# DaVita 3rd Quarter 2009 Results

EL SEGUNDO, Calif.--(BUSINESS WIRE)--Nov. 3, 2009-- DaVita Inc. (NYSE: DVA) today announced results for the quarter ended September 30, 2009. Net income attributable to DaVita Inc. for the three and nine months ended September 30, 2009 was \$110.9 million and \$313.0 million, or \$1.06 per share and \$3.00 per share, respectively. This compares to net income attributable to DaVita Inc. for the three and nine months ended September 30, 2008 of \$93.9 million and \$275.8 million, or \$0.89per share and \$2.59 per share, respectively.

#### Financial and operating highlights include:

- Cash Flow: For the rolling 12 months ended September 30, 2009 operating cash flow was \$713 million and free cash flow was \$533 million. For the three months ended September 30, 2009 operating cash flow was \$167 million and free cash flow was \$125 million.
- Operating Income: Operating income for the three and nine months ended September 30, 2009 was \$245 million and \$702 million, respectively, as compared to \$222 million and \$646 million, respectively, for the same periods of 2008.
- Volume: Total treatments for the third quarter of 2009 were 4,339,195, or 54,927 treatments per day, representing a per day increase of 6.1% over the third quarter of 2008. Non-acquired treatment growth in the quarter was 5.2% over the prior year's third quarter.
- Effective Tax Rate: Our effective tax rate was 37.0% and 37.2% for the three and nine months endedeptember 30, 2009, 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 40.0% for the three and nine months ended September 30, 2009 which was in the range of our previously stated guidance. Our effective tax rate for 2009 is projected to be in the range of 36.5% to 37.5% and our 2009 effective tax rate attributable to DaVita Inc. is still projected to be in a range of 39.5% to 40.5%.
- Share Repurchases: During the third quarter of 2009, we repurchased a total of 1,108,784 shares of our common stock fos62.4 million, or an average price of \$56.25 per share. For the first nine months of 2009 we repurchased a total of 1,853,184 shares of our common stock fos94.4 million, or an average price of \$50.93per share. In addition, we repurchased 1,049,435 shares of our common stock fos59.1 million, or an average price of \$56.32 per share, from October 1, 2009 through October 7, 2009. All of these share repurchases were consummated pursuant to previously announced authorizations by our Board of Directors. On October 8, 2009, our Board of Directors authorized an additional \$500 million for share repurchases. We have not repurchased any additional shares of our common stock under this authorization. Therefore, the total outstanding authorization for share repurchases is currently \$500 million.
- Center Activity: As of September 30, 2009, we operated or provided administrative services at 1,513 outpatient dialysis centers serving approximately 117,000 patients, of which 1,481 centers are consolidated in our financial statements. During the third quarter of 2009, we acquired four centers, opened 21 new centers, merged five centers, closed one center and provided administrative and management services to one additional third-party owned center.

#### Outlook

We are raising our operating income guidance range for 2009 from \$900-\$930 million to \$930-\$950 million. Also, we may modestly exceed the upper end of our previous operating cash flow guidance of \$550-\$600 million. Currently we expect our operating income for 2010 to be in the range of \$950 million to \$1.02 billion. 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.

DaVita will be holding a conference call to discuss its results for the third quarter ended September 30, 2009 on November 3, 2009 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, including statements related to our 2009 and 2010 operating income, 2009 operating cash flow and 2009 expected effective tax rate and the expected effective tax rate attributable to DaVita Inc. 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 Form 10-K for the year ended December 31, 2008 and subsequent quarterly reports on Form 10-Q. 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 ESRD program, including the implementation of a bundled
  payment rate system which result in lower reimbursement for services we provide to Medicare patients,
- · 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 and compliance with the corporate integrity agreement applicable to the dialysis centers acquired from Gambro Healthcare and assumed in connection with such acquisition, and
- the resolution of ongoing investigations by various federal and state governmental agencies.

