

# DaVita HealthCare Partners Inc. 1st Quarter 2016 Results

DENVER, May 4, 2016 /PRNewswire/ -- DaVita HealthCare Partners Inc. (NYSE: DVA) today announced results for the quarter ended March 31, 2016. Adjusted net income attributable to DaVita HealthCare Partners Inc. for the quarter ended March 31, 2016 was \$190 million, or \$0.92 per share, excluding a goodwill impairment charge, as discussed below, and an estimated accrual for damages and liabilities associated with our HCP Nevada hospice business, all net of tax. Net income attributable to DaVita HealthCare Partners Inc. for the quarter ended March 31, 2016 including these items was \$97 million, or \$0.47 per share.

Adjusted net income attributable to DaVita HealthCare Partners Inc. for the quarter ended March 31, 2015 was \$187 million, or \$0.86 per share, excluding a settlement charge related to a private civil suit, net of tax. Net loss attributable to DaVita HealthCare Partners Inc. for the quarter ended March 31, 2015 including this item was \$(111) million, or \$(0.52) per share.

See schedules of reconciliations of non-GAAP measures.

## Financial and operating highlights include:

- **Adjusted Diluted Net Income Per Share:** Adjusted net income attributable to DaVita HealthCare Partners Inc. for the three months ended March 31, 2016, excluding the amortization of intangible assets associated with acquisitions, the goodwill impairment charge and the estimated HCP Nevada hospice accrual, net of tax, was \$214 million, or \$1.03 per share.

Adjusted net income attributable to DaVita HealthCare Partners Inc. for the three months ended March 31, 2015, excluding the amortization of intangible assets associated with acquisitions and a settlement charge, net of tax impacts, was \$213 million, or \$0.98 per share.

See schedules of reconciliations of non-GAAP measures.

- **Cash Flow:** For the rolling twelve months ended March 31, 2016, operating cash flow was \$1,576 million and free cash flow was \$1,041 million. For the three months ended March 31, 2016, operating cash flow was \$429 million and free cash flow was \$305 million. Operating cash flow and free cash flow for the rolling twelve months ended March 31, 2016 were negatively impacted by approximately \$304 million of after-tax payments made during the second quarter of 2015 in connection with the settlement of a private civil suit. Excluding these items, adjusted operating cash flow for the twelve months ended March 31, 2016 would have been \$1,880 million.
- **Adjusted Operating Income and Operating Income (Loss):** Adjusted operating income for the three months ended March 31, 2016 was \$458 million, excluding a goodwill impairment charge and the estimated HCP Nevada hospice accrual. Operating income for the three months ended March 31, 2016 including these items was \$365 million.

Adjusted operating income for the three months ended March 31, 2015 was \$431 million, excluding a settlement charge related to a private civil suit. Operating loss for the three months ended March 31, 2015 including this item was \$(64) million.

- **Goodwill Impairment Charge:** During the quarter ended March 31, 2016 we concluded our fourth quarter 2015 impairment assessment work on certain HCP reporting units with no material change. As a result of continued underperformance in recent quarters and further analyses performed during the first quarter, we have recognized an additional goodwill impairment charge of \$77 million for one of our HCP reporting units in the quarter ended March 31, 2016.
- **Volume:** Total U.S. dialysis treatments for the first quarter of 2016 were 6,639,874, or 85,236 treatments per day, representing a per day increase of 4.3% over the first quarter of 2015. Normalized non-acquired treatment growth in the first quarter of 2016 as compared to the first quarter of 2015 was 4.1%.

The number of member months for which HCP provided care during the first quarter of 2016 was approximately 2.4 million, of which 1.0 million, 1.1 million and 0.3 million related to Medicare, commercial and Medicaid members, respectively.

- **Effective Tax Rate:** Our effective tax rate was 47.9% for the three months ended March 31, 2016. The effective tax rate attributable to DaVita HealthCare Partners Inc. was 56.5% for the three months ended March 31, 2016. Our effective tax rate is impacted by the non-deductible goodwill impairment charge, the non-deductible HCP Nevada hospice accrual, as well as the amount of third-party owners' income attributable to non-tax paying entities. The adjusted effective tax rate attributable to DaVita HealthCare Partners Inc. for the quarter ended March 31, 2016, excluding the goodwill impairment charge and the estimated HCP Nevada hospice accrual, was 40.0%.

