## DaVita 4th Quarter 2010 Results

DENVER, Feb 10, 2011 (BUSINESS WIRE) -- DaVita Inc. (NYSE:DVA) today announced results for the quarter and year ended December 31, 2010. Net income attributable to DaVita Inc. for the quarter and year ended December 31, 2010, excluding after-tax debt refinancing and redemption charges of \$42.9 million and \$45.4 million respectively, was \$111.9 million and \$451.1 million, or \$1.13 per share and \$4.38 per share, respectively. This compares to net income attributable to DaVita Inc. for the quarter and year ended December 31, 2009 of \$109.7 million and \$422.7 million, or \$1.06 per share and \$4.06 per share, respectively.

Net income attributable to DaVita Inc. for the quarter and year ended December 31, 2010, including the after-tax debt refinancing and redemption charges was \$69.0 million and \$405.7 million, or \$0.70 per share and \$3.94 per share, respectively.

#### Financial and operating highlights include:

- Cash Flow: For the year ended December 31, 2010 operating cash flow was \$840 million and free cash flow was \$597 million. For the three months ended December 31, 2010 operating cash flow was \$121 million and free cash flow was \$36 million.
- Operating Income: Operating income for the quarter and year ended December 31, 2010 was \$255 million and \$997 million, respectively, as compared to \$239 million and \$940 million, respectively, for the same periods of 2009.
- Volume: Total treatments for the fourth quarter of 2010 were 4,657,498, or 58,956 treatments per day, representing a per day increase of 6.8% over the fourth quarter of 2009. Non-acquired treatment growth in the quarter was 4.4% over the prior year's fourth quarter.
- Effective Tax Rate: Our effective tax rate was 30.2% and 35.0% for the quarter and year ended December 31, 2010, respectively. This effective tax rate is impacted by the amount of third party owners' income attributable to non-tax paying entities. The effective tax rate attributable to DaVita Inc. was 36.5% and 39.0% for the quarter and year ended December 31, 2010, respectively. We expect our effective tax rate attributable to DaVita Inc. for 2011 to be in the range of 39.5% to 40.5%.
- Share Repurchases: During the fourth quarter of 2010, we repurchased a total of 5,883,600 shares of our common stock for \$420.0 million, or an average price of \$71.38 per share. For the year ended December 31, 2010, we repurchased a total of 8,918,760 shares of our common stock for \$618.5 million, or an average price of \$69.35 per share. We have not repurchased any additional shares of our common stock subsequent to December 31, 2010. As a result of these transactions, our remaining board authorization for share repurchases is currently \$681.5 million.
- Acquisition: As previously announced on February 4, 2011, we entered into a definitive agreement to acquire DSI Renal, Inc. ("DSI"), for approximately \$690 million, subject to adjustments. The transaction is subject to approval by the Federal Trade Commission including Hart-Scott-Rodino antitrust clearance. We anticipate that we will have to divest some centers as a condition of the transaction. We expect to close the transaction in the second or third quarter of this year.
- Debt Transactions: As previously disclosed in our third quarter earnings release, on October 20, 2010, we completed \$4.55 billion of debt refinancing transactions

In January 2011, we entered into interest rate swap agreements with amortizing notional amounts totaling \$1.0 billion that went effective on January 31, 2011. These agreements have the economic effect of modifying the LIBOR variable component of our interest rate on an equivalent amount of our Term Loan A debt to fixed rates ranging from 1.59% to 1.64%, resulting in an overall weighted average effective interest rate of 4.36% including the Term Loan A margin of 2.75%. The swap agreements expire on September 30, 2014 and require monthly interest payments.

In addition, in January 2011, we also entered into interest rate cap agreements with notional amounts totaling \$1.25 billion that went effective on January 31, 2011. These agreements have the economic effect of capping the LIBOR variable component of our interest rate at a maximum of 4.00% on an equivalent amount of our Term Loan B debt. The cap agreements expire on September 30, 2014.

