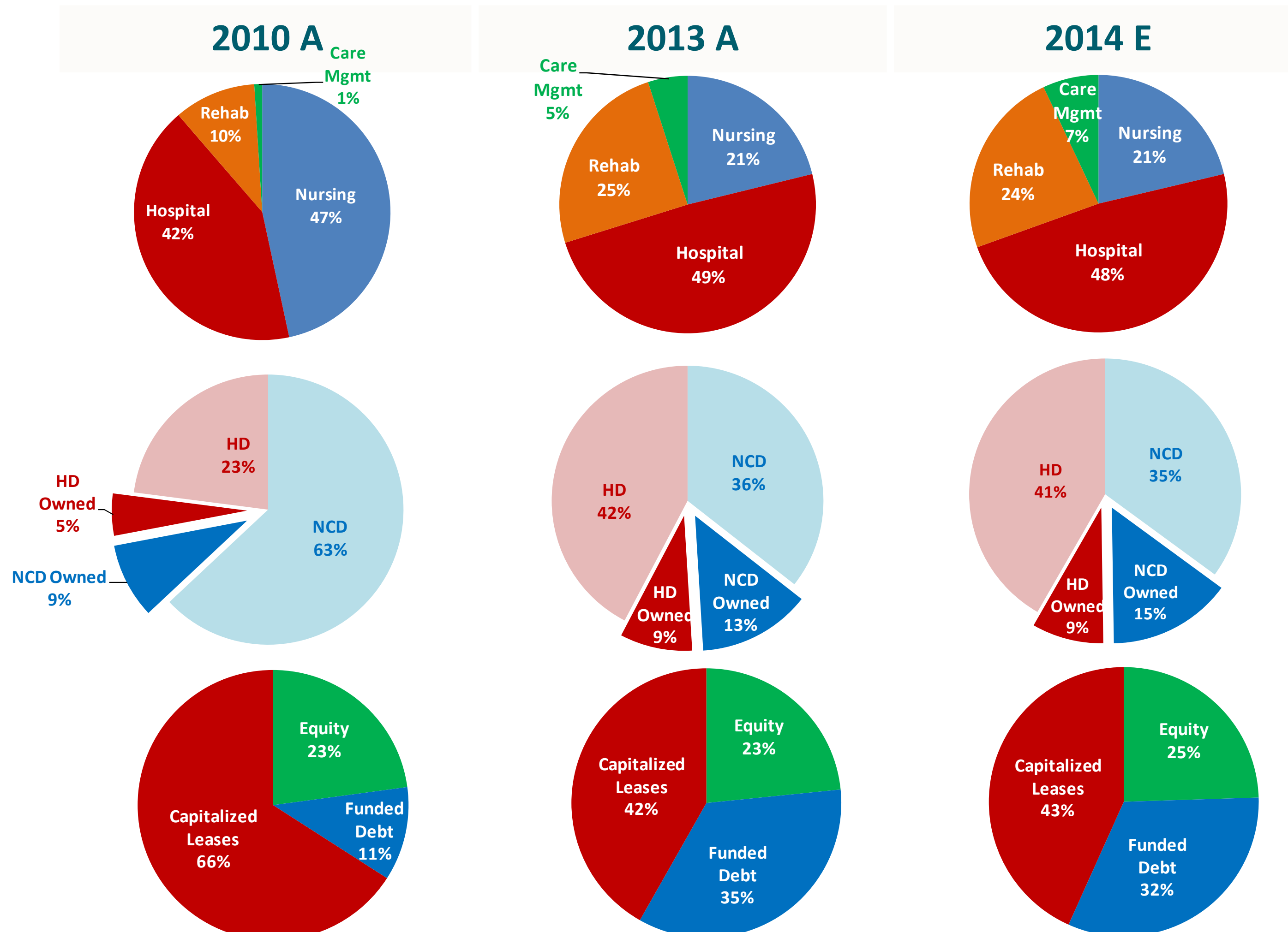
2 Repositioning Strategy

Change in Business Mix, Increased Facility Ownership and Reduction in Lease Obligations Significantly Improves Future Growth and Profitability

Business Mix (1)

Owned vs Leased Facilities

Capital Structure (2)



(1) Revenue before intercompany eliminations; (2) Leases capitalized using 6x rent; Equity represents market cap as of 12/31 and Funded Debt as of 12/31 of each year.

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Executing on Kindred's 5-Year Strategic Plan

3 Aggressively Grow Kindred at Home and RehabCare

TherEX Acquisition completed in October 2013 to Expand RehabCare's Hospital (IRF) Business and Home Care Acquisitions Advance Care Management Capabilities

Care Management Division/Kindred At Home $354 million Pro Forma Annualized Revenues(1)

- **209 sites of service in 13 states**
- **67 in Kindred's Integrated Care Markets(1)**
- **4,940 caregivers serving over 17,000 patients on a daily basis**

- Acquired Senior Home Care
  - Operated 47 home health locations throughout Florida and Louisiana, with $143 million in revenues
  - $95 million purchase price
  - $0.07 to $0.09 EPS accretion anticipated in 2014
- While implementation of Homecare Homebase IT system contributed to performance issues in 2013, all branches (including Senior Home Care) will be fully operational and standardized by Q1 2014
- Building management team, clinical operations, and functional support to enable platform for continued growth

(1) Revenues based upon historical Sr. Home Care results plus actual Kindred at Home operations for the twelve months ended December 31, 2013 (divisional revenues before intercompany eliminations).

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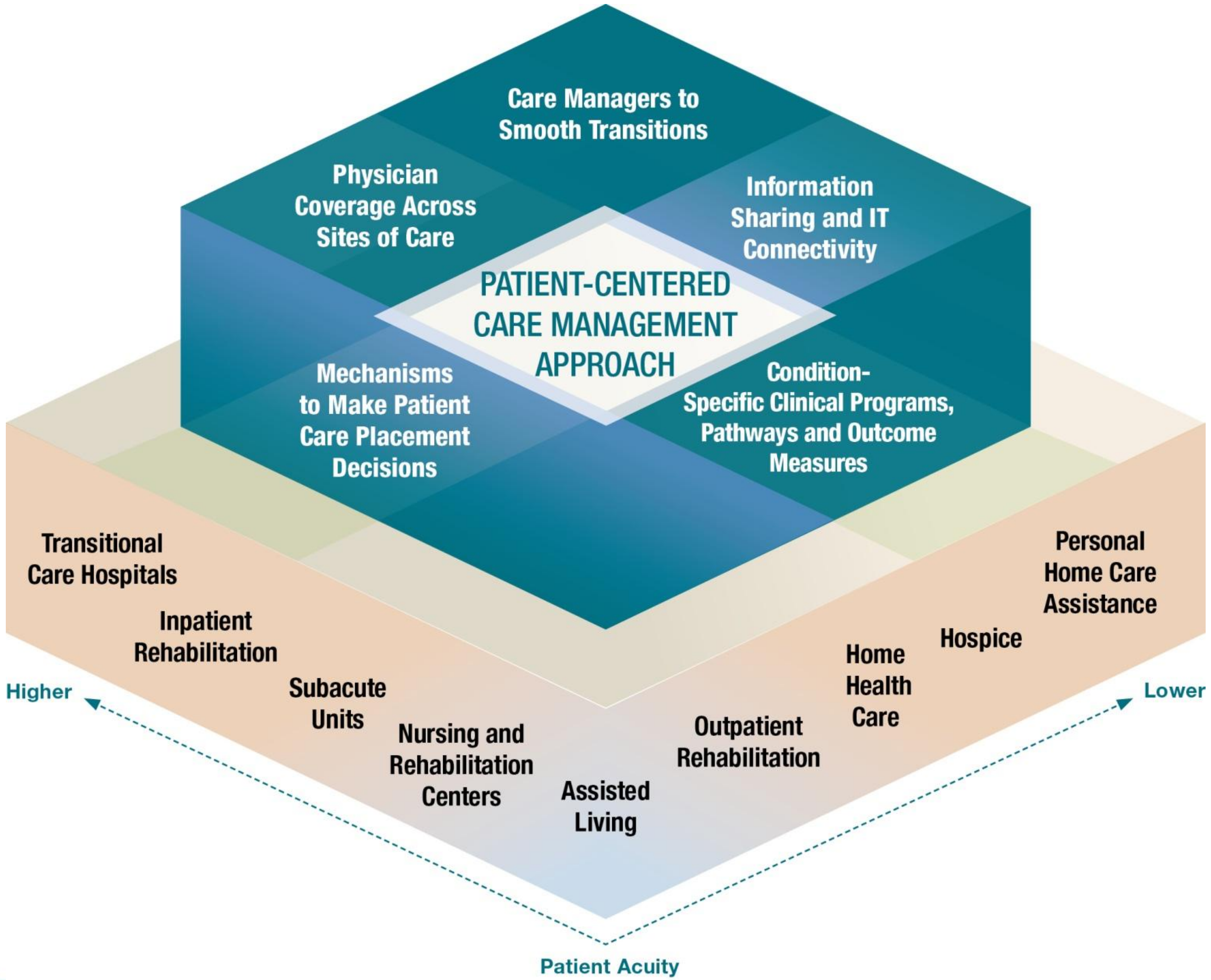
Executing on Kindred's 5-Year Strategic Plan