We are updating our estimate of 2016 effective tax rate attributable to DaVita HealthCare Partners Inc. to now be approximately 39.5% to 40.5% excluding the goodwill impairment charge and the estimated HCP Nevada hospice accrual. Our previous expected 2016 effective tax rate attributable to DaVita HealthCare Partners Inc. was 40.0% to 41.0%.

- **Center Activity:** As of March 31, 2016, we provided dialysis services to a total of approximately 192,000 patients at 2,402 outpatient dialysis centers, of which 2,278 centers are located in the United States and 124 centers are located in ten countries outside of the United States. During the first quarter of 2016, we opened a total of 30 new dialysis centers and closed four dialysis centers in the United States. We also acquired one dialysis center and opened five new dialysis center outside of the United States.
- **Share Repurchases:** During the first quarter of 2016, we repurchased a total of 3,689,738 shares of our common stock for \$249 million, or an average price of \$67.61 per share. As a result of these transactions we now have approximately \$259 million remaining under our current board authorization for share repurchases.
- **Acquisition:** On March 1, 2016 we completed our acquisition of The Everett Clinic Medical Group (TEC) pursuant to an Agreement and Plan of Merger dated November 23, 2015, as amended, whereby TEC became a 100% consolidated subsidiary of HCP. The operating results of TEC and its subsidiaries are included in our consolidated financial results from March 1, 2016.

## Outlook

- We still expect our consolidated operating income for 2016 to be in the range of \$1.800 billion to \$1.950 billion.
- We still expect our operating income for Kidney Care for 2016 to be in the range of \$1.625 billion to \$1.725 billion.
- We still expect our operating income for HCP for 2016 to be in the range of \$175 million to \$225 million.
- We still expect our consolidated operating cash flow for 2016 to be in the range of \$1.550 billion to \$1.750 billion.

These projections and the underlying assumptions involve significant risks and uncertainties, including those described below, and do not give effect to potential non-recurring items, including the goodwill impairment charge and the estimated accrual associated with the HCP Nevada hospice business, and actual results may vary significantly from these current projections.

We will be holding a conference call to discuss our results for the first quarter ended March 31, 2016 on May 4, 2016 at 5:00 p.m. Eastern Time. To join the conference call, please dial (877) 918-6630 from the U.S. or (212) 547-0235 from outside the U.S. A replay of the conference call will be available on our website at [investors.davitahealthcarepartners.com](http://investors.davitahealthcarepartners.com), for the following 30 days.

*This release contains forward-looking statements within the meaning of the federal securities laws, including statements related to our guidance and expectations for our 2016 consolidated operating income, our 2016 Kidney Care operating income, HCP's 2016 operating income, our 2016 consolidated operating cash flows, our 2016 effective tax rate attributable to DaVita HealthCare Partners Inc. and our estimated charges and accruals. Factors that could impact future results include the uncertainties associated with the risk factors set forth in our SEC filings, including our annual report on Form 10-K for the year ended December 31, 2015, our subsequent quarterly and annual reports, and our current reports on Form 8-K. The forward-looking statements should be considered in light of these risks and uncertainties.*

*These risks and uncertainties include, but are not limited to, and are qualified in their entirety by reference to the full text of those risk factors in our SEC filings relating to:*

- the concentration of profits generated by higher-paying commercial payor plans for which there is continued downward pressure on average realized payment rates, and the risk of a reduction in the number of patients under such plans, which may result in the loss of revenues or patients, and the extent to which the ongoing implementation of healthcare exchanges or changes in regulations or enforcement of regulations regarding the exchanges results in a reduction in reimbursement rates for our services from and/or the number of patients enrolled in higher-paying commercial plans,
- a reduction in government payment rates under the Medicare End Stage Renal Disease program or other government-based programs,
- the impact of the Center for Medicare and Medicaid Services (CMS) 2015 Medicare Advantage benchmark structure,
- risks arising from potential federal and/or state legislation that could have an adverse effect on our operations and profitability,
- changes in pharmaceutical or anemia management practice patterns, payment policies, or pharmaceutical pricing,
- legal compliance risks, including our continued compliance with complex government regulations and the provisions of our current corporate integrity agreement and current or

potential investigations by various government entities and related government or private-party proceedings, and restrictions on our business and operations required by our corporate integrity agreement and other settlement terms, and the financial impact thereof,

