DaVita Inc. Reports 4th Quarter 2001 Results

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DaVita Inc. today announced results for the period ended December 31, 2001. Continental U.S. EBITDA (earnings before interest, taxes, depreciation and amortization) for the fourth guarter was \$96 million. Net earnings were \$29.5 million or \$0.33 per share. These results exclude cash recoveries associated with accounts receivable reserved in 1999. Including the recoveries, consolidated net earnings for the quarter were \$32.6 million or \$0.36 per share.

Continental U.S. EBITDA for the twelve months ended December 31, 2001 was \$366 million. Net earnings were \$102 million or \$1.14 per share. These results exclude cash settlements and recoveries related to prior years and an extraordinary gain. Including the settlements and recoveries and extraordinary gain, consolidated net earnings for the year were \$137 million or \$1.52 per share.

Financial and operating highlights include:

- -- Continental U.S. dialysis revenue per treatment (excluding lab, management fees and other revenue) in the fourth quarter was \$283.19 compared to \$280.16 in the third quarter, a 1.1% increase.
- -- Operating cash flow for the guarter was \$26 million, reflecting changes in working capital that included a \$17 million reduction in current liabilities and an increase in accounts receivable of \$16 million. For the twelve months ended December 31, 2001 operating cash flow was \$273 million.
- -- Continental U.S. DSO at quarter end was 72 days.
- -- Total continental U.S. treatments for the fourth quarter were 1,481,958. Both non-acquired and same center treatment growth were
- -- Fourth quarter cash recoveries associated with accounts receivable reserved in 1999 were \$5.1 million.
- -- At December 31, 2001 we operated 493 outpatient centers in the continental U.S. serving 43,000 patients. During the quarter we closed three under-performing centers and opened two de novo centers. Included in our continental patient and center count are 3,300 patients in 32 centers under management.

DaVita will hold a conference call to discuss its fourth quarter 2001 results on Wednesday, February 27, 2002 at 12:30 p.m. Eastern Time. We have included supplemental information as an attachment to this release, which we will refer to in our call. The dial-in number is 800-399-4406. A replay of the conference call will be available on DaVita's official web site, http://www.davita.com/, for the following 30 days.

This release contains forward-looking statements. Factors which could impact future results include the uncertainties associated with governmental regulation, general economic and other market conditions, and the risk factors set forth in the Company's SEC filings, including its Form 10-Q for the quarter ended September 30, 2001. The forward-looking statements should be considered in light of these risks and uncertainties. These risks include those relating to possible reductions in private and government reimbursement rates, the concentration of profits generated from PPO and private indemnity patients and from ancillary services including the administration of pharmaceuticals, the ongoing payment suspension and review of the Company's Florida laboratory subsidiary by its Medicare carrier and the Department of Justice, the ongoing review by the Civil Division of the US Attorney's Office for the Eastern District of Pennsylvania and the Company's ability to maintain contracts with physician medical directors.

DAVITA INC.

CONSOLIDATED BALANCE SHEETS (dollars in thousands, except per share data)

> December 31, 2000

ASSETS

Cash and cash equivalents Accounts receivable, less allowance of \$52,475 and \$61,619

\$36,711 \$31,207

333,546 290,412 Inventories 34,901 20,641 10,293 Other current assets 9,364 2,830 Income taxes receivable 60,142 42,492 Deferred income taxes 397,875 Total current assets 474,664 Property and equipment, net 252.778 236.659 Intangible assets, net 928,868 921,623 Investments in third-party dialysis businesses 34,194 4,346 Other long-term assets 2,027 1,979 Deferred income taxes 4,302 \$1,662,683 \$1,596,632

LIABILITIES AND SHAREHOLDERS' EQUITY

Accounts payable \$74,630 \$74,882 Other liabilities 111,164 102,563 Accrued compensation and benefits 88.826 70.406 Current portion of long-term debt 9,034 1,676 Income taxes payable 15,027 Total current liabilities 298,681 249,527 Long-term debt 811,190 974,006

Other long-term liabilities 5.012 4,855 Deferred income taxes 23,441 Minority interests 20,722 18,876

Commitments and contingencies

Shareholders' equity:

Preferred stock (\$0.001 par value;

5,000,000 shares authorized; none issued

or outstanding)

Common stock (\$0.001 par value; 195,000,000

shares authorized; 85,409,037 and

82,135,634 shares issued) 85 82 Additional paid-in capital 430,676 467,904 Notes receivable from shareholders (83)Retained earnings (deficit) 56,008 (81,307)Treasury stock, at cost (888,700 shares) (20,360)Total shareholders' equity 503,637 349,368 \$1,662,683 \$1,596,632

DAVITA INC.