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

# CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(dollars in thousands, except per share data)

# Three months ended September 30,

#### Nine months ended September 30,

	 2009	2008		2009		2008
Net operating revenues	\$ 1,573,915	\$ 1,447,135	\$	4,540,596	\$	4,199,163
Operating expenses and charges:						
Patient care costs	1,095,857	1,005,648		3,153,622		2,909,143
General and administrative	134,931	128,617		394,370		374,581
Depreciation and amortization	56,813	54,970		172,121		160,673
Provision for uncollectible accounts	42,021	37,305		119,990		109,433
Equity investment income	(708 )	(1,177 )		(1,066)		(654)
Total operating expenses and charges	 1,328,914	 1,225,363		3,839,037		3,553,176
Operating income	 245,001	 221,772		701,559		645,987
Debt expense	(45,535 )	(54,505 )		(140,924 )		(168,891 )
Other income	999	2,481		3,026		10,331
Income before income taxes	 200,465	 169,748		563,661		487,427
Income tax expense	74,195	62,010		209,485		175,853
Net income	 126,270	 107,738		354,176		311,574
Less: Net income attributable to noncontrolling interests	(15,340 )	(13,828 )		(41,216 )		(35,779 )
Net income attributable to DaVita Inc.	\$ 110,930	\$ 93,910	\$	312,960	\$	275,795
Earnings per share:	 	 	-			
Basic earnings per share attributable to DaVita Inc.	\$ 1.07	\$ 0.90	\$	3.01	\$	2.61
Diluted earnings per share attributable to DaVita Inc.	\$ 1.06	\$ 0.89	\$	3.00	\$	2.59
Weighted average shares for earnings per share:	 		-			
Basic	104,127,334	104,556,770		103,904,768	1	105,569,971
Diluted	104,607,318	105,577,823		104,315,019		106,421,184

### DAVITA INC.

#### CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(dollars in thousands)

# Nine months ended September 30,

	2009		2008
Cash flows from operating activities:			
Net income	\$	354,176	\$ 311,574
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization		172,121	160,673
Stock-based compensation expense		33,850	29,975
Tax benefits from stock award exercises		12,434	10,174
Excess tax benefits from stock award exercises		(8,115 )	(5,054)
Deferred income taxes		45,417	56,157
Equity investment income		(1,066)	(654 )
Loss on disposal of assets		7,826	9,688
Non-cash debt and non-cash rent charges		7,497	9,971
Changes in operating assets and liabilities, other than from acquisitions and divestitures:			
Accounts receivable		(68,235 )	(130,022 )
Inventories		15,858	(1,248 )
Other receivables and other current assets		(2,164)	(28,684)
Other long-term assets		5,641	(12,761 )

Accounts payable	(58,995 )	(12,800 )
Accrued compensation and benefits	20,733	(11,752 )
Other current liabilities	(68,383 )	29,838
Income taxes	55,226	(3,086)
Other long-term liabilities	(9,702)	3,163
Net cash provided by operating activities	514,119	415,152
Cash flows from investing activities:		
Additions of property and equipment	(205,653 )	(223,851)
Acquisitions	(64,001 )	(77,157 )
Proceeds from asset sales	6,256	451
Purchase of investments available for sale	(1,737 )	(1,695)
Purchase of investments held-to-maturity	(16,942 )	(19,005)
Proceeds from sale of investments available for sale	16,537	5,323
Proceeds from maturities of investments held-to-maturity	16,123	18,728
Distributions received on equity investments	929	802
Purchase of intangible assets and other	(260 )	(65)
Net cash used in investing activities	(248,748 )	(296,469 )
Cash flows from financing activities:		
Borrowings	13,924,642	12,937,047
Payments on long-term debt	(13,961,667)	(12,938,297)
Deferred financing costs	(42 )	(130 )
Purchase of treasury stock	(61,223 )	(169,673)
Excess tax benefits from stock award exercises	8,115	5,054
Stock award exercises and other share issuances, net	30,309	33,670
Distributions to noncontrolling interests	(46,888 )	(43,391 )
Contributions from noncontrolling interests	11,117	13,525
Proceeds from sales of additional noncontrolling interests	7,733	8,422
Purchases from noncontrolling interests	(6,668 )	(24,009 )
Net cash used in financing activities	(94,572 )	(177,782 )
Net increase (decrease) in cash and cash equivalents	170,799	(59,099 )
Cash and cash equivalents at beginning of period	410,881	447,046
Cash and cash equivalents at end of period	\$ 581,680	\$ 387,947