• Center Activity: As of December 31, 2010, we operated or provided administrative services at 1,612 outpatient dialysis centers serving approximately 125,000 patients, of which 1,580 centers are consolidated in our financial statements. During the fourth quarter of 2010, we acquired seven centers, opened 14 new centers, sold two centers and closed five centers.

#### Outlook

Because of the uncertainties of operating under the new Medicare bundled payment system and the ongoing uncertainties associated with our payor mix, we will not be providing a specific guidance range for 2011 operating income at this time. However, excluding the impact of our recently announced acquisition of DSI that is not expected to close until the second or third quarter of this year, our current projections indicate that 2011 operating income will be flat or modestly down compared to 2010. These projections and the underlying assumptions involve significant risks and uncertainties, including those described below and actual results may vary significantly from these current projections.

We will be holding a conference call to discuss our results for the fourth quarter and year ended December 31, 2010 on February 10, 2011 at 5:00 p.m. 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, <a href="https://www.davita.com">www.davita.com</a>, for the following 30 days.

This release contains forward-looking statements, within the meaning of the federal securities laws, including statements related to our 2011 operating income, our 2011 expected effective tax rate attributable to DaVita Inc. and the anticipated closing of the acquisition. Factors which could impact future results include the uncertainties associated with governmental regulations, general economic and other market conditions,

competition, accounting estimates, the variability of our cash flows and the risk factors set forth in our SEC filings, including our Annual Report on Form 10-K for the year ended December 31, 2009, our quarterly report on Form 10-Q for the third quarter ended September 30, 2010. The forward-looking statements should be considered in light of these risks and uncertainties.

These risks and uncertainties include those relating to:

- the concentration of profits generated from commercial payor plans,
- · continued downward pressure on average realized payment rates from commercial payors, which may result in the loss of revenue or patients,
- a reduction in the number of patients under higher-paying commercial plans,
- a reduction in government payment rates or changes to the structure of payments under the Medicare End Stage Renal Disease program or other government-based programs, including, for example, the implementation of a bundled payment rate system beginning January 2011, which will lower reimbursement for services we provide to Medicare patients, and the impact of health care reform legislation that was enacted in the United States in March 2010,
- changes in pharmaceutical or anemia management practice patterns, payment policies, or pharmaceutical pricing,
- our ability to maintain contracts with physician medical directors,
- · legal compliance risks, including our continued compliance with complex government regulations,
- the resolution of ongoing investigations by various federal and state governmental agencies,
- continued increased competition from large and medium-sized dialysis providers that compete directly with us, and
- our ability to complete any acquisitions, mergers or dispositions that we might be considering or announce, or integrate and successfully operate any business we may acquire.

We base our forward-looking statements on information currently available to us at the time of this release, and we undertake no obligation to update or revise any forward-looking statements, whether as a result of changes in underlying factors, new information, future events or otherwise.

This release contains non-GAAP financial measures. For reconciliations of these non-GAAP financial measures to their most comparable measure calculated and presented in accordance with GAAP, see the attached reconciliation schedules. For the reasons stated in the reconciliation schedules, we believe our presentation of non-GAAP financial measures provides useful supplemental information for investors.

