DaVita Inc. Reports 3rd Quarter 2001 Results

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DaVita Inc. today announced results for the period ended September 30, 2001. Continental U.S. EBITDA (earnings before interest, taxes, depreciation and amortization) for the third quarter was \$95.6 million. Net earnings were \$28 million or \$0.31 per share. These results exclude cash settlements and recoveries related to prior years.

Including the recoveries, net earnings for the quarter were \$44.3 million or \$0.47 per share.

Financial and operating highlights include:

- Continental U.S. dialysis revenue per treatment (excluding lab, management fees and other revenue) in the third quarter was \$280.16 compared to \$275.87 in the second quarter, a 1.6% increase.
- -- Operating cash flow for the three months and nine months ended September 30, 2001 was \$112 million and \$247 million, respectively.
- -- Continental U.S. DSO at quarter end was 71 days compared to 68 days at the end of the second quarter.
- -- Total continental U.S. treatments for the third quarter were 1,432,453. Both non-acquired and same center treatment growth were 4.1%.
- -- Third quarter cash settlements and recoveries for 2000 net revenue were \$22 million.
- Third quarter cash recoveries associated with accounts receivable reserved in 1999 were \$5.2 million. The third quarter cash recoveries associated with prior years' services reflect collections in excess of prior estimates due to continued improvements in the Company's billing and collecting operations.
- -- At September 30, 2001 we operated 492 outpatient centers in the continental U.S. serving 42,000 patients. During the quarter we closed one under-performing center, opened two de novo centers and acquired eight centers. We previously managed five of the acquired centers. Included in our continental patient and center count are 3,200 patients in 30 centers under management.

DaVita will hold a conference call to discuss its third quarter 2001 results on Monday, November 5, 2001 at noon Eastern time. The dial-in number is 800-399-4406. A replay of the conference call will be available on DaVita's official web page, 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 June 30, 2001. 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. The forward-looking statements should be considered in light of these risks and uncertainties.

DAVITA INC.
CONSOLIDATED BALANCE SHEETS
(unaudited)
(dollars in thousands, except per share data)

September 30, December 31, 2001 2000

ASSETS

 Cash and cash equivalents
 \$45,255
 \$31,207

 Accounts receivable, less allowance of
 \$48,757 and \$61,619
 318,035
 290,412

 Inventories
 33,173
 20,641

 Other current assets
 7,852
 10,293

2,830 Income taxes receivable 51,789 Deferred income taxes 42,492 456,104 397,875 Total current assets Property and equipment, net 246,031 236,659 943,558 921,623 Intangible assets, net Investments in third-party dialysis businesses 5,093 34,194 Other long-term assets 2,307 1,979 Deferred income taxes 4.302 \$1,653,093 \$1,596,632

LIABILITIES AND SHAREHOLDERS' EQUITY

\$80,325 \$74,882 Accounts payable Other current liabilities 121,666 102,563 Accrued compensation and benefits 85,732 70,406 Current portion of long-term debt 6,432 1,676 Income taxes payable 19.485 Total current liabilities 313,640 249,527 Long-term debt 813,977 974,006 Other long-term liabilities 5,212 4,855 Deferred income taxes 21,509 Minority interests 21,121 18,876 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; 84,577,090 and 82,135,634 shares 85 82 issued and outstanding) Additional paid-in capital 430,676 456,593 Notes receivable from shareholders (83)Treasury stock, at cost (126,000 shares) (2,494)Retained earnings (deficit) 23,450 (81,307)Total shareholders' equity 477,634 349,368 \$1,653,093 \$1,596,632

DAVITA INC. CONSOLIDATED STATEMENTS OF INCOME (unaudited)

(dollars in thousands, except per share data)

Three months ended Nine months ended September 30, September 30, 2001 2000 2001 2000

Net operating revenues: Current period services \$412,239

\$ 362,535 \$1,199,096 \$1,113,556

Prior period

22,000 services 22,000

Operating expenses: Dialysis centers

and labs 277,252 248,734 General and administrative 31,150 29,920

95,380 93,460 Depreciation and

amortization

26,281 26,927 79,053 84,315

Provision for uncollectible

accounts 2,689 7,048 (5,874)32,555

Impairment and valuation adjustments

4,414

809,771

775,746

Total operating

990,490 expenses 337,372 312,629 978,330 Operating income 96,867 49,906 242,766 123,066

Other income (loss),

1,418 4,324 net 1,856 (9,171)

Debt expense 26,370 18,319 56,758 94.017

Minority interests in income of

consolidated

subsidiaries (2,126)(1,147)(6,852)(3,168)

Income before income taxes and extraordinary 78,278 23,807 183,480 16,710 item 34,000 Income tax expense 10,657 79,700 15,068 Income before extraordinary item 44,278 13,150 103,780 1,642 Extraordinary gain (loss) related to early extinguishment of debt, net of tax of \$(652) in 2001 and \$2,222 in 2000, respectively (3,490)977 (3,490)Net income \$44,278 \$9,660 \$104,757 \$(1,848) (loss) Earnings (loss) per common share - basic: Income before extraordinary \$ 0.52 \$ 0.02 \$ 0.16 \$ 1.25 item Extraordinary gain (loss), net of tax (0.04)0.01 (0.04)Net income (loss) \$ 0.52 \$ 0.12 \$ 1.26 \$ (0.02) Weighted average number of common shares outstanding 84,354,000 81,649,000 83,411,000 81,469,000 Earnings (loss) per common share-assuming dilution: Income before extraordinary \$ 0.47 \$ 0.16 \$ 1.15 \$ 0.02 item Extraordinary gain (loss), net of tax (0.04)0.01 (0.04)Net income \$ 0.47 (loss) \$ 0.12 \$ 1.16 \$ (0.02) Weighted average number of common shares outstanding - assuming dilution 104,026,000 83,847,000 103,157,000 82,564,000 Supplemental information excluding impairments, prior period recoveries and extraordinary items: Continental treatments 1,432,453 1,347,970 4,208,241 4,001,359 Continental EBITDA \$ 95,627 \$ 76,740 \$ 270,166 \$ 201,585 Continental EBITDA margin 23.4% 21.4% 22.7% 19.3% Earnings per common share - assuming \$ 0.31 \$ 0.16 \$ 0.82 dilution \$ 0.05 MAKE YOUR OPINION COUNT - Click Here

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SOURCE: DaVita, Inc.

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