# CONSOLIDATED BALANCE SHEETS

(unaudited)

(dollars in thousands, except per share data)

ASSETS	September 30, 2009	December 31, 2008
Cash and cash equivalents	\$ 581,680	\$ 410,881
Short-term investments	20,680	35,532
Accounts receivable, less allowance of \$225,931 and \$211,222	1,142,861	1,075,457
Inventories	69,014	84,174
Other receivables	235,785	239,165
Other current assets	34,816	33,761
Income tax receivable	-	32,130
Deferred income taxes	223,697	217,196
Total current assets	2,308,533	2,128,296
Property and equipment, net	1,088,446	1,048,075
Amortizable intangibles, net	141,925	160,521
Investments in third-party dialysis businesses	24,011	19,274
Long-term investments	7,567	5,656
Other long-term assets	34,262	47,330
Goodwill	3,932,964	3,876,931
	\$ 7,537,708	\$ 7,286,083
LIABILITIES AND EQUITY		
Accounts payable	\$ 256,707	\$ 282,883

Accured compensation and benefits         314,677         312,216           Curned portion of long-term debt         100,077         72,725           Income taxes payable         11,350         1,163,000           Cong-term diabilities         1,007,220         101,402           Chery Incompose and product supply agreement, net         31,903         35,978           Deferred income taxes         304,075         244,804           Deferred income taxes         304,075         244,804           Commitments and contringencies         304,075         292,836         291,397           Total liabilities         292,836         291,397         291,397           Commitments and contringencies         292,836         291,397         291,397           Equirered stock (\$0,001 par value, 5,000,000 shares authorized; none issued)         135         135         135           Commitments and contringencies         135         135         135         145	Other liabilities	426,856	495,239
Income taxes payable         14,592	Accrued compensation and benefits	314,677	312,216
Total current liabilities         1,113,509         1,163,063           Long-term debt         3,555,853         3,622,421           Other long-term liabilities         100,722         101,442           Alliance and product supply agreement, net         31,980         35,977           Deferred income taxes         304,675         244,884           Total liabilities         5,106,739         5,167,787           Commitments and contingencies         292,636         291,397           Equity:         Preferred stock (\$0.001 par value, 5,000,000 shares authorized; none issued)         292,636         291,397           Equity:         Preferred stock (\$0.001 par value, 450,000,000 shares authorized; 134,862,283 shares issued; 103,232,774 and 103,753,673 shares outstanding)         135         <	Current portion of long-term debt	100,677	72,725
Long-term debt         3,555,853         3,622,421           Other long-term liabilities         100,722         101,442           Alliance and product supply agreement, net         31,980         35,977           Deferred income taxes         304,675         244,884           Total liabilities         5,106,739         5,167,787           Commitments and contingencies         292,636         291,397           Equity:         Preferred stock (\$0.001 par value, 5,000,000 shares authorized; none issued)         292,636         291,397           Common stock (\$0.001 par value, 450,000,000 shares authorized; 134,862,283 shares issued; 103,232,774 and 103,753,673 shares         135         135           Outstanding)         135         135         135           Additional paid-in capital         638,253         584,358           Retained earnings         2,202,410         1,889,450           Treasury stock, at cost (31,629,509 and 31,108,610 shares)         (756,157)         (691,857)           Accumulated other comprehensive loss         (7,838)         1,1767,747           Noncontrolling interests not subject to put provisions         61,530         59,152           Total pavita Inc. shareholders' equity         2,202,410         3,1826,899	Income taxes payable	14,592	-
Other long-term liabilities         100,722         101,442           Alliance and product supply agreement, net         31,980         35,977           Deferred income taxes         304,675         244,884           Total liabilities         5,106,739         5,167,787           Commitments and contingencies         292,636         291,397           Equity:         Preferred stock (\$0.001 par value, 5,000,000 shares authorized; none issued)         Total liabilities         135	Total current liabilities	1,113,509	1,163,063