Vear ended

#### DAVITA INC.

#### CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(dollars in thousands, except per share data)

Three months ended

			ntns ended nber 31,				enae 1ber	per 31,		
	_	2010		2009	_	2010		2009		
Net operating revenues	\$	1,649,417	\$	1,568,204	\$	6,447,391	\$	6,108,800		
Operating expenses and charges:										
Patient care costs		1,135,012		1,095,046		4,474,735		4,248,668		
General and administrative		157,578		137,161		579,000		531,531		
Depreciation and amortization		60,071		56,865		234,378		228,986		
Provision for uncollectible accounts		43,382		41,796		171,250		161,786		
Equity investment income		(2,031)		(1,376 )		(8,999 )		(2,442 )		
Total operating expenses and charges		1,394,012		1,329,492		5,450,364		5,168,529		
Operating income		255,405		238,712		997,027		940,271		
Debt expense		(53,879 )		(44,831 )		(181,607)		(185,755 )		
Debt refinancing and redemption charges		(70,255 )		-		(74,382 )		-		
Other income		1,091		682		3,420		3,708		
Income before income taxes		132,362		194,563		744,458		758,224		
Income tax expense		39,917		68,980		260,239		278,465		
Net income		92,445		125,583		484,219		479,759		
Less: Net income attributable to noncontrolling interests		(23,425 )		(15,859 )		(78,536 )		(57,075)		
Net income attributable to DaVita Inc.	\$	69,020	\$	109,724	\$	405,683	\$	422,684		
Earnings per share:					_					
Basic earnings per share attributable to DaVita Inc.	\$	0.71	\$	1.07	\$	4.00	\$	4.08		
Diluted earnings per share attributable to DaVita Inc.	\$	0.70	\$	1.06	\$	3.94	\$	4.06		
Weighted average shares for earnings per share:	_									
Basic		97,099,341		102,711,126		101,504,373		103,603,885		
Diluted		99,058,745		103,735,571		103,059,171		104,167,685		

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(dollars in thousands)

## Year ended December 31,

		0000
Cook flows from appreting activities	2010	2009
Cash flows from operating activities:	r 404 010	ф 470.7F0
Net income	\$ 484,219	\$ 479,759
Adjustments to reconcile net income to cash provided by operating activities:	234,378	228,986
Depreciation and amortization	45,551	
Stock-based compensation expense  Tax benefits from stock award exercises		44,422
Excess tax benefits from stock award exercises	26,706	18,241
	(6,283 )	(6,950 )
Deferred income taxes	75,399	50,869
Equity investment income, net	(3,298 )	(204 )
Loss on disposal of assets and other non-cash charges	9,585	20,945
Debt refinancing and redemption charges	74,382	-
Changes in operating assets and liabilities, other than from acquisitions and divestitures:	55.070	(00.010.)
Accounts receivable	55,379	(32,313 )
Inventories	(3,892 )	15,115
Other receivables and other current assets	(44,719 )	(35,104 )
Other long-term assets	901	7,288
Accounts payable	4,228	(104,879 )
Accrued compensation and benefits	39,588	(9,138 )
Other current liabilities	(111,444 )	(43,543 )
Income taxes	(45,737 )	44,578
Other long-term liabilities	4,740	(11,362 )
Net cash provided by operating activities	839,683	666,710
Cash flows from investing activities:		
Additions of property and equipment, net	(273,602)	(274,605)
Acquisitions	(188,502 )	(87,617 )
Proceeds from asset sales	22,727	7,697
Purchase of investments available for sale	(1,125 )	(2,062 )
Purchase of investments held-to-maturity	(56,615 )	(22,664 )
Proceeds from sale of investments available for sale	900	16,693
Proceeds from maturities of investments held-to-maturity	59,932	16,380
Purchase of equity investments and other assets	(709 )	(2,429 )
Distributions received on equity investments	361	2,547
Net cash used in investing activities	(436,633 )	(346,060 )
Cash flows from financing activities:		
Borrowings	24,809,258	18,767,592
Payments on long-term debt	(24,134,502 )	(18,828,824 )
Debt refinancing costs including tender and call premiums	(113,810 )	(42 )
Purchase of treasury stock	(618,496 )	(153,495 )
Distributions to noncontrolling interests	(83,591 )	(67,748 )
Stock award exercises and other share issuances, net	53,760	67,908
Excess tax benefits from stock award exercises	6,283	6,950
Contributions from noncontrolling interests	9,510	13,071
Proceeds from sales of additional noncontrolling interests	3,410	9,375
Purchases from noncontrolling interests	(14,214 )	(6,859 )
Net cash used in financing activities	(82,392 )	(192,072 )
Net increase in cash and cash equivalents	320,658	128,578
Cash and cash equivalents at beginning of period	539,459	410,881
Cash and cash equivalents at end of period	\$ 860,117	\$ 539,459
·		