4 Develop Care Management Capabilities

Kindred 's New Care Management Division

Optimized for Episodic Care, Bundled Payment and Risk



Executing on Kindred's 5-Year Strategic Plan

5

Advance Integrated Care Market Strategy and Implement Care Management Capabilities

Integrated Care Market Strategy

Market Implementation Update

	Boston	Cleveland	Indianapolis	Las Vegas	Houston	"New" Dallas/Fort Worth
Single Market Leadership	●	●	●	●	●	●
Incentive Alignment	●	●	●	●	●	●
Post-Acute Physician Leadership	●	●	○	●	○	○
Standardized Quality Measures	◔	◔	◔	◔	◔	◔
Centralized Placement and Admissions	●	●	●	●	●	●
Dedicated Care Managers	●	●	●	●	◑	◑
I-T Interoperability / Info Sharing	◕	◕	◕	◕	◕	◕

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Executing on Kindred's 5-Year Strategic Plan

6 **Improve Capital Structure and Enhanced Shareholder Returns**

Real Estate Purchases, Improved Senior Financing Arrangements and Dividend Initiation

- **Purchased Tampa Hospital and Bridgewater TCC Real Estate for $35 million**
- **Purchased certain facilities leased from HCP REIT**
  - In February 2014, completed the acquisition of 9 skilled nursing facilities for a total of $83 million
  - Facilities have been removed from master lease expiring January 31, 2017, thereby eliminating annual rent escalator
  - Transaction expected to be accretive to earnings $0.04 and cash flow $4.3 million in 2014
  - Ownership provides additional flexibility with regard to strategic decisions:
    - ✓ Expansion/Relocation/Repurposing
    - ✓ Disposition of facilities deemed non-strategic and/or underperforming
- **During 2013, re-priced and amended Senior Secured Financing Arrangements on favorable terms resulting in $8 million of annualized interest savings, extended maturity of the ABL Revolver and option to increase credit capacity by $250 million**
  - Eased senior secured debt financial covenants
  - Nearly $400 million of unused credit capacity at December 31, 2013
- **Announced quarterly dividend of $0.12 per share, reflecting the Company's confidence in its ability to generate meaningful and sustainable Free Cash Flow**

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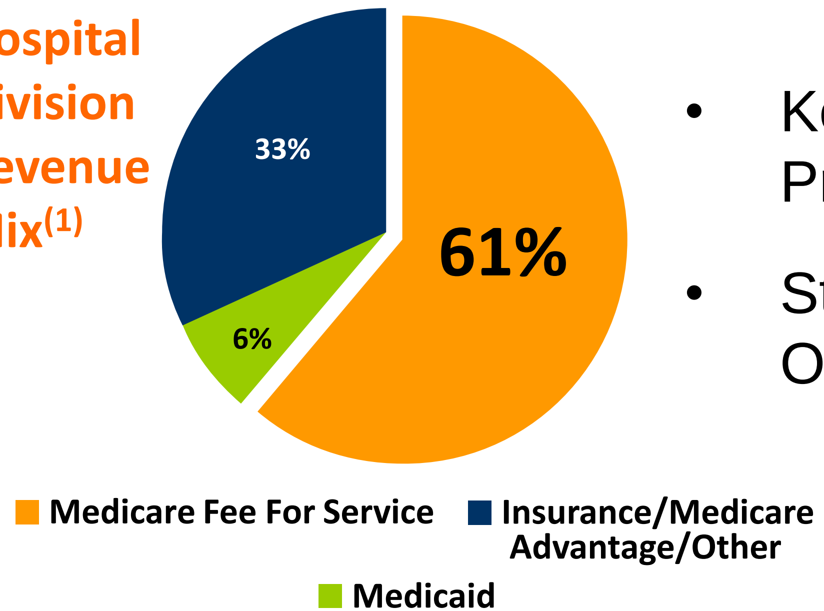
Legislative and Financial Review

LTAC Legislation Enacted

Providing Long Term Strategic Opportunity and Visibility

The Bipartisan Budget Act of 2013, signed by the President on December 26, brings long-sought patient and facility criteria to long-term care hospitals

Hospital Division Revenue Mix(1)



- Key Provisions, Timeline and Preliminary View of Impact
- Strategic Considerations and Opportunities

(1) Revenues for the twelve months ended December 31, 2013 (divisional revenues before intercompany eliminations).

Overview of Key Payment Provisions in LTAC Criteria Legislation

- Definition of Patients Eligible for LTAC Rate
  - Patients will continue to be eligible for payment under the current LTAC PPS if they meet either one of two criteria: patients with 3 or more days in an acute care hospital Intensive Care Unit (ICU); or patients receiving "prolonged mechanical ventilation" (greater than 96 hours) in the LTAC

- Definition of Patients Eligible for "Site Neutral" Rate
  - Other medically complex patients may still be admitted to LTACs and receive a "site neutral" rate that is either at LTAC cost or at a per diem rate "comparable" to payments made to acute care hospitals under the IPPS payment system

- Effective Date and Phase-In
  - Effective date: Two-year Phase-in of criteria begins after October 1, 2015, linked to each LTAC's cost-reporting period
  - About 70% of Kindred LTACs have cost-reporting periods that begin July of each year; phase-in of new criteria would not begin for most Kindred LTACs until Summer 2016
  - During phase-in, cases receiving "site neutral" rate get paid 50% based on current LTAC rate and 50% based on the "site neutral" rate

The new criteria would not become fully effective until Summer 2018 for most Kindred LTACS.

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Other Key Provisions

- **25 Day Length of Stay Requirement**
  - Will not apply to cases receiving the “site neutral” rate
  - Will not apply to Medicare Advantage Cases
  - Taken together, these provisions create a platform for effective care management, managed care products and better align payment with clinical outcomes

- **25% Rule Relief (effective immediately)**
  - 25% Rule does not apply to free-standing LTACs* for four years
  - 25% Rule compliance level frozen at 50% for HIH LTACs for four years (75% for rural / MSA dominant LTACs)

- **Moratorium**
  - Effective January 1, 2015 through 2017

- **Compliance Threshold**
  - Beginning in 2020, at least 50% of patients must be paid at LTAC rate to maintain Medicare Certification as an LTAC

* certified prior to October 1, 2004

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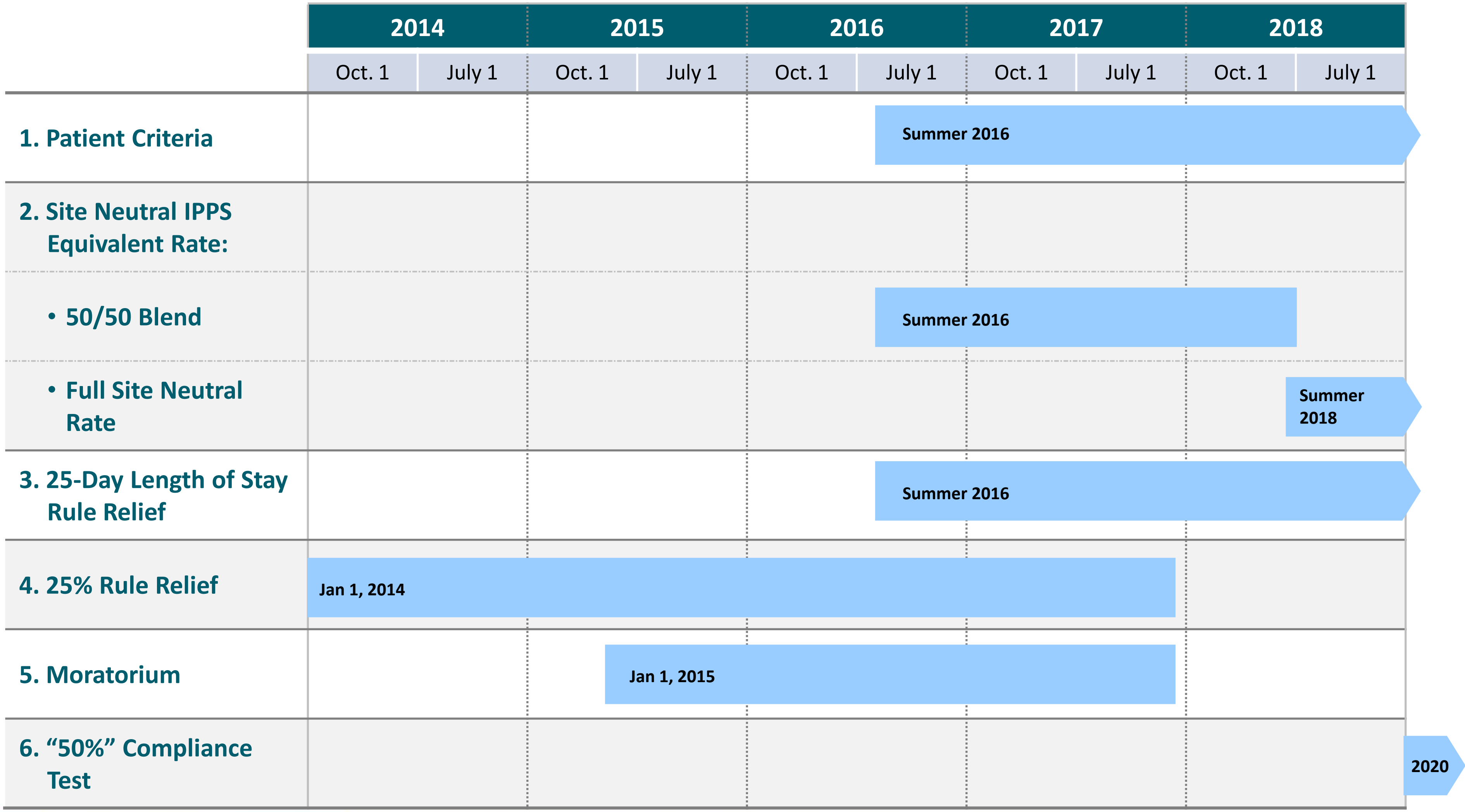
LTAC Legislation Phase-in and Timeline for the Majority of Kindred's Hospitals