Alliance and product supply agreement, net         31,980         35,977           Deferred income taxes         304,675         244,884           Total liabilities         5,106,739         5,167,787           Commitments and contingencies         292,636         291,397           Equity:         Preferred stock (\$0.001 par value, 5,000,000 shares authorized; none issued)         5,167,787           Common stock (\$0.001 par value, 450,000,000 shares authorized; 134,862,283 shares issued; 103,232,774 and 103,753,673 shares         135         135           Additional paid-in capital         638,253         584,358           Retained earnings         2,202,410         1,889,450           Treasury stock, at cost (31,629,509 and 31,108,610 shares)         (756,157)         (691,857)           Accumulated other comprehensive loss         (7,838)         (14,339)           Total DaVita Inc. shareholders' equity         2,076,803         1,767,747           Noncontrolling interests not subject to put provisions         61,530         59,152           Total equity         2,138,333         1,826,899	Long-term debt	3,555,853	3,622,421
Deferred income taxes         304,675         244,884           Total liabilities         5,106,739         5,167,787           Commitments and contingencies         292,636         291,397           Noncontrolling interests subject to put provisions         292,636         291,397           Equity:         Preferred stock (\$0.001 par value, 5,000,000 shares authorized; none issued)         304,675         404           Common stock (\$0.001 par value, 450,000,000 shares authorized; 134,862,283 shares issued; 103,232,774 and 103,753,673 shares outstanding)         135         135           Additional paid-in capital         638,253         584,358           Retained earnings         2,002,410         1,889,450           Treasury stock, at cost (31,629,509 and 31,108,610 shares)         (756,157)         (691,857)           Accumulated other comprehensive loss         (7,838)         (14,339)           Total DaVita Inc. shareholders' equity         2,076,803         1,767,747           Noncontrolling interests not subject to put provisions         61,530         59,152           Total equity         2,138,333         1,826,899	Other long-term liabilities	100,722	101,442
Total liabilities         5,106,739         5,167,787           Commitments and contingencies         5,106,739         5,167,787           Noncontrolling interests subject to put provisions         292,636         291,397           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; 103,232,774 and 103,753,673 shares outstanding)         135         135           Additional paid-in capital         638,253         584,358           Retained earnings         2,202,410         1,889,450           Treasury stock, at cost (31,629,509 and 31,108,610 shares)         (756,157)         (691,857)           Accumulated other comprehensive loss         (7,838)         (14,339)           Total DaVita Inc. shareholders' equity         2,076,803         1,767,747           Noncontrolling interests not subject to put provisions         61,530         59,152           Total equity         2,138,333         1,826,899	Alliance and product supply agreement, net	31,980	35,977
Commitments and contingencies         292,636         291,397           Noncontrolling interests subject to put provisions         292,636         291,397           Equity:         Preferred stock (\$0.001 par value, 5,000,000 shares authorized; none issued)         3         135           Common stock (\$0.001 par value, 450,000,000 shares authorized; 134,862,283 shares issued; 103,232,774 and 103,753,673 shares outstanding)         135         135           Additional paid-in capital         638,253         584,358           Retained earnings         2,202,410         1,889,450           Treasury stock, at cost (31,629,509 and 31,108,610 shares)         (756,157 )         (691,857 )           Accumulated other comprehensive loss         (7,838 )         (14,339 )           Total DaVita Inc. shareholders' equity         2,076,803         1,767,747           Noncontrolling interests not subject to put provisions         61,530         59,152           Total equity         2,138,333         1,826,899	Deferred income taxes	304,675	244,884
Noncontrolling interests subject to put provisions         292,636         291,397           Equity:         Preferred stock (\$0.001 par value, 5,000,000 shares authorized; none issued)         3         135         135           Common stock (\$0.001 par value, 450,000,000 shares authorized; 134,862,283 shares issued; 103,232,774 and 103,753,673 shares outstanding)         135         135           Additional paid-in capital         638,253         584,358           Retained earnings         2,202,410         1,889,450           Treasury stock, at cost (31,629,509 and 31,108,610 shares)         (756,157)         (691,857)           Accumulated other comprehensive loss         (7,838)         (14,339)           Total DaVita Inc. shareholders' equity         2,076,803         1,767,747           Noncontrolling interests not subject to put provisions         61,530         59,152           Total equity         2,138,333         1,826,899	Total liabilities	5,106,739	5,167,787