## CONSOLIDATED BALANCE SHEETS

(unaudited)

(dollars in thousands, except per share data)

ASSETS	D	ecember 31, 2010	De	cember 31, 2009
Cash and cash equivalents	\$	860,117	\$	539,459
Short-term investments	Ψ	23,003	Ψ	26,475
Accounts receivable, less allowance of \$235,629 and \$229,317		1,048,976		1,105,903
Inventories		76,008		70,041
Other receivables		304,366		263,456
Other current assets		43,994		40,234
Income tax receivables		40,330		
Deferred income taxes		226,060		256,953
Total current assets	_	2,622,854		2,302,521
Property and equipment, net		1,170,808		1,104,925
Amortizable intangibles, net		162,635		136,732
Equity investments		25,918		22,631
Long-term investments		8,848		7,616
Other long-term assets		32,054		32,615
Goodwill		4,091,307		3,951,196
	\$	8,114,424		7,558,236
LIABILITIES AND EQUITY	_		_	
Accounts payable	\$	181,033	\$	176,657
Other liabilities	•	342,943	•	461,092
Accrued compensation and benefits		325,477		286,121
Current portion of long-term debt		74,892		100,007
Income taxes payable				23,064
Total current liabilities	_	924,345		1,046,941
Long-term debt		4,233,850		3,532,217
Other long-term liabilities		89,290		87,692
Alliance and product supply agreement, net		25,317		30,647
Deferred income taxes		421,436		334,855
Total liabilities	_	5,694,238		5,032,352
Commitments and contingencies		0,00 1,200		0,002,002
Noncontrolling interests subject to put provisions		383,052		331,725
Equity:		,		,
Preferred stock (\$0.001 par value, 5,000,000 shares authorized; none issued)				
Common stock (\$0.001 par value, 450,000,000 shares authorized; 134,862,283 shares				
issued; 96,001,535 and 103,062,698 shares outstanding)		135		135
Additional paid-in capital		620,546		621,685
Retained earnings		2,717,817		2,312,134
Treasury stock, at cost (38,860,748 and 31,799,585 shares)		(1,360,579)		(793,340 )
Accumulated other comprehensive income (loss)		503		(5,548 )
Total DaVita Inc. shareholders' equity		1,978,422		2,135,066
Noncontrolling interests not subject to put provisions		58,712		59,093
Total equity		2,037,134		2,194,159
	\$	8,114,424		7,558,236
	_		_	

## DAVITA INC.

## SUPPLEMENTAL FINANCIAL DATA

(unaudited)

(dollars in millions, except for per share and per treatment data)

	Three months ended		Year ended
December 31,	September 30,	December 31,	December 31,
2010	2010	2009	2010