Strategic Considerations

- **Affirms role of LTACs in healthcare continuum for severely ill, medically complex patients at LTAC rate and many other medically complex patients at site neutral rate.**
- **Creates strategic platform for "managed care" and "episodic" LTAC services**
  - Elimination of 25-day length of stay requirement for MA patients
  - Direct admits to LTACs at site neutral IPPS comparable rates
  - Continued development of co-located Sub-Acute Units to create patient care continuum for recovering critically chronically ill patients in need of inpatient and rehabilitation services
- **Opportunity to develop clinical programs and services that better align cost and care (including risk-based arrangements) over the implementation period to appeal to ACOs, managed care organizations and others**

LTAC legislation provides significant clarity and will allow Kindred to organically grow patient volumes and leverage existing capacity.

Fourth Quarter 2013

- Company reported continuing operations diluted EPS of $0.15 versus $0.39 in Q4 of 2012, excluding certain items
- Fourth quarter revenues declined 1% to $1.2 billion versus last year
- Operating results reflect the benefit of strong cost controls and further repositioning actions with respect to three underperforming facilities
- Company completed the acquisition of Senior Home Care, Inc. and the real estate of seven nursing centers previously leased from HCP, Inc.

Full Year 2013

- **Continuing operations diluted EPS totaled $0.94 for 2013, slightly ahead of guidance, versus $1.22 last year, excluding certain items**

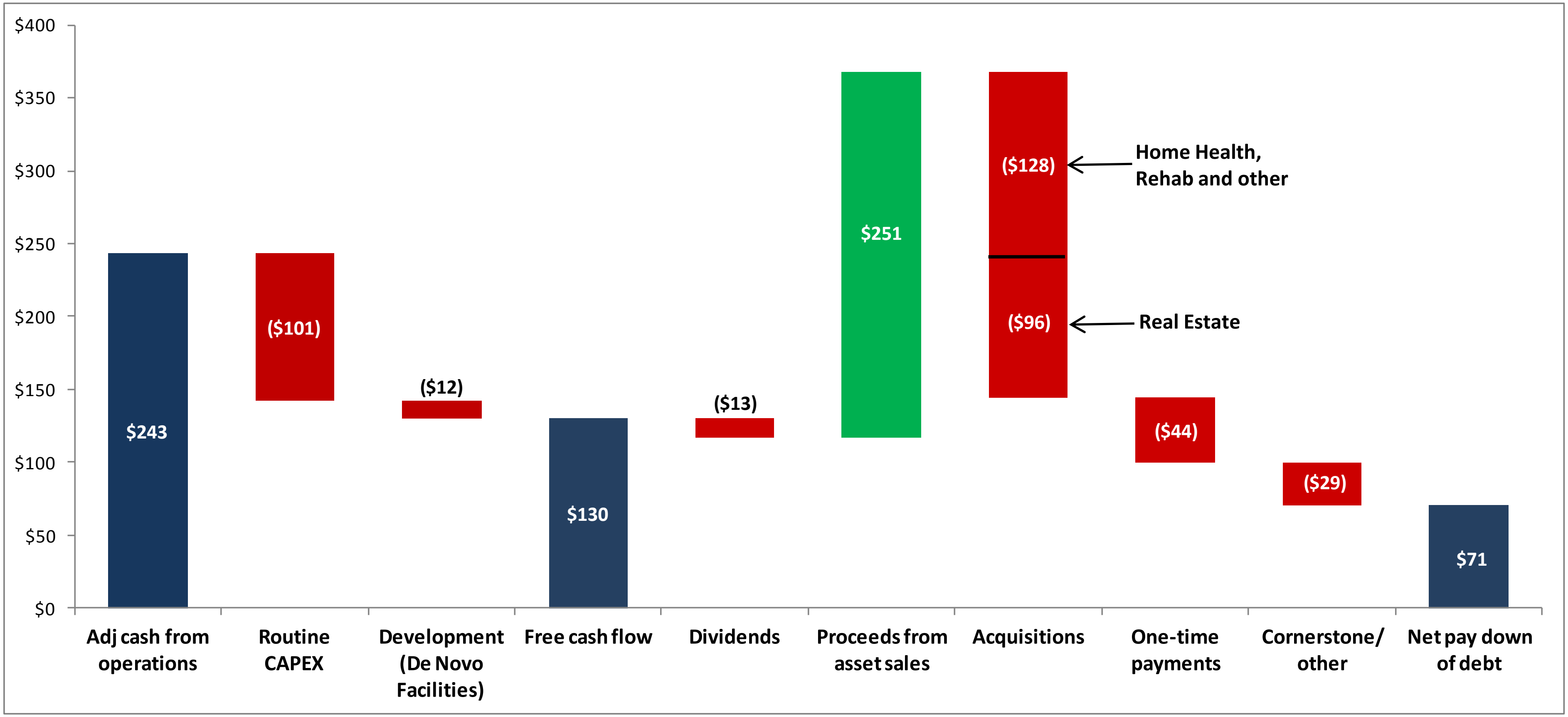
- **Free cash flows[1] totaled $130 million for the year excluding certain items, up 23% over prior year**

- **Asset repositioning essentially completed, well in advance of prior timetable**

- **Strong cost management mitigated the effects of a challenging admissions environment and the headwinds of sequestration**

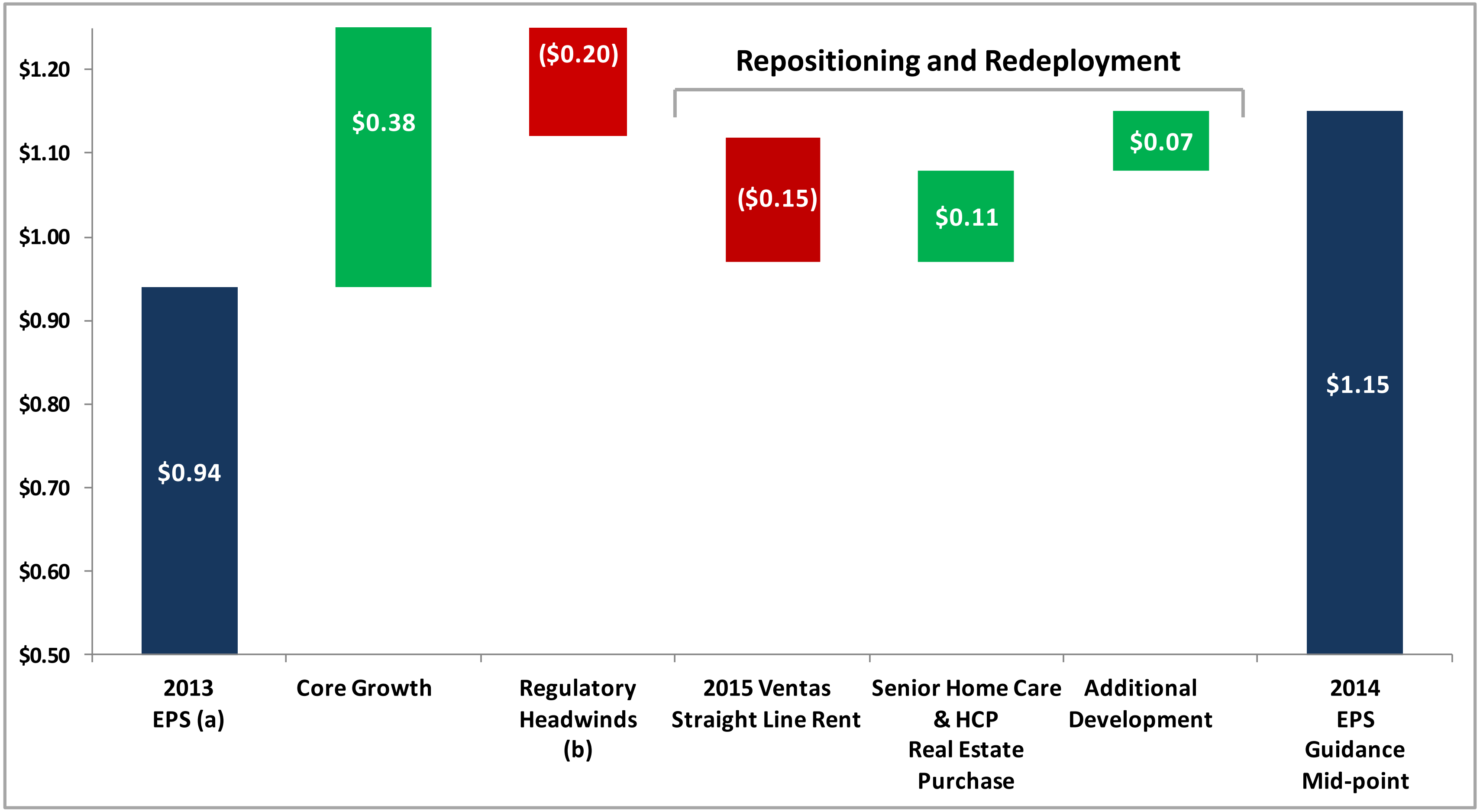
[1] Free cash flows is defined as operating cash flows in excess of routine and development capital expenditures.