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; 103,232,774 and 103,753,673 shares outstanding)       135       135         Additional paid-in capital       638,253       584,358         Retained earnings       2,202,410       1,889,450         Treasury stock, at cost (31,629,509 and 31,108,610 shares)       (756,157)       (691,857)         Accumulated other comprehensive loss       (7,838)       (14,339)         Total DaVita Inc. shareholders' equity       2,076,803       1,767,747         Noncontrolling interests not subject to put provisions       61,530       59,152         Total equity       2,138,333       1,826,899	Commitments and contingencies		
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; 103,232,774 and 103,753,673 shares outstanding)       135       135         Additional paid-in capital       638,253       584,358         Retained earnings       2,202,410       1,889,450         Treasury stock, at cost (31,629,509 and 31,108,610 shares)       (756,157)       (691,857)         Accumulated other comprehensive loss       (7,838)       (14,339)         Total DaVita Inc. shareholders' equity       2,076,803       1,767,747         Noncontrolling interests not subject to put provisions       61,530       59,152         Total equity       2,138,333       1,826,899	Noncontrolling interests subject to put provisions	292,636	291,397
Common stock (\$0.001 par value, 450,000,000 shares authorized; 134,862,283 shares issued; 103,232,774 and 103,753,673 shares outstanding)         135         135           Additional paid-in capital         638,253         584,358           Retained earnings         2,202,410         1,889,450           Treasury stock, at cost (31,629,509 and 31,108,610 shares)         (756,157)         (691,857)           Accumulated other comprehensive loss         (7,838)         (14,339)           Total DaVita Inc. shareholders' equity         2,076,803         1,767,747           Noncontrolling interests not subject to put provisions         61,530         59,152           Total equity         2,138,333         1,826,899	Equity:		
outstanding)       135       135         Additional paid-in capital       638,253       584,358         Retained earnings       2,202,410       1,889,450         Treasury stock, at cost (31,629,509 and 31,108,610 shares)       (756,157)       (691,857)         Accumulated other comprehensive loss       (7,838)       (14,339)         Total DaVita Inc. shareholders' equity       2,076,803       1,767,747         Noncontrolling interests not subject to put provisions       61,530       59,152         Total equity       2,138,333       1,826,899	Preferred stock (\$0.001 par value, 5,000,000 shares authorized; none issued)		
Additional paid-in capital     135     135       Retained earnings     2,202,410     1,889,450       Treasury stock, at cost (31,629,509 and 31,108,610 shares)     (756,157)     (691,857)       Accumulated other comprehensive loss     (7,838)     (14,339)       Total DaVita Inc. shareholders' equity     2,076,803     1,767,747       Noncontrolling interests not subject to put provisions     61,530     59,152       Total equity     2,138,333     1,826,899			
Retained earnings       2,202,410       1,889,450         Treasury stock, at cost (31,629,509 and 31,108,610 shares)       (756,157)       (691,857)         Accumulated other comprehensive loss       (7,838)       (14,339)         Total DaVita Inc. shareholders' equity       2,076,803       1,767,747         Noncontrolling interests not subject to put provisions       61,530       59,152         Total equity       2,138,333       1,826,899	outstanding)	135	135
Treasury stock, at cost (31,629,509 and 31,108,610 shares)       (756,157 )       (691,857 )         Accumulated other comprehensive loss       (7,838 )       (14,339 )         Total DaVita Inc. shareholders' equity       2,076,803       1,767,747         Noncontrolling interests not subject to put provisions       61,530       59,152         Total equity       2,138,333       1,826,899	Additional paid-in capital	638,253	584,358
Accumulated other comprehensive loss         (7,838)         (14,339)           Total DaVita Inc. shareholders' equity         2,076,803         1,767,747           Noncontrolling interests not subject to put provisions         61,530         59,152           Total equity         2,138,333         1,826,899	Retained earnings	2,202,410	1,889,450
Total DaVita Inc. shareholders' equity         2,076,803         1,767,747           Noncontrolling interests not subject to put provisions         61,530         59,152           Total equity         2,138,333         1,826,899	Treasury stock, at cost (31,629,509 and 31,108,610 shares)	(756,157)	(691,857)
Noncontrolling interests not subject to put provisions         61,530         59,152           Total equity         2,138,333         1,826,899	Accumulated other comprehensive loss	(7,838 )	(14,339 )
Total equity 2,138,333 1,826,899	Total DaVita Inc. shareholders' equity	2,076,803	1,767,747
	Noncontrolling interests not subject to put provisions	61,530	59,152
\$ 7,537,708 \$ 7,286,083	Total equity	2,138,333	1,826,899
		\$ 7,537,708	\$ 7,286,083