Revenues	\$ 1,649	\$	1,652	\$	1,568	\$ 6,447
Operating income	\$ 255.4	\$	256.6	\$	238.7	\$ 997.0
Operating income margin	15.5 %		15.5 %		15.2 %	15.5 %
Net income attributable to DaVita Inc.	\$ 69.0	\$	119.4	\$	109.7	\$ 405.7
Net income attributable to DaVita Inc., excluding debt refinancing and redemption charges (1)	\$ 111.9	\$	119.4	\$	109.7	\$ 451.1
Diluted earnings per share attributable to DaVita Inc.	\$ 0.70	\$	1.15	\$	1.06	\$ 3.94
Diluted earnings per share attributable to DaVita Inc., excluding debt refinancing and redemption charges (1)	\$ 1.13	\$	1.15	\$	1.06	\$ 4.38
2. Consolidated Business Metrics:						
Expenses						
Patient care costs as a percent of consolidated revenue (2)	68.8 %		69.4 %		69.8 %	69.4 %
General and administrative expenses as a percent of consolidated revenue (2)	9.6 %		9.0 %		8.7 %	9.0 %
Bad debt expense as a percent of consolidated revenue	2.6 %		2.7 %		2.7 %	2.7 %
Consolidated effective tax rate attributable to DaVita Inc. <sup>(1)</sup>	36.5 %		38.5 %		38.5 %	39.0 %
3. Segment Financial Results: (dollar amounts rounded to nearest million)						
Dialysis and related lab services						
Revenues	\$ 1,545	\$	1,553	\$	1,483	\$ 6,073
Direct operating expenses	 1,277		1,288		1,230	 5,034
Dialysis segment operating income	\$ 268	\$	266	\$	253	\$ 1,039
Other - Ancillary services and strategic initiatives						
Revenues	\$ 105	\$	98	\$	85	\$ 374
Direct operating expenses	107		98		90	380
Ancillary segment operating loss	\$ (2 )	\$	-	\$	(5 )	\$ (6 )
		-				
Total segment operating income	\$ 265	\$	266	\$	248	\$ 1,034
Reconciling items:						
Stock-based compensation	(12)		(11 )		(11 )	(46 )
Equity investment income	2		2		1	9
Consolidated operating income	\$ 255	\$	257	\$	239	\$ 997
				_		

## SUPPLEMENTAL FINANCIAL DATA--continued

(unaudited)

(dollars in millions, except for per share and per treatment data)

	Three months ended							ear ended
	December 2010	31,	September 2010	30,	December 3 2009	31,	Dec	cember 31, 2010
4. Segment Business Metrics:								
Dialysis and related lab services								
Volume								
Treatments	4,657,498	1	4,578,622		4,360,638		17	,992,805
Number of treatment days	79.0	ı	79.0		79.0			313.0
Treatments per day	58,956		57,957		55,198			57,485
Per day year over year increase	6.8	%	5.5	%	5.2	%		5.6 %
Non-acquired growth year over year	4.4	%	3.7	%	4.8	%		4.1 %
Revenue								
Dialysis and related lab services revenue per treatment	\$ 331.12	\$	338.70	9	339.43		\$	336.92
Per treatment (decrease) increase from previous quarter	(2.2	%)	1.2	%	(1.1	%)		
Per treatment (decrease) increase from previous year	(2.4	%)	(1.3	%)	2.1	%		(0.9 %)
Percent of consolidated revenue	93.7	%	94.0	%	94.5	%		94.2 %
Expenses								
Patient care costs								
Percent of segment revenue	67.8	%	68.7	%	68.9	%		68.6 %
Per treatment	\$ 224.91	\$	232.93	9	234.40		\$	231.65

Per treatment (decrease) increase from previous quarter	(3.4 %)	0.3 %	(1.3 %)	
Per treatment (decrease) increase from previous year	(4.0 %)	(1.9 %)	2.7 %	(1.3 %)
General and administrative expenses				
Percent of segment revenue	8.3 %	7.8 %	7.6 %	7.8 %
Per treatment	\$ 27.65	\$ 26.58	\$ 25.76	\$ 26.18
Per treatment increase from previous quarter	4.0 %	9.1 %	4.8 %	
Per treatment increase from previous year	7.3 %	8.2 %	0.7 %	4.1 %
5. Cash Flow:				
Operating cash flow	\$ 120.6	\$ 161.4	\$ 152.6	\$ 839.7
Operating cash flow, last twelve months	\$ 839.7	\$ 871.7	\$ 666.7	
Free cash flow <sup>(1)</sup>	\$ 36.0	\$ 90.9	\$ 96.7	\$ 597.0
Free cash flow, last twelve months (1)	\$ 597.0	\$ 657.7	\$ 485.2	
Capital expenditures:				
Routine maintenance/IT other	\$ 62.1	\$ 46.7	\$ 35.1	\$ 159.1
Development and relocations	\$ 44.5	\$ 23.3	\$ 33.9	\$ 119.7
Acquisition expenditures	\$ 50.9	\$ 45.9	\$ 23.6	\$ 188.5
6. Accounts Receivable:				
Net receivables	\$ 1,049	\$ 1,083	\$ 1,106	
DSO	C1	00	00	
	61	63	68	