Cash Sources/Uses 2013



Crosswalk from Adjusted 2013 to Preliminary 2014 EPS Guidance (Mid-Point)

(As of February 20, 2014)

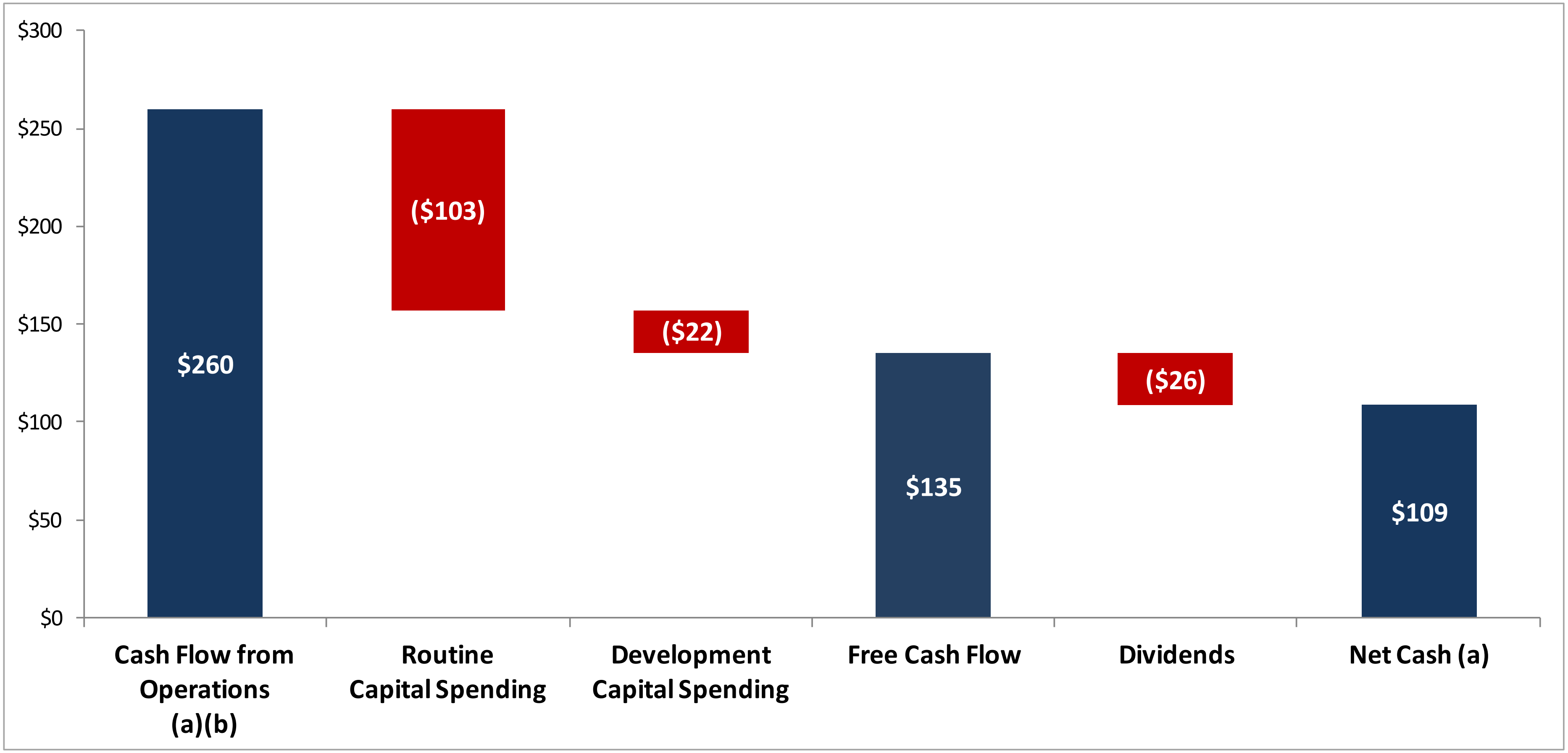


(a) See Appendix for the effect of certain excluded items.

(b) Sequestration; Home Health Rebasing; Hospital 25% Rule and 1.25% Budget Neutrality Act cut netted against Medicare market basket.

Net Free Cash Flows 2014 Mid-Point of Guidance

(As of February 20, 2014)



(a) The guidance for cash flows excludes the effect of (1) payments for litigation, (2) any other reimbursement changes and (3) any further acquisition or divestitures (except as otherwise noted).

(b) Includes approximately $36 million of working capital cash release for VTR 59.

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Kindred Substantially Repositioned Going Into 2015

Improving Business Mix (Revenues)

	2010	2014E
Hospital Services	42%	48%
Rehab Services	10%	24%
Nursing Center	47%	21%
Care Management / Home Health Care	1%	7%
Total	100%	100%

- Repositioned to faster growth, higher margin and less capital intensive businesses
- Through repositioning, $1 billion of revenues shifted from Nursing Centers to Hospital, Rehab and Home Health Care since 2011.

Enhanced Future Earnings, Margin and Free Cash Flow Profile

(as of February 20, 2014)

($ in millions)

EBITDAR	$725 - $742
Cash Flows from Operations	$245 - $275
CAPEX	$120 - $130
Free Cash Flow	$125 - $145
Outstanding Share Count	54 million
Dividend	$26

- $125 - $145 million of free cash flows
- $80 million of ABL Revolver net paid down since June 2013
- $700 million reduction in lease adjusted obligations

Improved Capital Structure

($ in millions)

Funded debt[1]	$1,588
Lease obligations[2]	$2,028
Total adjusted debt (TAD)	$3,616
Market value of equity[3]	$1,069
Enterprise Value	$4,685

Attractive Investment Considerations

- Enterprise EBITDAR Multiple: 6.4x
- Dividend Yield: 2.4%
- Free Cash Flow Yield[4]: 12.6%
- TAD / EBITDAR: 4.9x

1) As of 12/31/13
2) Pro Forma 2014 rents of $338M at 6x
3) Market value calculated as of close of business on 12/31/13 ($19.74).
4) Free Cash Flow Yield represents free cash flow mid-point divided by Market Value of Equity.

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 development and repositioning strategy, offer the potential for creating significant value for shareholders over time**

One of the MOST ADMIRED

Healthcare Companies in the World,

Six Years in a Row!

2009-2014

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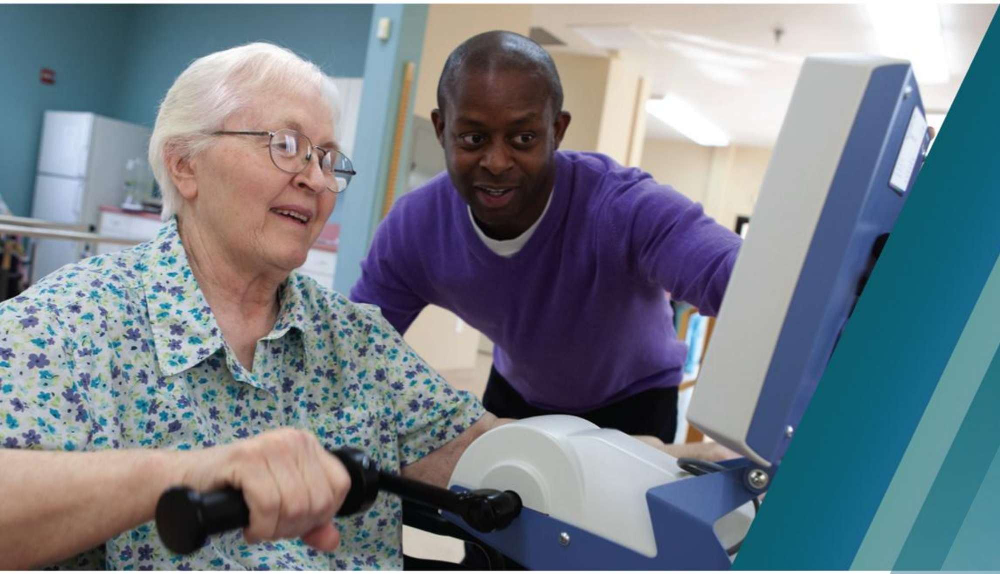
March 2014