# SUPPLEMENTAL FINANCIAL DATA

# (unaudited)

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

		TI	hree months end	led		Nin	ne months ended
	September 30, 2009		June 30, 2009	Sep	September 30, 2008		ended otember 30, 2009
1. Consolidated Financial Results:	_						
Revenues	\$	1,574	\$ 1,519	\$	1,447	\$	4,541
Operating income	\$	245.0	\$ 236.0	\$	221.8	\$	701.6
Operating income margin		15.6 %	15.5 %		15.3 %		15.5 %
Net income attributable to DaVita Inc.	\$	110.9	\$ 105.8	\$	93.9	\$	313.0
Diluted earnings per share attributable to DaVita Inc.	\$	1.06	\$ 1.02	\$	0.89	\$	3.00
2. Consolidated Business Metrics:							
Expenses							
Patient care costs as a percent of consolidated revenue (3)		69.6 %	69.2 %		69.5 %		69.5 %
General and administrative expenses as a percent of consolidated revenue <sup>(3)</sup>		8.6 %	8.7 %		8.9 %		8.7 %
Bad debt expense as a percent of consolidated revenue		2.7 %	2.7 %		2.6 %		2.6 %
Consolidated effective tax rate attributable to DaVita Inc. <sup>(1)</sup>		40.0 %	40.0 %		39.7 %		40.0 %
3. Segment Financial Results: (dollar amounts rounded to nearest million)							
Dialysis and related lab services							
Revenues	\$	1,491	\$ 1,441	\$	1,378	\$	4,309
Direct operating expenses		1,231	1,191		1,143		3,563
Dialysis segment margin	\$	260	\$ 250	\$	235	\$	746
Other – Ancillary services and strategic initiatives							
Revenues	\$	83	\$ 78	\$	69	\$	232

Direct operating expenses	87		81	73	243
Ancillary segment loss	\$ (4 )	\$	(3 )	\$ (4 )	\$ (12 )
Total segment margin	\$ 256	\$	247	\$ 231	\$ 734
Reconciling items:					
Stock-based compensation	(11 )		(11)	(11)	(34 )
Equity investment income	1		-	1	1
Consolidated operating income	\$ 245	\$	236	\$ 222	\$ 702
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# SUPPLEMENTAL FINANCIAL DATA—continued

(unaudited)