#### SUPPLEMENTAL FINANCIAL DATA--continued

(unaudited)

(dollars in millions, except for per share and per treatment data)

	Three months ended			
	December 31, 2010	September 30, 2010	December 31, 2009	Year ended December 31, 2010
7. Debt and Capital Structure:				
Total debt <sup>(3)</sup>	\$ 4,317	\$ 3,361	\$ 3,630	
Net debt, net of cash (3)	\$ 3,457	\$ 2,826	\$ 3,090	
Leverage ratio (see Note 1 on page 9)	2.72x	2.31x	2.56x	
Overall weighted average effective interest rate during the quarter	4.86 %	4.45 %	4.69 %	
Overall weighted average effective interest rate at end of the quarter	4.94 %	4.18 %	4.68 %	
Weighted average effective interest rate on the Senior Secured Credit Facilities at end of the quarter	4.05 %	1.80 %	2.63 %	
Fixed interest rates at December 31, 2010 and September 30, 2010 and economically fixed interest rates as a percentage of out total debt at December 31, 2009 <sup>(4)</sup>	ır 77 %	46 %	59 %	
Share repurchases	\$ 420.0	\$ 98.5	\$ 59.1	\$ 618.5
8. Clinical: (quarterly averages)				
Dialysis adequacy -% of patients with Kt/V > 1.2	96 %	96 %	95 %	
90 day patients average Hb>=10 <=12	73 %	69 %	64 %	
Patients with arteriovenous fistulas placed	67 %	67 %	65 %	

<sup>(1)</sup> These are non-GAAP financial measures. For a reconciliation of these non-GAAP financial measures to their most comparable measure calculated and presented in accordance with GAAP, see attached reconciliation schedules.

## DAVITA INC.

<sup>(2)</sup> Consolidated percentages of revenue are comprised of the dialysis and related lab services business, other ancillary services and strategic initiatives, as well as stock-based compensation expenses.

<sup>(3)</sup> This is a non-GAAP financial measure. It excludes an \$8.4 million debt discount associated with out Term Loan B for the quarter ended December 31, 2010 that is not actually outstanding debt principal. The quarters ended September 30, 2010 and December 31, 2009, exclude \$1.6 million and \$2.7 million, respectively, of the unamortized balance of a debt premium associated with our senior notes that is not actually outstanding debt principal.

<sup>(4)</sup> This includes the Term Loan B outstanding amount for the quarter ended December 31, 2010, since the Term Loan B bears interest at LIBOR (floor of 1.50%) plus a margin of 3.00%.

# SUPPLEMENTAL FINANCIAL DATA--continued (unaudited) (dollars in thousands)

## Note 1: Calculation of the Leverage Ratio

Under the Company's Senior Secured Credit Facilities (Credit Agreement), the leverage ratio is defined as all funded debt plus the face amount of all letters of credit issued, minus cash and cash equivalents, divided by "Consolidated EBITDA". The leverage ratio determines the interest rate margin payable by the Company for its Term Loan A and revolving line of credit under the Credit Agreement by establishing the margin over the base interest rate (LIBOR) that is applicable. The following leverage ratio was calculated using "Consolidated EBITDA" as defined in the Credit Agreement. The calculation below is based on the last twelve months of "Consolidated EBITDA", pro forma for routine acquisitions that occurred during the period. The Company's management believes the presentation of "Consolidated EBITDA" is useful to investors to enhance their understanding of the Company's leverage ratio under its Credit Agreement.