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Appendix

Hospital Division

$2.5 billion Revenues[(1)]

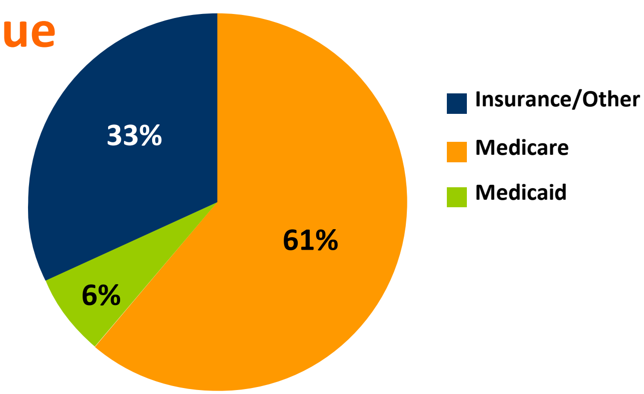
$545 million Operating Income[(2)]

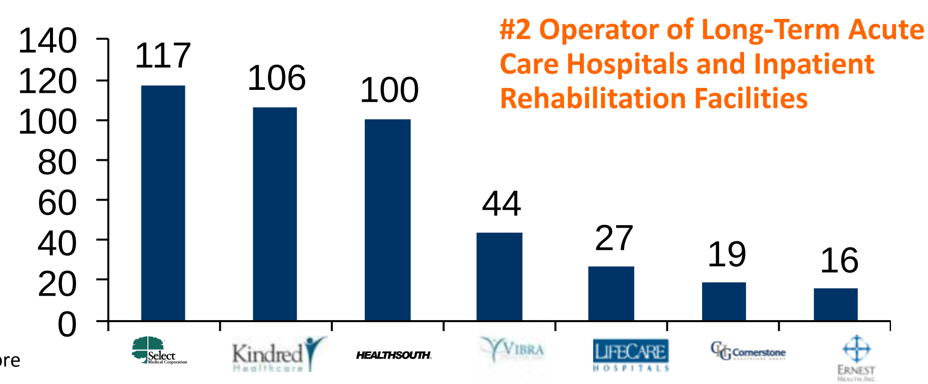
Transitional Care Hospitals **(certified as LTAC hospitals)**
- 101 Transitional Care Hospitals[(3)]
- 7,315 licensed beds[(3)]

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

- Consistently outperforms national benchmarks on key quality indicators
- Sale of 16 facilities to Vibra Healthcare, LLC
  - Divestiture of 14 Transitional Care Hospitals, 1 inpatient rehabilitation hospital and 1 skilled nursing facility
  - $180 million of net sales proceeds
- In Q4 2013, cost per patient day outpaced revenue compared to Q4 2012, which resulted in an operating income margin decline to 21.9% from 22.9%[(4)]
- Q4 2013 operating income declined to $135 million versus $148 million last year[(4)]

Revenue Mix[(1)]





(1) Revenues for the twelve months ended December 31, 2013 (divisional revenues before intercompany eliminations).
(2) Operating income for the twelve months ended December 31, 2013.
(3) As of December 31, 2013.
(4) Before certain disclosed items.

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Nursing Center Division

$1.1 billion Revenues[(1)]

$140 million Operating Income[(2)]

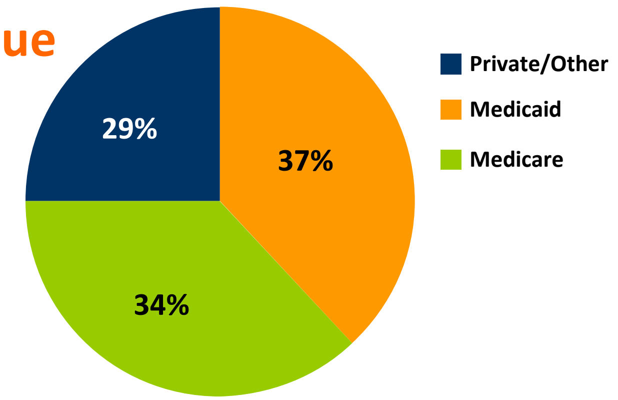
48 Transitional Care Centers (Sub-Acute facilities licensed as SNFs)[(3)]

13 Nursing and Rehabilitation Centers (with Transitional Care Units)[(3)]

12 Hospital-Based Sub-Acute Units [(3)]

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

Revenue Mix[(1)]



- Challenging operating environment under RUGs IV rules and ongoing Medicaid rate pressures
- Divestiture or non-renewal of 123 nursing centers proceeding toward completion
- New Transitional Care Centers ("TCCs") and hospital based sub-acute core growth continuing
- Division overhead restructuring near completion, allowing for a smaller, but more profitable business
- HCP transaction to acquire real estate will eliminate $9 million of annual rent for the Nursing Center Division

(1) Revenues for the twelve months ended December 31, 2013 (divisional revenues before intercompany eliminations).
(2) Operating income for the twelve months ended December 31, 2013.
(3) As of December 31, 2013.

Kindred Healthcare

RehabCare

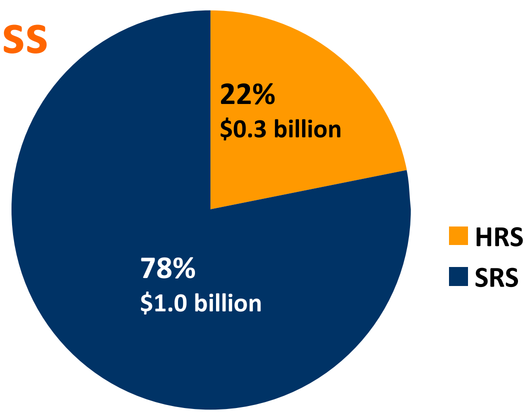
$1.3 billion Revenues[(1)]

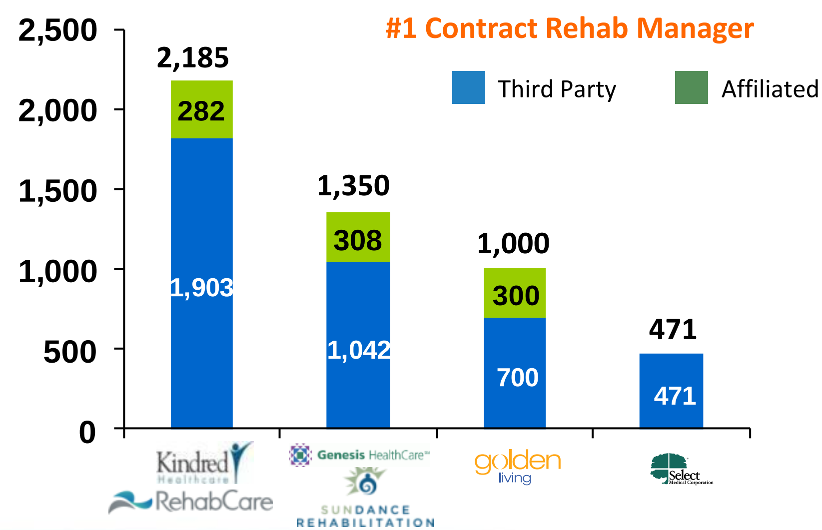
$142 million Operating Income[(2)]

- **2,185 sites of service served through 20,300 therapists[(3)]**
- **Including 104 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
- Q4 2013 operating margin at 10.2%[(4)], showing stability while implementing significant recent Medicare rule changes
- In October 2013, acquired TherEX which provides on-site, hospital-based rehabilitation services in 11 states

Business Mix[(1)]





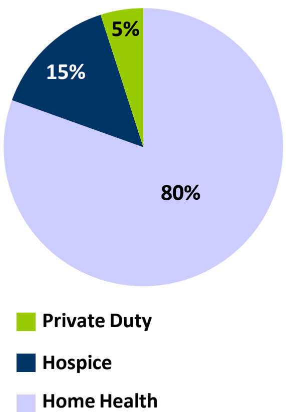
(1) Revenues for the twelve months ended December 31, 2013 (divisional revenues before intercompany eliminations).
(2) Operating income for the twelve months ended December 31, 2013.
(3) As of December 31, 2013.
(4) Before certain disclosed items

Care Management Division and Kindred at Home

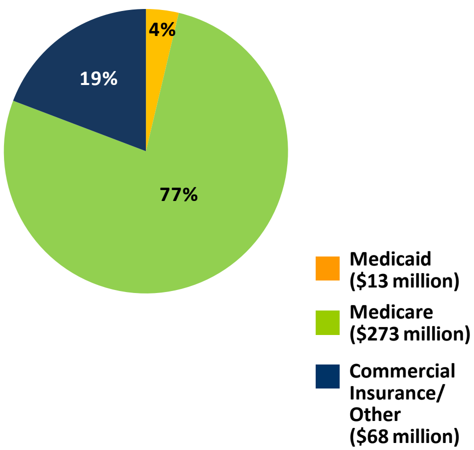
Care Management Division/Kindred At Home $354 million Pro Forma Annualized Revenues(1)

- 209 sites of service in 13 states
- 67 in Kindred's Integrated Care Markets
- 4,940 caregivers serving over 17,000 patients on a daily basis

Business Mix(1)



Revenue Mix(1)



(1) Includes historical results of Senior Home Care acquisition, plus Kindred at Home revenues for the twelve months ended December 31, 2013 (divisional revenues before intercompany eliminations).

