

Kindred Healthcare, Inc.
Reconciliation of Non-GAAP Measures

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 from continuing operations is the most comparable measure, in relation to generally accepted accounting principles, to operating income. Readers of the Company's financial information should consider income 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 generally accepted accounting principles as an indicator of operating performance.

A reconciliation of operating income by division to consolidated income from continuing operations is provided below (in millions, except per share amounts):

	Year ended December 31,					First	First
	2004	2005	2006	2007	2008	Quarter 2008	Quarter 2009
Operating income (loss):							
Hospital division	\$328	\$420	\$383	\$365	\$346	\$97	\$101
Health services division	208	211	242	297	327	74	76
Rehabilitation division	32	32	30	34	38	11	15
Pharmacy division	37	57	49	18	-	-	-
Corporate:							
Overhead	(124)	(135)	(157)	(168)	(133)	(35)	(34)
Insurance subsidiary	(7)	(10)	(7)	(7)	(7)	(1)	(1)
	(131)	(145)	(164)	(175)	(140)	(36)	(35)
Reorganization items	-	2	-	-	-	-	-
Operating income	474	577	540	539	571	146	157
Rent	(235)	(250)	(294)	(344)	(345)	(85)	(87)
Depreciation and amortization	(83)	(96)	(116)	(120)	(122)	(31)	(31)
Interest, net	(7)	3	1	(1)	(8)	(2)	(1)
Income before income taxes	149	234	131	74	96	28	38
Provision for income taxes	61	94	52	34	37	11	16
Income from continuing operations	<u>\$88</u>	<u>\$140</u>	<u>\$79</u>	<u>\$40</u>	<u>\$59</u>	<u>\$17</u>	<u>\$22</u>