- continued increased competition from large- and medium-sized dialysis providers that compete directly with us,
- our ability to maintain contracts with physician medical directors, changing affiliation models for physicians, and the emergence of new models of care introduced by the government or private sector, that may erode our patient base and reimbursement rates, such as accountable care organizations, independent practice associations and integrated delivery systems, or to businesses outside of dialysis and HCP business,
- our ability to complete acquisitions, mergers or dispositions that we might be considering or announce, or to integrate and successfully operate any business we may acquire or have acquired, including HCP, or to expand our operations and services to markets outside the United States,
- the variability of our cash flows,
- the risk that we might invest material amounts of capital and incur significant costs in connection with the growth and development of our international operations, yet we might not be able to operate them profitably anytime soon, if at all,
- risks arising from the use of accounting estimates, judgments and interpretations in our financial statements,
- risks of losing key HCP employees, potential disruption from the HCP transaction making it more difficult to maintain business and operational relationships with customers, partners, associated physicians and physician groups, hospitals and others,
- the risk that laws regulating the corporate practice of medicine could restrict the manner in which HCP conducts its business,
- the risk that the cost of providing services under HCP's agreements may exceed our compensation,
- the risk that reductions in reimbursement rates, including Medicare Advantage rates, and future regulations may negatively impact HCP's business, revenue and profitability,
- the risk that HCP may not be able to successfully establish a presence in new geographic regions or successfully address competitive threats that could reduce its profitability,
- the risk that a disruption in HCP's healthcare provider networks could have an adverse effect on HCP's business operations and profitability,
- the risk that reductions in the quality ratings of health maintenance organization plan customers of HCP could have an adverse effect on HCP's business, or
- the risk that health plans that acquire health maintenance organizations may not be willing to contract with HCP or may be willing to contract only on less favorable terms.

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.

**DAVITA HEALTHCARE PARTNERS INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(unaudited)  
(dollars in thousands, except per share data)

|                                                                                         | <b>Three months ended</b> |              |
|-----------------------------------------------------------------------------------------|---------------------------|--------------|
|                                                                                         | <b>March 31,</b>          |              |
|                                                                                         | <b>2016</b>               | <b>2015</b>  |
| Patient service revenues.....                                                           | \$ 2,477,738              | \$ 2,271,815 |
| Less: Provision for uncollectible accounts.....                                         | (109,205)                 | (99,164)     |
| Net patient service revenues.....                                                       | 2,368,533                 | 2,172,651    |
| Capitated revenues.....                                                                 | 887,047                   | 850,515      |
| Other revenues.....                                                                     | 325,556                   | 264,799      |
| Total net revenues.....                                                                 | 3,581,136                 | 3,287,965    |
| Operating expenses and charges:                                                         |                           |              |
| Patient care costs and other costs.....                                                 | 2,582,333                 | 2,362,612    |
| General and administrative.....                                                         | 386,429                   | 341,801      |
| Depreciation and amortization.....                                                      | 169,355                   | 153,789      |
| Provision for uncollectible accounts.....                                               | 2,517                     | 1,827        |
| Equity investment income.....                                                           | (1,387)                   | (2,908)      |
| Goodwill impairment charge.....                                                         | 77,000                    | —            |
| Settlement charge.....                                                                  | —                         | 495,000      |
| Total operating expenses and charges.....                                               | 3,216,247                 | 3,352,121    |
| Operating income (loss).....                                                            | 364,889                   | (64,156)     |
| Debt expense.....                                                                       | (102,884)                 | (97,392)     |
| Other income (loss), net.....                                                           | 2,976                     | (533)        |
| Income (loss) before income taxes.....                                                  | 264,981                   | (162,081)    |
| Income tax expense (benefit).....                                                       | 126,822                   | (85,933)     |
| Net income (loss).....                                                                  | 138,159                   | (76,148)     |
| Less: Net income attributable to noncontrolling interests.....                          | (40,725)                  | (34,469)     |
| Net income (loss) attributable to DaVita HealthCare Partners Inc.....                   | \$ 97,434                 | \$ (110,617) |
| <b>Earnings per share:</b>                                                              |                           |              |
| Basic net income (loss) per share attributable to DaVita HealthCare Partners Inc.....   | \$ 0.48                   | \$ (0.52)    |
| Diluted net income (loss) per share attributable to DaVita HealthCare Partners Inc..... | \$ 0.47                   | \$ (0.52)    |
| <b>Weighted average shares for earnings per share:</b>                                  |                           |              |
| Basic.....                                                                              | 204,366,869               | 213,387,253  |
| Diluted.....                                                                            | 207,928,096               | 213,387,253  |