CONSOLIDATED STATEMENTS OF INCOME (in thousands, except per share data)

For the quarters ended For the years ended December 31, December 31, 2001 2000 2001 2000

Net revenues: Current period

\$429,657 \$372,746 \$1,628,753 \$1,486,302 services

Prior period

services 22,000

Operating expenses:

Dialysis centers

290,881 256,407 1,100,652 and labs 1,032,153 General and 30,164 129,194 123,624

administrative 33,814

Depreciation and 26,156 27,290 105,209 111,605

amortization

Provision for

uncollectible

accounts 3,580 7.094 (2,294)39,649 Impairments and

valuation adjustments 142 4,556

Total operating

354,431 321,097 1,332,761 expenses 1,311,587 Operating income 75,226 51,649 317,992 174,715

Other income (loss),

1,970 net 320 4,644 (7,201)

15,680 Debt expense 22,620 72,438 116,637

Minority interests in income of consolidated

subsidiaries (2,408)(2,774)(9,260)(5,942)

Income before income

taxes and extraordinary items 57,458 28,225 240,938 44,935 Income tax expense 24,900 12,892 104,600 27,960 Income before						
extraordinary items 32,558 15,333 136,338 16,975 Extraordinary gain (loss) related to early extinguishments of debt, net of tax of \$(652) and						
\$2,222 977 (3,490) Net income \$32,558 \$15,333 \$137,315 \$13,485						
Basic earnings per common share: Income before extraordinary items \$0.38 \$0.19 \$1.63 \$0.21						
Extraordinary gain (loss), net of tax Net income \$0.38 \$0.19 \$1.64 \$0.17						
Weighted average number of common shares outstanding 84,650 81,858 83,768 81,581						
Diluted earnings per common share: Income before						
extraordinary items \$0.36 \$0.18 \$1.51 \$0.20 Extraordinary gain						
(loss), net of tax 0.01 (0.04) Net income \$0.36 \$0.18 \$1.52 \$0.16						
Weighted average number of common and						
incremental shares outstanding 93,634 85,625 103,454 83,157						
DAVITA INC.						
SUPPLEMENTAL FINANCIAL DATA						
Q4 and YTD Results: Q4 2001 Q3 2001 Q4 2000 YE 2001 Net Earnings, before recoveries and extraordinary						
item (in 000's) \$29,500 \$28,000 \$15,300 \$102,100 Basic EPS \$0.35 \$0.33 \$0.19 \$1.22 EPS assuming						
dilution \$0.33 \$ 0.31 \$ 0.18 \$1.14						
EBITDA, before recoveries Consolidated						
(in 000's) \$96,300 \$96,000 \$79,000 \$366,000 Continental U.S (in 000's). \$96,000 \$95,600 \$79,500 \$366,200						
Operating margin 22.5% 23.4% 21.5% 22.7% Business Metrics						
(Continental U.S.): Category #1 Volume Treatments 1,481,958 1,432,453 1,352,277 5,690,199 Per day						
sequential increase 1.4% 1.6% 0.7% Per day year						
over year increase 8.4% 7.6% 4.2% 6.6%						
Same center growth 4.6% 4.1% 3.4% 3.7%						
Non-acquired growth 4.6% 4.1% 3.5% 3.9%						

Category #2 Reve excluding recover Continental reven	ies			
(in 000's) \$4	126,000	\$408,000	\$369,000	\$1,613,000
Per treatment Per treatment increase from	\$283.19	\$280.16	\$266.51	\$278.46
previous quarter	1.1%	1.6%	2.3%	
Category #3 Expe A. Operating expe	enses	07.10/	60.40/	67.00/
revenue Per treatment Per treatment increase from previous	67.5% \$194.03	67.1% \$191.13	68.4% \$186.46	67.3% \$190.90
quarter	1.5%	0.6%	2.3%	
B. General & Adn Percent of	ninistrative	•		
revenue Per treatment Per treatment increase from previous	7.9% \$22.82	7.6% \$21.75	8.2% \$22.31	8.0% \$22.70
quarter	4.9%	(5.4%)	0.5%	
C. Bad debt expe as a percent of revenue	nse 2.0%	1.9%	1.9%	2.0%
D. Effective tax	3.3%	43.4%	45.7%	43.4%
Category #4 Cash (Consolidated, in 0 Operating cash flow \$2! Free cash flow (before acquisitic and developmen	000's) 6,000 \$ on	\$112,000	\$113,000	\$273,000
	\$12,000	\$105,000	\$109,000	\$240,000
Development Routine maintena	\$8,300	\$4,800	\$7,800	\$20,100
other \$1 Acquisition	3,600	\$7,100	\$4,400	\$32,700
expenditures, ne	et	\$12,100	\$12,700	\$36,300
Category #5 Acco Receivable Net receivables (in 000's) \$3	unts 325,000	\$309,000	\$283,000	
DSO	72	71 7	'3	
Category #6 Debty Structure (Consol Total debt (in 000's) \$8		\$820,000	\$976,000	
Net debt, net of cash (in 000's)	\$784,000			10
LQA leverage rati		\$775,000 2.0x	3.0x	
Category #7 Clinic Dialysis adequacy - % of patients				
with URR>65	87%	86%	88%	
Dialysis adequacy	/			
 - % of patients with Kt/V > 1.2 Anemia measure - % of patients 	90%	N/A	N/A	

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