- Acquired Senior Home Care which operated 47 home health locations throughout Florida and Louisiana with $143 million in revenue
- Building management team, including sales, clinical operations and IT capabilities to support accelerated expansion
- While implementation of Homecare Homebase IT system contributed to performance issues in 2013, all branches (including Senior Home Care) will be fully operational and standardized by Q1 2014
- Q4 2013 revenues of $66 million

Including our key affiliates:

- Senior Home Care
- IntegraCare
- Professional Healthcare at Home
- Signature Health Services
- Acclaim Hospice and Palliative Care

Preliminary View of Impact on Kindred's Medicare Fee For Service Business (61% of Current Hospital Revenues)

Payment Categories under Current LTAC PPS	Payment Categories under New LTAC Criteria
1. LTAC DRG (with outlier payment) ~ 70% of current cases	1. LTAC DRG (with outlier payment) for defined cases ~ 40% of current cases
2. LTAC Cost (for short stays)	2. LTAC Cost; or
3. IPPS Per Diem (for very short stays)	3. IPPS Per Diem

~ 30% of current cases

"Site Neutral" Rate

~ 60% of current cases

When fully phased-in (Summer 2018), an additional 30% of cases will be paid at the "site neutral" rate under the new criteria, but without the current restraints imposed by the 25-day length of stay requirement.

Kindred Healthcare

Comparison of IPPS and LTAC Per Diem Rates for Top Diagnostic Categories

		IPPS Per Diem	LTAC Per Diem	Percent of Kindred Discharges
1.	Pulmonary Edema	$1,812	$1,722	12.8%
2.	Septicemia	$2,106	$1,569	9.5%
3.	Respiratory Infections	$1,806	$1,610	3.9%
4.	Skin Ulcers	$1,607	$1,338	2.5%
5.	Ventilator < 96 hours	$2,653	$2,061	2.3%
6.	Osteomyletitis	$1,743	$1,411	2.1%
7.	Chronic Obstructive Pulmonary Disease	$1,617	$1,536	1.8%

Subject to effective care management, IPPS per diem rates are at or above LTAC per diem rates for Kindred's most frequent cases and creates a platform for innovative arrangements with managed care payors for a broader range of patients.

2014 Earnings Guidance

($ millions, except statistics)

	As of February 20, 2014		As of November 5, 2013	
	Low	High	Low	High
Operating income	$ 725	$ 742	$ 726	$ 744
Rent	338	338	339	339
Depreciation and amortization	165	165	165	165
Interest, net	106	106	106	106
Income from continuing operations before income taxes	116	133	116	134
Provision for income taxes	45	52	46	53
Income from continuing operations	71	81	70	81
Earnings attributable to noncontrolling interests	(13)	(13)	(12)	(12)
Income from continuing operations attributable to the Company	58	68	58	69
Allocation to participating unvested restricted stockholders	(2)	(2)	(2)	(2)
Available to common stockholders	$ 56	$ 66	$ 56	$ 67
Earnings per diluted share	$ 1.05	$ 1.25	$ 1.05	$ 1.25
Shares used in computing earnings per diluted share	53.2	53.2	53.2	53.2

The earnings guidance excludes the effect of reimbursement changes, severance and retirement costs, litigation costs, transaction-related costs, any further acquisitions or divestitures (except as otherwise noted), any impairment charges and any repurchases of common stock.

Kindred Healthcare

Explanation of Non-GAAP Measures

The enclosed presentation includes financial measures referred to as operating income, or earnings before interest, income taxes, depreciation, amortization and rent. The Company's management uses operating income as a meaningful measure of operational performance in addition to other measures. The Company uses operating income to assess the relative performance of its operating divisions as well as the employees that operate these businesses. In addition, the Company believes this measurement is important because securities analysts and investors use this measurement to compare the Company's performance to other companies in the healthcare industry. The Company believes that income (loss) from continuing operations is the most comparable GAAP measure. Readers of the Company's financial information should consider income (loss) from continuing operations as an important measure of the Company's financial performance because it provides the most complete measure of its performance. Operating income should be considered in addition to, not as a substitute for, or superior to, financial measures based upon GAAP as an indicator of operating performance. A reconciliation of operating income to income (loss) from continuing operations is provided in the enclosed Appendix.

In addition to the results provided in accordance with GAAP, the Company provides information in the enclosed presentation to compute certain non-GAAP measurements for the three months and year ended December 31, 2013 and 2012 before certain charges or on a core basis. The charges that were excluded from core operating results are denoted in the tables in the enclosed Appendix.

The use of these non-GAAP measurements are not intended to replace the presentation of the Company's financial results in accordance with GAAP. The Company believes that the presentation of core operating results provides additional information to investors to facilitate the comparison between periods by excluding certain charges for the three months and year ended December 31, 2013 and 2012 that the Company believes are not representative of its ongoing operations due to the materiality and nature of the charges. The Company's core operating results also represent a key performance measure for the purpose of evaluating performance internally.

The Company also includes the financial measure of free cash flows excluding certain items. The Company recognizes that free cash flows excluding certain items is a non-GAAP measurement and is not intended to replace the presentation of the Company's cash flows in accordance with GAAP. The Company believes that this non-GAAP measurement provides important information to investors related to the amount of discretionary cash flows that are available for other investing and financing activities. In addition, management uses free cash flows excluding certain items in making decisions related to acquisitions, development capital expenditures, dividends, long-term debt repayments and other uses. The Company believes net cash flows provided by operating activities is the most comparable GAAP measure. Readers of the Company's financial information should consider net cash flows provided by operating activities as an important measure of the Company's financial performance because it provides the most complete measure of its performance. Free cash flows excluding certain items should be considered in addition to, not as a substitute for, or superior to, financial measures based upon GAAP as an indicator of operating performance. A reconciliation of net cash flows provided by operating activities to free cash flows excluding certain items is included in the enclosed Appendix.

Reconciliation of Non-GAAP Measures (in thousands)