**DAVITA HEALTHCARE PARTNERS INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(unaudited)  
(dollars in thousands)

**Three months ended**  
**March 31,**  

| <b>2016</b> | <b>2015</b> |
|-------------|-------------|
|-------------|-------------|

|                                                                                       |            |              |
|---------------------------------------------------------------------------------------|------------|--------------|
|                                                                                       | \$ 138,159 | \$ (76,148)  |
| Net income (loss).....                                                                |            |              |
| Other comprehensive (loss) income, net of tax:                                        |            |              |
| Unrealized losses on interest rate swap and cap agreements:                           |            |              |
| Unrealized losses on interest rate swap and cap agreements.....                       | (5,469)    | (5,760)      |
| Reclassifications of net swap and cap agreements realized losses into net income..... | 465        | 812          |
| Unrealized gains (losses) on investments:                                             |            |              |
| Unrealized gains on investments.....                                                  | 229        | 382          |
| Reclassification of net investment realized gains into net income.....                | (93)       | (157)        |
| Foreign currency translation adjustments.....                                         | 11,181     | (17,885)     |
| Other comprehensive income (loss).....                                                | 6,313      | (22,608)     |
| Total comprehensive income (loss).....                                                | 144,472    | (98,756)     |
| Less: Comprehensive income attributable to noncontrolling interests.....              | (40,725)   | (34,469)     |
| Comprehensive income (loss) attributable to DaVita HealthCare Partners Inc.....       | \$ 103,747 | \$ (133,225) |

**DAVITA HEALTHCARE PARTNERS INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited)  
(dollars in thousands)

|                                                                                             | Three months ended<br>March 31, |              |
|---------------------------------------------------------------------------------------------|---------------------------------|--------------|
|                                                                                             | 2016                            | 2015         |
| <b>Cash flows from operating activities:</b>                                                |                                 |              |
| Net income (loss).....                                                                      | \$ 138,159                      | \$ (76,148)  |
| Adjustments to reconcile net income to net cash provided by operating activities:           |                                 |              |
| Settlement charge.....                                                                      | —                               | 495,000      |
| Depreciation and amortization.....                                                          | 169,355                         | 153,789      |
| Goodwill impairment charge.....                                                             | 77,000                          | —            |
| Stock-based compensation expense.....                                                       | 13,097                          | 12,762       |
| Tax benefits from stock award exercises.....                                                | 8,668                           | 9,366        |
| Excess tax benefits from stock award exercises.....                                         | (4,383)                         | (7,584)      |
| Deferred income taxes.....                                                                  | 47,519                          | (203,940)    |
| Equity investment income, net.....                                                          | 5,238                           | 2,539        |
| Other non-cash charges.....                                                                 | 11,507                          | 7,865        |
| Changes in operating assets and liabilities, other than from acquisitions and divestitures: |                                 |              |
| Accounts receivable.....                                                                    | (78,097)                        | (151,743)    |
| Inventories.....                                                                            | (4,924)                         | (9,193)      |
| Other receivables and other current assets.....                                             | (75,326)                        | (18,619)     |
| Other long-term assets.....                                                                 | (965)                           | 153          |
| Accounts payable.....                                                                       | 7,782                           | (10,933)     |
| Accrued compensation and benefits.....                                                      | (32,909)                        | 30,638       |
| Other current liabilities.....                                                              | 55,673                          | 60,772       |
| Income taxes.....                                                                           | 72,400                          | 106,970      |
| Other long-term liabilities.....                                                            | 19,208                          | 8,395        |
| Net cash provided by operating activities.....                                              | 429,002                         | 410,089      |
| <b>Cash flows from investing activities:</b>                                                |                                 |              |
| Additions of property and equipment.....                                                    | (173,187)                       | (121,421)    |
| Acquisitions.....                                                                           | (405,154)                       | (40,650)     |
| Proceeds from asset and business sales.....                                                 | 4,657                           | 2,565        |
| Purchase of investments available for sale.....                                             | (4,435)                         | (1,448)      |
| Purchase of investments held-to-maturity.....                                               | (228,198)                       | (290,774)    |
| Proceeds from sale of investments available for sale.....                                   | 5,155                           | 1,217        |
| Proceeds from investments held-to-maturity.....                                             | 252,701                         | 205,650      |
| Purchase of equity investments.....                                                         | (5,850)                         | (7,426)      |
| Net cash used in investing activities.....                                                  | (554,311)                       | (252,287)    |
| <b>Cash flows from financing activities:</b>                                                |                                 |              |
| Borrowings.....                                                                             | 13,098,553                      | 13,353,767   |
| Payments on long-term debt and other financing costs.....                                   | (13,123,124)                    | (13,382,203) |
| Purchase of treasury stock.....                                                             | (274,926)                       | (70,063)     |
| Distributions to noncontrolling interests.....                                              | (50,409)                        | (41,499)     |
| Stock award exercises and other share issuances, net.....                                   | 3,167                           | 5,648        |
| Excess tax benefits from stock award exercises.....                                         | 4,383                           | 7,584        |
| Contributions from noncontrolling interests.....                                            | 10,190                          | 15,898       |
| Proceeds from sales of additional noncontrolling interests.....                             | 3,557                           | —            |
| Purchase of noncontrolling interests.....                                                   | (4,300)                         | —            |
| Deferred financing costs.....                                                               | (188)                           | —            |
| Net cash used in financing activities.....                                                  | (333,097)                       | (110,868)    |
| Effect of exchange rate changes on cash and cash equivalents.....                           | 717                             | (904)        |
| Net (decrease) increase in cash and cash equivalents.....                                   | (457,689)                       | 46,030       |
| Cash and cash equivalents at beginning of the year.....                                     | 1,499,116                       | 965,241      |
| Cash and cash equivalents at end of the period.....                                         | \$ 1,041,427                    | \$ 1,011,271 |