	m	olling twelve onths ended ember 31, 2010
Net income attributable to DaVita Inc.	\$	405,683
Income taxes		260,239
Interest expense		171,293
Depreciation and amortization		234,378
Debt refinancing and redemption charges		74,382
Noncontrolling interests		78,536
Equity investment income, net		(3,298 )
Amortization of deferred financing costs		9,341
Other		11,680
Stock-based compensation expense		45,551
"Consolidated EBITDA"	\$	1,287,785
	Dec	ember 31, 2010
Total debt, excluding debt discount of \$8.4 million	\$	4,317,123
Letters of credit issued		45,789
		4,362,912
Less: cash and cash equivalents		(860,117)
Consolidated net debt	\$	3,502,795
Last twelve months "Consolidated EBITDA"	\$	1,287,785
Leverage ratio		2.72x

In accordance with the Credit Agreement, the Company's leverage ratio cannot exceed 4.25 to 1.0 as of December 31, 2010. At that date the Company's leverage ratio did not exceed 4.25 to 1.0.

DAVITA INC.
RECONCILIATIONS FOR NON-GAAP MEASURES (unaudited)
(dollars in thousands)

1.Net income attributable to DaVita Inc. excluding after-tax debt refinancing and redemption charges and diluted earnings per share attributable to DaVita Inc. excluding after-tax debt refinancing and redemption charges.

We believe that net income attributable to DaVita Inc. excluding after-tax debt refinancing and redemption charges and diluted earnings per share attributable to DaVita Inc. excluding after-tax debt refinancing and redemption charges enhances a user's understanding of our normal net income attributable to DaVita Inc. and diluted earnings per share attributable to DaVita Inc. for these periods by providing a measure that is more meaningful because it excludes charges that resulted from the refinancing of our Senior Secured Credit Facilities and the redemption of the aggregate principal amount of our outstanding 6 5/8% senior notes due 2013 and the aggregate principal amount of our outstanding 7 1/4% senior subordinated notes 2015 and accordingly, is more comparable to prior periods and indicative of consistent net income attributable to DaVita Inc. and diluted earnings per share attributable to DaVita Inc. These measures are not measures of financial performance under United States generally accepted accounting principles (GAAP) and should not be considered as an alternative to net income attributable to DaVita Inc. and diluted earnings per share attributable to DaVita Inc.

Net income attributable to DaVita Inc. excluding after-tax debt refinancing and redemption charges:	Three months ended							
	De	ecember 31, 2010		tember 30, 2010	Dec	cember 31, 2009		ear ended cember 31, 2010
Net income attributable to DaVita Inc.	\$	69,020	\$	119,387	\$	109,724	\$	405,683
Add: Debt refinancing and redemption charges		70,255		-		-		74,382
Less: Related income tax		(27,329 )		-		-		(28,935 )
	\$	111,946	\$	119,387	\$	109,724	\$	451,130
					_		-	

Diluted earnings per share attributable to DaVita Inc. excluding after-tax debt refinancing and redemption charges:		Three months ended					Year ended	
	December 31, 2010		September 30, 2010		December 31, 2009		December 3 2010	
Diluted earnings per share attributable to DaVita Inc.	\$	0.70	\$	1.15	\$	1.06	\$	3.94
Add: Net after-tax debt refinancing and redemption charges		0.43		-		-		0.44
	\$	1.13	\$	1.15	\$	1.06	\$	4.38

DAVITA INC.
RECONCILIATIONS FOR NON-GAAP MEASURES (unaudited)
(dollars in thousands)

#### 2. Effective Income Tax Rates

We believe that reporting the effective income tax rate attributable to DaVita Inc. enhances an investor's understanding of DaVita's effective income tax rate for the periods presented because it excludes noncontrolling owners' income that primarily relates to non-tax paying entities and accordingly is more comparable to prior periods presentations regarding DaVita's effective income tax rate and is more meaningful to an investor to fully understand the related income tax effects on DaVita Inc.'s operating results. This is not a measure under GAAP and should not be considered as an alternative to the effective income tax rate calculated in accordance with GAAP.