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

		Three months ended			Ni	Nine months ended		
	Sej	ptember 30, 2009		June 30, 2009	Se	ptember 30, 2008	Sep	otember 30 2009
4. Segment Business Metrics:					_			
Dialysis and related lab services:								
Volume								
Treatments	4	1,339,195	4	1,228,179		4,091,099	1	2,649,812
Number of treatment days		79.0		78.0		79.0		233.5
Treatments per day		54,927		54,207		51,786		54,175
Per day year over year increase		6.1 %		5.2 %		5.1 %		5.4 %
Non-acquired growth year over year		5.2 %		4.5 %		3.8 %		4.5 %
Revenue								
Dialysis and related lab services revenue per treatment	\$	343.14	\$	340.35	\$	336.42	\$	340.14
Per treatment increase from previous quarter		0.8 %		1.1 %		0.1 %		-
Per treatment increase from previous year		2.0 %		1.3 %		0.9 %		1.9 '
Percent of consolidated revenue		94.7 %		94.9 %		95.2 %		94.9
Expenses								
Patient care costs								
Percent of segment revenue		69.0 %		68.6 %		69.0 %		68.8
Per treatment	\$	237.21	\$	233.93	\$	232.50	\$	234.40
Per treatment increase from previous quarter		1.4 %		0.9 %		0.7 %		-
Per treatment increase from previous year		2.0 %		1.3 %		3.9 %		1.9 9
General and administrative expenses								
Percent of segment revenue		7.1 %		7.4 %		7.4 %		7.3
Per treatment	\$	24.39	\$	25.14	\$	24.88	\$	24.90
Per treatment decrease from previous quarter		(3.0 %)		(0.2 %)		-		-
Per treatment (decrease) increase from previous year		(2.0 %)		1.1 %		(1.5 %)		1.6
5. Cash Flow								
Operating cash flow	\$	167.5	\$	212.4	\$	160.2	\$	514.1
Operating cash flow last twelve months	\$	712.7	\$	705.4	\$	651.3		
Free cash flow <sup>(1)</sup>	\$	125.5	\$	173.6	\$	119.0	\$	388.5
Free cash flow, last twelve months (1)	\$	533.3	\$	526.8	\$	490.6		
Capital expenditures:								
Development and relocations	\$	42.4	\$	42.5	\$	51.6	\$	127.0
Routine maintenance/IT other	\$	25.0	\$	22.5	\$	27.2	\$	78.7
Acquisition expenditures	\$	20.7	\$	3.5	\$	30.4	\$	64.0
6. Accounts Receivable								
Net receivables	\$	1,143	\$	1,128	\$	1,057		

#### SUPPLEMENTAL FINANCIAL DATA—continued

(unaudited)

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

		Th	Nine months				
	September 30, 2009		,		otember 30, 2008	ended September 30, 2009	
7. Debt and Capital Structure			·				•
Total debt <sup>(2)</sup>	\$	3,654	\$ 3,669	\$	3,704		
Net debt, net of cash <sup>(2)</sup>	\$	3,072	\$ 3,124	\$	3,316		
Leverage ratio (see Note 1 below)		2.57x	2.66x		2.98x		
Overall effective weighted average interest rate during the quarter		4.79 %	4.92 %		5.66 %		
Overall effective weighted average interest rate at end of the quarter		4.76 %	4.87 %		6.09 %		
Effective weighted average interest rate on the Senior Secured Credit Facilities at end of the quarter		2.81 %	3.02 %		5.39 %		
Economically fixed interest rates as a percentage of our total debt		61 %	64 %		70 %		
Share repurchases	\$	62.4	\$ -	\$	-	\$ 94.4	
8. Clinical (quarterly averages)							
Dialysis adequacy -% of patients with Kt/V > 1.2		95 %	95 %		94 %		
90 day patients with Hb >= 10 <= 13		88 %	88 %		87 %		
Patients with arteriovenous fistulas placed		64 %	63 %		61 %		

<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. SUPPLEMENTAL FINANCIAL DATA—continued (unaudited) (dollars in thousands)

#### Note 1: Calculation of the Leverage Ratio

Under the Company's current 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 the 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.

	mo	olling twelve onths ended ember 30, 2009
Net income attributable to DaVita Inc.	\$	411,325
Income taxes		269,103
Debt expense		196,749
Depreciation and amortization		228,365
Noncontrolling interests and equity investment income, net		51,389
Other		13,797
Stock-based compensation expense		45,108
"Consolidated EBITDA"	\$	1,215,836
	Sept	ember 30, 2009

<sup>(2)</sup> This is a non-GAAP financial measure. It excludes \$2.9 million, for the quarter ended September 30, 2009, the unamortized balance of a debt premium associated with our senior notes that is not actually outstanding debt principal.