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

|                                                                                                                                                                                  | March 31,<br>2016    | December 31,<br>2015 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>ASSETS</b>                                                                                                                                                                    |                      |                      |
| Cash and cash equivalents.....                                                                                                                                                   | \$ 1,041,427         | \$ 1,499,116         |
| Short-term investments.....                                                                                                                                                      | 396,468              | 408,084              |
| Accounts receivable, less allowance of \$280,988 and \$264,144.....                                                                                                              | 1,855,285            | 1,724,228            |
| Inventories.....                                                                                                                                                                 | 192,689              | 185,575              |
| Other receivables.....                                                                                                                                                           | 525,548              | 435,885              |
| Other current assets.....                                                                                                                                                        | 187,287              | 190,322              |
| Income taxes receivable.....                                                                                                                                                     | 856                  | 60,070               |
| Total current assets.....                                                                                                                                                        | 4,199,560            | 4,503,280            |
| Property and equipment, net.....                                                                                                                                                 | 2,911,205            | 2,788,740            |
| Intangible assets, net.....                                                                                                                                                      | 1,678,707            | 1,687,326            |
| Equity investments.....                                                                                                                                                          | 75,059               | 73,368               |
| Long-term investments.....                                                                                                                                                       | 97,770               | 94,122               |
| Other long-term assets.....                                                                                                                                                      | 66,269               | 73,560               |
| Goodwill.....                                                                                                                                                                    | 9,485,628            | 9,294,479            |
|                                                                                                                                                                                  | <u>\$ 18,514,198</u> | <u>\$ 18,514,875</u> |
| <b>LIABILITIES AND EQUITY</b>                                                                                                                                                    |                      |                      |
| Accounts payable.....                                                                                                                                                            | \$ 480,288           | \$ 513,950           |
| Other liabilities.....                                                                                                                                                           | 779,141              | 682,123              |
| Accrued compensation and benefits.....                                                                                                                                           | 728,476              | 741,926              |
| Medical payables.....                                                                                                                                                            | 317,747              | 332,102              |
| Current portion of long-term debt.....                                                                                                                                           | 137,966              | 129,037              |
| Total current liabilities.....                                                                                                                                                   | 2,443,618            | 2,399,138            |
| Long-term debt.....                                                                                                                                                              | 8,979,855            | 9,001,308            |
| Other long-term liabilities.....                                                                                                                                                 | 464,250              | 439,229              |
| Deferred income taxes.....                                                                                                                                                       | 792,038              | 726,962              |
| Total liabilities.....                                                                                                                                                           | 12,679,761           | 12,566,637           |
| Commitments and contingencies:                                                                                                                                                   |                      |                      |
| Noncontrolling interests subject to put provisions.....                                                                                                                          | 912,705              | 864,066              |
| 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; 217,338,629 and 217,120,346 shares issued and 206,392,776 and 209,754,247 shares outstanding, respectively)..... | 217                  | 217                  |
| Additional paid-in capital.....                                                                                                                                                  | 1,089,305            | 1,118,326            |
| Retained earnings.....                                                                                                                                                           | 4,454,269            | 4,356,835            |
| Treasury stock (10,945,853 and 7,366,099 shares, respectively).....                                                                                                              | (786,352)            | (544,772)            |
| Accumulated other comprehensive loss.....                                                                                                                                        | (53,513)             | (59,826)             |
| Total DaVita HealthCare Partners Inc. shareholders' equity.....                                                                                                                  | 4,703,926            | 4,870,780            |
| Noncontrolling interests not subject to put provisions.....                                                                                                                      | 217,806              | 213,392              |
| Total equity.....                                                                                                                                                                | <u>4,921,732</u>     | <u>5,084,172</u>     |
|                                                                                                                                                                                  | <u>\$ 18,514,198</u> | <u>\$ 18,514,875</u> |