	2012 Quarters					2013 Quarters				
	First	Second	Third	Fourth	Year	First	Second	Third	Fourth	Year
Revenues:										
Hospital division	$ 679,813	$ 645,714	$ 633,972	$ 645,426	$ 2,604,925	$ 674,363	$ 621,454	$ 606,488	$ 619,344	$ 2,521,649
Nursing center division	274,358	269,986	273,265	274,807	1,092,416	275,141	269,501	270,210	274,908	1,089,760
Rehabilitation division:										
Skilled nursing rehabilitation services	253,370	253,013	252,134	244,485	1,003,002	257,557	248,321	243,974	241,938	991,790
Hospital rehabilitation services	74,369	73,402	71,899	73,910	293,580	74,523	69,777	68,296	74,017	286,613
	327,739	326,415	324,033	318,395	1,296,582	332,080	318,098	312,270	315,955	1,278,403
Care management division	28,432	28,872	35,943	50,093	143,340	51,621	53,039	53,801	66,466	224,927
	1,310,342	1,270,987	1,267,213	1,288,721	5,137,263	1,333,205	1,262,092	1,242,769	1,276,673	5,114,739
Eliminations:										
Skilled nursing rehabilitation services	(27,888)	(27,551)	(27,037)	(26,123)	(108,599)	(29,303)	(29,257)	(28,698)	(28,728)	(115,986)
Hospital rehabilitation services	(24,686)	(24,225)	(23,666)	(24,200)	(96,777)	(24,362)	(23,855)	(23,080)	(22,696)	(93,993)
Nursing centers	(636)	(875)	(861)	(1,006)	(3,378)	(1,213)	(1,001)	(1,161)	(875)	(4,250)
	(53,210)	(52,651)	(51,564)	(51,329)	(208,754)	(54,878)	(54,113)	(52,939)	(52,299)	(214,229)
	$ 1,257,132	$ 1,218,336	$ 1,215,649	$ 1,237,392	$ 4,928,509	$ 1,278,327	$ 1,207,979	$ 1,189,830	$ 1,224,374	$ 4,900,510
Income (loss) from continuing operations:										
Operating income (loss):										
Hospital division	$ 151,784	$ 132,358	$ 131,041	$ 147,041	$ 562,224	$ 150,043	$ 132,170	$ 113,014	$ 127,929 (a)	$ 523,156
Nursing center division	34,067	36,215	38,960	32,016	141,258	29,844	36,678	32,146	36,694	135,362
Rehabilitation division:										
Skilled nursing rehabilitation services	10,679	19,351	16,929	21,001	67,960	12,046	20,297	(8,565)	12,918 (b)	36,696
Hospital rehabilitation services	16,116	17,860	16,977	18,792	69,745	18,132	19,573	18,215	18,005 (c)	73,925
	26,795	37,211	33,906	39,793	137,705	30,178	39,870	9,650	30,923	110,621
Care management division	2,341	2,789	3,645	4,933	13,708	2,786	3,961	1,085	2,131 (d)	9,963
Corporate:										
Overhead	(42,728)	(44,723)	(45,883)	(45,729)	(179,063)	(45,582)	(43,199)	(39,151)	(48,563) (e)	(176,495)
Insurance subsidiary	(482)	(600)	(545)	(500)	(2,127)	(509)	(384)	(482)	(539)	(1,914)
	(43,210)	(45,323)	(46,428)	(46,229)	(181,190)	(46,091)	(43,583)	(39,633)	(49,102)	(178,409)
Impairment charges	(356)	(108)	(376)	(108,113)	(108,953)	(187)	(438)	(441)	(76,127)	(77,193)
Transaction costs	(485)	(597)	(482)	(667)	(2,231)	(944)	(108)	(613)	(447)	(2,112)
Operating income	170,936	162,545	160,266	68,774	562,521	165,629	168,550	115,208	72,001	521,388
Rent	(76,092)	(77,379)	(78,485)	(78,222)	(310,178)	(78,134)	(78,970)	(78,410)	(82,563)	(318,077)
Depreciation and amortization	(39,098)	(40,318)	(40,973)	(42,296)	(162,685)	(42,322)	(39,303)	(37,267)	(38,437)	(157,329)
Interest, net	(26,288)	(26,455)	(26,452)	(27,683)	(106,878)	(28,084)	(27,609)	(24,399)	(23,906)	(103,998)
Income (loss) from continuing operations before income taxes	29,458	18,393	14,356	(79,427)	(17,220)	17,089	22,668	(24,868)	(72,905)	(58,016)
Provision (benefit) for income taxes	12,083	7,820	6,022	3,782	29,707	6,391	9,103	(7,530)	(21,168)	(13,204)
	$ 17,375	$ 10,573	$ 8,334	$ (83,209)	$ (46,927)	$ 10,698	$ 13,565	$ (17,338)	$ (51,737)	$ (44,812)

(a) Includes costs of $0.5 million in connection with the closing of a TC hospital and a litigation charge of $7.0 million.

(b) Includes $0.1 million of severance and retirement costs.

(c) Includes $1.1 million of severance and retirement costs.

(d) Includes $0.1 million of severance and retirement costs.

(e) Includes $2.4 million of severance and retirement costs.

Kindred Healthcare

Reconciliation of Non-GAAP Measures (cont.)

($ in thousands)

	Three months ended December 31, 2013							
		Charges						
	Before charges	Severance and retirement costs	Facility closing costs	Litigation	Impairment charges	Transaction costs	Total	As reported
Income (loss) from continuing operations:								
Operating income (loss):								
Hospital division	$ 135,428	$ -	$ (499)	$ (7,000)	$ -	$ -	$ (7,499)	$ 127,929
Nursing center division	36,694	-	-	-	-	-	-	36,694
Rehabilitation division:								
Skilled nursing rehabilitation services	13,057	(139)	-	-	-	-	(139)	12,918
Hospital rehabilitation services	19,093	(1,088)	-	-	-	-	(1,088)	18,005
	32,150	(1,227)	-	-	-	-	(1,227)	30,923
Care management division	2,206	(75)	-	-	-	-	(75)	2,131
Corporate:								
Overhead	(46,202)	(2,361)	-	-	-	-	(2,361)	(48,563)
Insurance subsidiary	(539)	-	-	-	-	-	-	(539)
	(46,741)	(2,361)	-	-	-	-	(2,361)	(49,102)
Impairment charges	(45)	-	-	-	(76,082)	-	(76,082)	(76,127)
Transaction costs	-	-	-	-	-	(447)	(447)	(447)
Operating income	159,692	(3,663)	(499)	(7,000)	(76,082)	(447)	(87,691)	72,001
Rent	(82,563)	-	-	-	-	-	-	(82,563)
Depreciation and amortization	(38,437)	-	-	-	-	-	-	(38,437)
Interest, net	(23,906)	-	-	-	-	-	-	(23,906)
Income (loss) from continuing operations before income taxes	14,786	(3,663)	(499)	(7,000)	(76,082)	(447)	(87,691)	(72,905)
Provision (benefit) for income taxes	4,064	(1,443)	(202)	(5,455)	(17,803)	(329)	(25,232)	(21,168)
	$ 10,722	$ (2,220)	$ (297)	$ (1,545)	$ (58,279)	$ (118)	$ (62,459)	$ (51,737)

	Three months ended December 31, 2012						
		Charges					
	Before charges	Severance and other	Impairment charges	Transaction costs	Lease cancellation charges	Total	As reported
Income (loss) from continuing operations:							
Operating income (loss):							
Hospital division	$ 147,730	$ (689)	$ -	$ -	$ -	$ (689)	$ 147,041
Nursing center division	33,917	(1,901)	-	-	-	(1,901)	32,016
Rehabilitation division:							
Skilled nursing rehabilitation services	21,318	(317)	-	-	-	(317)	21,001
Hospital rehabilitation services	18,889	(97)	-	-	-	(97)	18,792
	40,207	(414)	-	-	-	(414)	39,793
Care management division	5,083	(150)	-	-	-	(150)	4,933
Corporate:							
Overhead	(44,680)	(1,049)	-	-	-	(1,049)	(45,729)
Insurance subsidiary	(500)	-	-	-	-	-	(500)
	(45,180)	(1,049)	-	-	-	(1,049)	(46,229)
Impairment charges	(214)	-	(107,899)	-	-	(107,899)	(108,113)
Transaction costs	-	-	-	(667)	-	(667)	(667)
Operating income	181,543	(4,203)	(107,899)	(667)	-	(112,769)	68,774
Rent	(78,046)	-	-	-	(176)	(176)	(78,222)
Depreciation and amortization	(42,296)	-	-	-	-	-	(42,296)
Interest, net	(27,683)	-	-	-	-	-	(27,683)
Income (loss) from continuing operations before income taxes	33,518	(4,203)	(107,899)	(667)	(176)	(112,945)	(79,427)
Provision for income taxes	11,955	(1,673)	(6,150)	(273)	(77)	(8,173)	3,782
	$ 21,563	$ (2,530)	$ (101,749)	$ (394)	$ (99)	$ (104,772)	$ (83,209)

Reconciliation of Non-GAAP Measures (Cont.)

($ in thousands)

	Year ended December 31, 2013									
		Charges								
	Before charges	One-time bonus	Severance and retirement costs	Facility closing costs	Litigation	Impairment charges	Transaction costs	Senior debt modification charges	Total	As reported
Income (loss) from continuing operations:										
Operating income (loss):										
Hospital division	$ 544,879	$ (7,997)	$ -	$ (6,026)	$ (7,700)	$ -	$ -	$ -	$ (21,723)	$ 523,156
Nursing center division	140,132	(4,706)	-	(64)	-	-	-	-	(4,770)	135,362
Rehabilitation division:										
Skilled nursing rehabilitation services	65,037	(5,052)	(139)	-	(23,150)	-	-	-	(28,341)	36,696
Hospital rehabilitation services	76,556	(1,255)	(1,376)	-	-	-	-	-	(2,631)	73,925
	141,593	(6,307)	(1,515)	-	(23,150)	-	-	-	(30,972)	110,621
Care management division	11,924	(833)	(676)	(452)	-	-	-	-	(1,961)	9,963
Corporate:										
Overhead	(172,355)	(315)	(3,366)	-	-	-	-	(459)	(4,140)	(176,495)
Insurance subsidiary	(1,914)	-	-	-	-	-	-	-	-	(1,914)
	(174,269)	(315)	(3,366)	-	-	-	-	(459)	(4,140)	(178,409)
Impairment charges	(1,111)	-	-	-	-	(76,082)	-	-	(76,082)	(77,193)
Transaction costs	-	-	-	-	-	-	(2,112)	-	(2,112)	(2,112)
Operating income	663,148	(20,158)	(5,557)	(6,542)	(30,850)	(76,082)	(2,112)	(459)	(141,760)	521,388
Rent	(318,077)	-	-	-	-	-	-	-	-	(318,077)
Depreciation and amortization	(157,329)	-	-	-	-	-	-	-	-	(157,329)
Interest, net	(102,537)	-	-	-	-	-	-	(1,461)	(1,461)	(103,998)
Income (loss) from continuing operations before income taxes	85,205	(20,158)	(5,557)	(6,542)	(30,850)	(76,082)	(2,112)	(1,920)	(143,221)	(58,016)
Provision (benefit) for income taxes	30,870	(7,932)	(2,186)	(2,312)	(12,139)	(17,803)	(947)	(755)	(44,074)	(13,204)
	$ 54,335	$ (12,226)	$ (3,371)	$ (4,230)	$ (18,711)	$ (58,279)	$ (1,165)	$ (1,165)	$ (99,147)	$ (44,812)

