## DaVita Inc. Reports 3rd Quarter Results

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DaVita Inc., formerly Total Renal Care Holdings, Inc., today announced results for the quarter ended September 30, 2000. Net earnings were \$13.2 million, or \$0.16 per share, excluding the previously announced extraordinary loss relating to the restructuring of our term loan. Continental U.S. EBITDA, earnings before interest, taxes, depreciation and amortization for the third quarter was \$76.7 million.

Quarterly financial highlights include:

- -- Continental U.S. dialysis revenue per treatment (excluding lab, management fees and other revenue) in the third quarter was \$260.41 as compared to \$249.23 in the second quarter, or a 4.5% increase. Continental U.S. DSO at quarter end was 77 days, including Florida Medicare laboratory receivables. This represents a 3-day improvement from the second quarter.
- -- The continental U.S. EBITDA margin for the third quarter was 21.4%. Net cash provided by operations for the three and nine months ended September 30, 2000 was \$84 million and \$195 million, respectively. -- As of the date of this release our leverage ratio (the ratio of net debt to EBITDA) is 3.2x, down from 5.5x at the beginning of the year. Total continental U.S. treatments for the third quarter were 1,347,970. Non-acquired treatment growth was 5.7%, which included same center treatment growth of 4.8%.
- -- At September 30, 2000 we operated 487 outpatient centers in the continental U.S. serving over 41,000 patients. During the quarter we sold 1 center and closed 1 under-performing center. Included in our continental patient and facility count are 4,700 patients in 55 centers under management. We also provide acute hemodialysis services to inpatients at approximately 290 hospitals.

Kent Thiry, Chairman and CEO stated, "The DaVita team worked hard to meet, and in several cases exceed, the expectations of each of our stakeholders. Although we still have a material number of poor contracts and an extensive need to build fundamental infrastructure, our team is relentlessly pursuing operational excellence."

Specifics of the third quarter charges and other developments:

- -- As a result of the restructuring of our revolving and term loan credit facilities in July 2000, we wrote-off certain financing costs reflected in the third quarter financial statements as a \$3.5 million extraordinary loss, net of tax, and additional debt expense of \$1.2 million pre-tax, or \$0.01 per share after-tax.
- -- In the third quarter we have ceased recognizing Medicare revenue from services provided at our Florida laboratory. This policy does not reflect a change in our determination that the tests performed are medically justified and should ultimately be reimbursed. Our decision is based solely on the fact that we have not been paid for services rendered in over two years and we are uncertain when we will achieve resolution of this matter.
- -- In October the United States District Court entered a Final Judgment approving the Stipulation of Settlement that DaVita previously entered into with the plaintiffs in the consolidated securities class actions that were filed against Total Renal Care and several of its former officers in February 1999. As a result of the Final Judgment, the class actions are dismissed and the litigation is over. DaVita's portion of the settlement was funded and recorded in the second quarter of 2000.

This release contains forward-looking statements regarding the Company's expected third quarter results and ability to sustain those results. Actual results could differ materially from these forward-looking statements. Factors which could cause or contribute to such differences 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 June 30, 2000. These risks include (1) possible changes in private and government reimbursement rates, (2) the concentration

of profits generated from private indemnity patients, (3) the ongoing payment suspension and review of the Company's Florida laboratory subsidiary by its Medicare carrier and the Department of Justice, (4) its ability to maintain contracts with physician medical directors and (5) the risks relating to the large amount and terms of the Company's outstanding debt. The forward-looking statements should be considered in light of these risks and uncertainties.

## DAVITA INC.

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

Three months ended
September 30,
September 30,
2000 1999 2000 1999

Net operating revenues \$362,535 \$367,168 \$1,113,556 \$1,072,231 Operating expenses
Dialysis and lab facilities 248,734 250,433 775,746 730,621

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Depreciation and

amortization 26,927 28,956 84,315 82,104

Provision for uncollectible

accounts 7,048 17,002 32,555 63,187

Impairments and valuation

adjustments 2,945 4,414 19,545

Total operating expenses 312,629 332,061 990,490 981,349 Operating income 35,107 123,066 90,882 49,906 Other income (loss) 1,241 (9,171)1,418 78,391 Debt expense 26,370 30,184 94,017

Minority interests in income

of consolidated subsidiaries (1,147) (1,586) (3,168) (6,425) Income before income taxes 23,807 4,578 16,710 10,571

Income tax expense 10,657 2,319 15,068 7,163

Income before extraordinary

item 13,150 2,259 1,642 3,408

Extraordinary loss related

to early extinguishment of

debt, net of tax of \$2,222 3,490 3,490

Net income (loss) \$ 9,660 \$2,259 \$(1,848) \$3,408

Earnings (loss)

per common share:

Income before

extraordinary item \$0.16 \$0.03 \$0.02 \$0.04

Extraordinary loss,

net of tax (0.04) (0.04)

Net income (loss) \$0.12 \$0.03 \$(0.02) \$0.04

Earnings (loss) per common

share-assuming dilution:

Income before

extraordinary item \$0.16 \$0.03 \$0.02 \$0.04

Extraordinary loss,

net of tax (0.04) (0.04)

Net income (loss) \$0.12 \$0.03 \$(0.02) \$0.04

Supplemental Information:

Earnings pre common share - assuming dilution and

excluding the financing

costs write-off \$0.17

DAVITA INC.

CONSOLIDATED BALANCE SHEETS (in thousands except per share data)

September 30, December 31, 2000 1999

**ASSETS** 

 Cash and cash equivalents
 \$38,574
 \$107,981

 Accounts receivable
 302,640
 390,329

Inventories 37,425 32,916 17,090 32,082 Other current assets 45,645 Income tax receivable Deferred income taxes 53,433 45,795 Total current assets 449,162 654,748 Property and equipment, net 241.381 285.449 Intangible assets, net 940,083 1,069,672 Investments in third-party dialysis businesses 32,988 35,552 Deferred income taxes 5,495 6,553 2,174 4,744 Other long-term assets \$1,671,283 \$2,056,718

## LIABILITIES AND SHAREHOLDERS' EQUITY

Accounts payable \$69,488 \$121,561 Accrued compensation and benefits 64.465 47,647 Other liabilities 97,024 77,141 48,907 Current portion of long-term debt 26,585 Income taxes payable 5,320 Long-term debt potentially callable under covenant provisions 1.425.610 Total current liabilities 285,204 1,698,544 Long-term debt, less \$0 and \$1,425,610 potentially callable classified as current 1,033,635 5,696 Other long-term liabilities 4,960 3,497 Minority interests 16,801 22,577 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; 81,722,612 and 81,193,011 shares 82 issued and outstanding) 81 Additional paid-in capital 427,404 426.025 Notes receivable from shareholders (163)(192)(4,718)Accumulated other comprehensive loss Accumulated deficit (96,640)(94,792)Total shareholders' equity 330,683 326,404 \$1,671,283 \$2,056,718

SOURCE: DaVita Inc

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