<sup>(3)</sup> Consolidated percentages of revenue and per treatment amounts are comprised of the dialysis and related lab services business, other ancillary services and strategic initiatives, as well as stock-based compensation expenses.

Total debt, excluding debt premium of \$2.9 million	\$ 3,653,622
Letters of credit issued	47,894
	3,701,516
Less: cash and cash equivalents	(581,680 )
Consolidated net debt	\$ 3,119,836
Last twelve months "Consolidated EBITDA"	\$ 1,215,836
Leverage ratio	2.57x

In accordance with the Company's Credit Agreement, the Company's leverage ratio cannot exceed 4.25 to 1.0 as of September 30, 2009. 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. Effective Income Tax Rates

We believe that reporting the effective income tax rate attributable to DaVita Inc. enhances a user'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 a user to fully understand the related income tax effects on DaVita Inc. operating results. This measure is not a measure of financial performance under United States generally accepted accounting principles and should not be considered as an alternative to the effective income tax rate.

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

	Т	Nine months		
	September 30, 2009	June 30, 2009	September 30, 2008	ended September 30, 2009
Income before income taxes	\$ 200,465	\$ 190,139	\$ 169,748	\$ 563,661
Income tax expense	\$ 74,195	\$ 70,507	\$ 62,010	\$ 209,485
Effective income tax rate	37.0 %	37.1 %	36.5 %	37.2 %
	т	Three months ende	ed	Nine months
	September 30, 2009	June 30, 2009	September 30, 2008	ended September 30, 2009
Income before income taxes	\$ 200,465	\$ 190,139	\$ 169,748	\$ 563,661
Less: Noncontrolling owners' income primarily attributable to non-tax paying entities	(15,585 )	(13,913 )	(13,888 )	(41,654 )
Income before income taxes attributable to DaVita Inc.	\$ 184,880	\$ 176,226	\$ 155,860	\$ 522,007
Income tax expense	\$ 74,195	\$ 70,507	\$ 62,010	\$ 209,485
Less income tax attributable to noncontrolling interests	(245 )	(100 )	(60 )	(438 )
Income tax attributable to DaVita Inc.	\$ 73,950	\$ 70,407	\$ 61,950	\$ 209,047
Effective income tax rate attributable to DaVita Inc.	40.0 %	40.0 %	39.7 %	40.0 %

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

#### 2. 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 United States generally accepted accounting principles, 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 also provides a user with an understanding of free cash flows that are attributable to DaVita Inc. Free cash flow is not a measure of financial performance under United States generally accepted accounting principles 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						Nine months	
Cash provided by operating activities	September 30, 2009		June 30, 2009	September 30, 2008		ended September 30, 2009		
	\$	167,487	\$ 212,383	\$	160,195	\$	514,119	
Less: Income distributions to noncontrolling interests		(16,993 )	(16,328 )		(13,968 )		(46,888 )	
Cash provided by operating activities attributable to DaVita Inc.	\$	150,494	\$ 196,055	\$	146,227	\$	467,231	
Less: Expenditures for routine maintenance and information technology		(25,040 )	(22,502 )		(27,217 )		(78,697)	
Free cash flow	\$	125,454	\$ 173,553	\$	119,010	\$	388,534	

	Rolling 12-Month Period						
	September 30, 2009		June 30, 2009		September 30, 2008		
Cash provided by operating activities	\$	712,668	\$	705,376	\$	651,291	
Less: Income distributions to noncontrolling interests		(61,267)		(58,242 )		(56,204)	
Cash provided by operating activities attributable to DaVita Inc.	\$	651,401	\$	647,134	\$	595,087	
Less: Expenditures for routine maintenance and information technology		(118,109)		(120,286 )		(104,509)	
Free cash flow.	\$	533,292	\$	526,848	\$	490,578	

Source: DaVita Inc.

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