	Year ended December 31, 2012							
		Charges						
	Before charges	Severance and other	Litigation	Impairment charges	Transaction costs	Lease cancellation charges	Total	As reported
Income (loss) from continuing operations:								
Operating income (loss):								
Hospital division	$ 571,448	$ (4,224)	$ (5,000)	$ -	$ -	$ -	$ (9,224)	$ 562,224
Nursing center division	144,069	(2,811)	-	-	-	-	(2,811)	141,258
Rehabilitation division:								
Skilled nursing rehabilitation services	68,313	(353)	-	-	-	-	(353)	67,960
Hospital rehabilitation services	69,853	(108)	-	-	-	-	(108)	69,745
	138,166	(461)	-	-	-	-	(461)	137,705
Care management division	13,858	(150)	-	-	-	-	(150)	13,708
Corporate:								
Overhead	(177,979)	(1,084)	-	-	-	-	(1,084)	(179,063)
Insurance subsidiary	(2,127)	-	-	-	-	-	-	(2,127)
	(180,106)	(1,084)	-	-	-	-	(1,084)	(181,190)
Impairment charges	(1,054)	-	-	(107,899)	-	-	(107,899)	(108,953)
Transaction costs	-	-	-	-	(2,231)	-	(2,231)	(2,231)
Operating income	686,381	(8,730)	(5,000)	(107,899)	(2,231)	-	(123,860)	562,521
Rent	(308,487)	-	-			(1,691)	(1,691)	(310,178)
Depreciation and amortization	(162,685)	-	-	-	-	-	-	(162,685)
Interest, net	(106,878)	-	-	-	-	-	-	(106,878)
Income (loss) from continuing operations before income taxes	108,331	(8,730)	(5,000)	(107,899)	(2,231)	(1,691)	(125,551)	(17,220)
Provision for income taxes	42,502	(3,427)	(1,962)	(6,150)	(592)	(664)	(12,795)	29,707
	$ 65,829	$ (5,303)	$ (3,038)	$ (101,749)	$ (1,639)	$ (1,027)	$ (112,756)	$ (46,927)

Kindred Healthcare

Reconciliation of Non-GAAP Measures (Cont.)

($ in thousands)

	Three months ended December 31, 2013	Three months ended December 31, 2012	Year ended December 31, 2013	Year ended December 31, 2012
Detail of charges:				
One-time bonus costs	$ -	$ -	($20,158)	$ -
Severance, retirement and other costs	(3,663)	(4,203)	(6,016)	(8,730)
Costs associated with the closing of a TC hospital and a home health location	(499)	-	(6,542)	-
Litigation	(7,000)	-	(30,850)	(5,000)
Transaction costs	(447)	(667)	(2,112)	(2,231)
Impairment charges	(76,082)	(107,899)	(76,082)	(107,899)
Lease cancellation charges (rent expense)	-	(176)	-	(1,691)
Senior debt modification charges (interest expense)	-	-	(1,461)	-
	(87,691)	(112,945)	(143,221)	(125,551)
Income tax benefit	25,232	8,173	44,074	12,795
Charges net of income taxes	(62,459)	(104,772)	(99,147)	(112,756)
Allocation to participating unvested restricted stockholders	-	-	-	-
Available to common stockholders	($62,459)	($104,772)	($99,147)	($112,756)
Weighted average diluted shares outstanding	52,344	51,692	52,249	51,659
Diluted loss per common share related to charges	($1.19)	($2.03)	($1.90)	($2.18)
Reconciliation of operating income before charges:				
Operating income before charges	$159,692	$181,543	$663,148	$686,381
Detail of charges excluded from core operating results:				
One-time bonus costs	-	-	(20,158)	-
Severance, retirement and other costs	(3,663)	(4,203)	(6,016)	(8,730)
Costs associated with the closing of a TC hospital and a home health location	(499)	-	(6,542)	-
Litigation	(7,000)	-	(30,850)	(5,000)
Transaction costs	(447)	(667)	(2,112)	(2,231)
Impairment charges	(76,082)	(107,899)	(76,082)	(107,899)
	(87,691)	(112,769)	(141,760)	(123,860)
Reported operating income	$72,001	$68,774	$521,388	$562,521
Reconciliation of income from continuing operations before charges:				
Amounts attributable to Kindred stockholders:				
Income from continuing operations before charges	$8,317	$20,773	$50,678	$64,786
Charges net of income taxes	(62,459)	(104,772)	(99,147)	(112,756)
Reported loss from continuing operations	($54,142)	($83,999)	($48,469)	($47,970)
Reconciliation of diluted income per common share from continuing operations before charges:				
Diluted income per common share before charges (a)	$0.15	$0.39	$0.94	$1.22
Charges net of income taxes	(1.19)	(2.03)	(1.90)	(2.18)
Other	-	0.02	0.03	0.03
Reported diluted loss per common share from continuing operations	($1.04)	($1.62)	($0.93)	($0.93)
Weighted average diluted shares used to compute diluted income per common share from continuing operations before charges	52,461	51,984	52,315	51,815

(a) For purposes of computing diluted earnings per common share before charges, income from continuing operations before charges was reduced by $0.3 million and $0.6 million for the three months ended December 31, 2013 and 2012, respectively, and $1.6 million and $1.5 million for the year ended December 31, 2013 and 2012, respectively, for the allocation of income to participating unvested restricted stockholders.

Kindred Healthcare

Reconciliation of Non-GAAP Measures (Cont.)

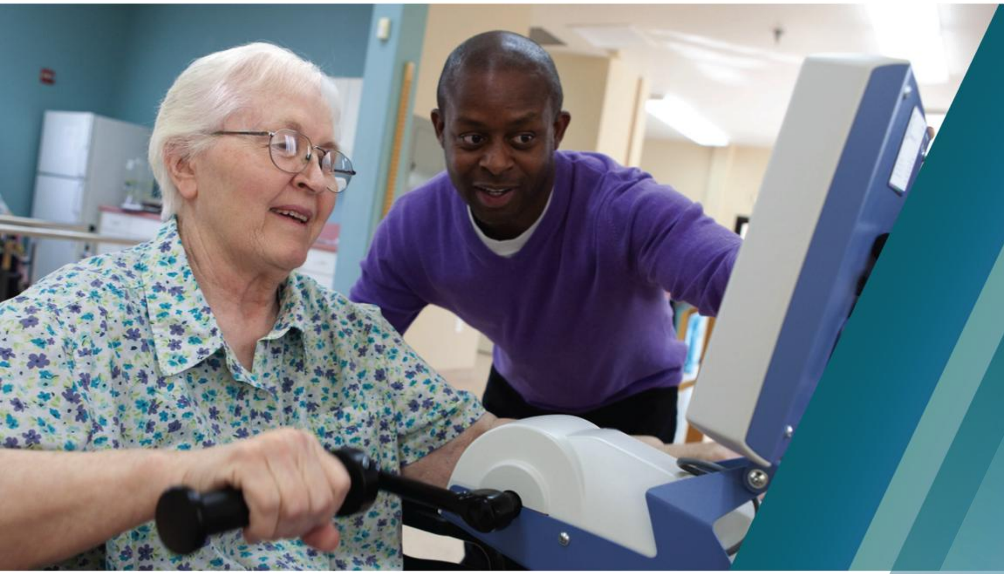
($ in thousands)

	Three months ended December 31,		Year ended December 31,	
	2013	2012	2013	2012
Reconciliation of net cash flows provided by operating activities to free cash flows:				
Net cash flows provided by operating activities	**$10,195**	$71,475	**$199,412**	$262,562
Less:				
Routine capital expenditures	**(37,956)**	(38,371)	**(100,908)**	(115,175)
Development capital expenditures	**(1,115)**	(12,147)	**(11,824)**	(50,322)
	(39,071)	(50,518)	**(112,732)**	(165,497)
Free cash flows including certain items	**(28,876)**	20,957	**86,680**	97,065
Adjustments to remove certain payments (including payments made for discontinued operations) included in net cash flows provided by operating activities:				
One-time employee bonus	**-**	-	**26,345**	-
Ventas lease termination fee	**20,000**	-	**20,000**	-
Transaction costs	**1,877**	932	**10,427**	3,404
Severance and retention	**617**	1,715	**5,406**	3,719
Lease cancellation	**-**	176	**-**	1,691
Financing costs capitalized as deferred financing	**-**	2,940	**6,189**	2,940
Benefit of reduced income tax payments resulting from certain payments	**(9,018)**	(922)	**(24,667)**	(3,244)
	13,476	4,841	**43,700**	8,510
Free cash flows excluding certain items	**($15,400)**	$25,798	**$130,380**	$105,575

Kindred Healthcare

Investor Presentation

March 2014



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