

DaVita Inc. Reports 4th Quarter 2001 Results

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TORRANCE, Calif.

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 quarter 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 quarter 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 4.6%.
- 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,	
	2001	2000
ASSETS		
Cash and cash equivalents	\$36,711	\$31,207
Accounts receivable, less allowance of \$52,475 and \$61,619	333,546	290,412

Inventories	34,901	20,641
Other current assets	9,364	10,293
Income taxes receivable		2,830
Deferred income taxes	60,142	42,492
Total current assets	474,664	397,875
Property and equipment, net	252,778	236,659
Intangible assets, net	928,868	921,623
Investments in third-party dialysis businesses	4,346	34,194
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	467,904	430,676
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				
services	\$429,657	\$372,746	\$1,628,753	\$1,486,302
Prior period				
services		22,000		
Operating expenses:				
Dialysis centers				
and labs	290,881	256,407	1,100,652	1,032,153
General and				
administrative	33,814	30,164	129,194	123,624
Depreciation and				
amortization	26,156	27,290	105,209	111,605
Provision for				
uncollectible				
accounts	3,580	7,094	(2,294)	39,649
Impairments and				
valuation adjustments		142		4,556
Total operating				
expenses	354,431	321,097	1,332,761	1,311,587
Operating income	75,226	51,649	317,992	174,715
Other income (loss),				
net	320	1,970	4,644	(7,201)
Debt expense	15,680	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		0.01	(0.04)	
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 Revenue,
excluding recoveries
Continental revenue
(in 000's) \$426,000 \$408,000 \$369,000 \$1,613,000

Per treatment \$283.19 \$280.16 \$266.51 \$278.46
Per treatment
increase from
previous quarter 1.1% 1.6% 2.3% --

Category #3 Expenses

A. Operating expenses

Percent of
revenue 67.5% 67.1% 68.4% 67.3%
Per treatment \$194.03 \$191.13 \$186.46 \$190.90
Per treatment
increase from
previous
quarter 1.5% 0.6% 2.3% --

B. General & Administrative

Percent of
revenue 7.9% 7.6% 8.2% 8.0%
Per treatment \$22.82 \$21.75 \$22.31 \$22.70
Per treatment
increase from
previous
quarter 4.9% (5.4%) 0.5% --

C. Bad debt expense

as a percent
of revenue 2.0% 1.9% 1.9% 2.0%

D. Effective tax

rate 43.3% 43.4% 45.7% 43.4%

Category #4 Cash Flow

(Consolidated, in 000's)

Operating cash
flow \$26,000 \$112,000 \$113,000 \$273,000
Free cash flow
(before acquisition
and development
spending) \$12,000 \$105,000 \$109,000 \$240,000
Capital expenditures:
Development \$8,300 \$4,800 \$7,800 \$20,100
Routine maintenance/
other \$13,600 \$7,100 \$4,400 \$32,700
Acquisition
expenditures, net -- \$12,100 \$12,700 \$36,300

Category #5 Accounts

Receivable

Net receivables

(in 000's) \$325,000 \$309,000 \$283,000
DSO 72 71 73

Category #6 Debt/Capital

Structure (Consolidated)

Total debt

(in 000's) \$820,000 \$820,000 \$976,000

Net debt, net of

cash (in 000's) \$784,000 \$775,000 \$944,000

LQA leverage ratio 2.0x 2.0x 3.0x

Category #7 Clinical

Dialysis adequacy

- % of patients
with URR>65 87% 86% 88%

Dialysis adequacy

- % of patients
with Kt/V > 1.2 90% N/A N/A

Anemia measure

- % of patients
with HCT > 33 79% 78% 78%

Gross mortality 18.2% N/A N/A

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