Effective income tax rate as compared to the effective income tax rate attributable to DaVita Inc. is as follows:

		Three months ende	Year ended				
	December 31, 2010	September 30, 2010	December 31, 2009	December 31, 2010			
Income before income taxes	\$ 132,362	\$ 217,860	\$ 194,563	\$ 744,458			
Income tax expense	\$ 39,917	\$ 74,979	\$ 68,980	\$ 260,239			
Effective income tax rate	30.2 %	34.4 %	35.5 %	35.0 %			

	1	Year ended			
	December 31, 2010	,		December 31, 2010	
Income before income taxes	\$ 132,362	\$ 217,860	\$ 194,563	\$ 744,458	
Less: Noncontrolling owners' income primarily attributable to non-tax paying entities	(23,602)	(23,703 )	(16,149 )	(79,405 )	
Income before income taxes attributable to DaVita Inc.	\$ 108,760	\$ 194,157	\$ 178,414	\$ 665,053	
Income tax expense	\$ 39,917	\$ 74,979	\$ 68,980	\$ 260,239	
Less income tax attributable to noncontrolling interests	(177 )	(209 )	(290 )	(869 )	
Income tax attributable to DaVita Inc.	\$ 39,740	\$ 74,770	\$ 68,690	\$ 259,370	
Effective income tax rate attributable to DaVita Inc.	36.5 %	38.5 %	38.5 %	39.0 %	

# DAVITA INC. RECONCILIATIONS FOR NON-GAAP MEASURES (unaudited) (dollars in thousands)

## 3.Free cash flow

Free cash flow represents net cash provided by operating activities less income distributions to noncontrolling interests and capital expenditures for routine maintenance and information technology. We believe free cash flow is a useful adjunct to cash flow from operating activities and other measurements under GAAP, since free cash flow is a meaningful measure of our ability to fund acquisition and development activities and meet our debt service requirements. In addition, free cash flow excluding income distributions to noncontrolling interests provides an investor with an understanding of free cash flows that are attributable to DaVita Inc. Free cash flow is not a measure of financial performance under GAAP and should not be considered as an alternative to cash flows from operating, investing or financing activities, as an indicator of cash flows or as a measure of liquidity.

	Three months ended					Y	Year ended	
	December 31, 2010		September 30, 2010		December 31, 2009		December 31, 2010	
Cash provided by operating activities	\$	120,551	\$	161,366	\$	152,591	\$	839,683
Less: Income distributions to noncontrolling interests		(22,479 )		(23,811 )		(20,860 )		(83,591 )
Cash provided by operating activities attributable to DaVita Inc.		98,072		137,555		131,731		756,092
Less: Expenditures for routine maintenance and information technology		(62,083 )		(46,690 )		(35,066 )		(159,096)
Free cash flow	\$	35,989	\$	90,865	\$	96,665	\$	596,996

	Rolling 12-Month Period							
	December 31, 2010		,		), December 31, 2009			
Cash provided by operating activities	\$	839,683	\$	871,723	\$	666,710		
Less: Income distributions to noncontrolling interests		(83,591 )		(81,972 )		(67,748 )		
Cash provided by operating activities attributable to DaVita Inc.		756,092		789,751		598,962		
Less: Expenditures for routine maintenance and information technology		(159,096)		(132,079 )		(113,763 )		
Free cash flow	\$	596,996	\$	657,672	\$	485,199		

SOURCE: DaVita Inc.

DaVita Inc. Jim Gustafson Investor Relations (310) 536-2585

https://newsroom.davita.com/press-releases?item=122964