**DAVITA HEALTHCARE PARTNERS INC.**  
**SUPPLEMENTAL FINANCIAL DATA**  
(unaudited)  
(dollars in millions, except for per share and per treatment data)

|                                                                                                                                    | Three months ended |                      |                   |
|------------------------------------------------------------------------------------------------------------------------------------|--------------------|----------------------|-------------------|
|                                                                                                                                    | March 31,<br>2016  | December 31,<br>2015 | March 31,<br>2015 |
| <b>1. Consolidated Financial Results:</b>                                                                                          |                    |                      |                   |
| Consolidated net revenues.....                                                                                                     | \$ 3,581           | \$ 3,534             | \$ 3,288          |
| Operating income (loss).....                                                                                                       | \$ 365             | \$ 245               | \$ (64)           |
| Adjusted operating income excluding certain items <sup>(1)</sup> .....                                                             | \$ 458             | \$ 474               | \$ 431            |
| Operating income (loss) margin.....                                                                                                | 10.2%              | 6.9%                 | (2.0%)            |
| Adjusted operating income margin excluding certain items <sup>(1) (5)</sup> .....                                                  | 12.8%              | 13.4%                | 13.1%             |
| Net income (loss) attributable to DaVita HealthCare Partners Inc. ....                                                             | \$ 97              | \$ (6)               | \$ (111)          |
| Adjusted net income attributable to DaVita HealthCare Partners Inc. excluding certain items <sup>(1)</sup> .....                   | \$ 190             | \$ 214               | \$ 187            |
| Diluted net income (loss) per share attributable to DaVita HealthCare Partners Inc. ....                                           | \$ 0.47            | \$ (0.03)            | \$ (0.52)         |
| Adjusted diluted net income per share attributable to DaVita HealthCare Partners Inc. excluding certain items <sup>(1)</sup> ..... | \$ 0.92            | \$ 1.01              | \$ 0.86           |
| <b>2. Consolidated Business Metrics:</b>                                                                                           |                    |                      |                   |
| <b>Expenses</b>                                                                                                                    |                    |                      |                   |
| General and administrative expenses as a percent of consolidated net revenues <sup>(2)</sup> ...                                   | 10.8%              | 11.6%                | 10.4%             |
| Consolidated effective tax rate .....                                                                                              | 47.9%              | 76.4%                | 53.0%             |
| Consolidated effective tax rate attributable to DaVita HealthCare Partners Inc. <sup>(1)</sup> ...                                 | 56.5%              | 105.7%               | 43.7%             |
| Adjusted consolidated effective tax rate attributable to DaVita HealthCare Partners Inc. <sup>(1)</sup> .....                      | 40.0%              | 36.0%                | 37.5%             |
| <b>3. Summary of Division Financial Results:</b>                                                                                   |                    |                      |                   |
| <b>Net revenues</b>                                                                                                                |                    |                      |                   |
| Kidney Care:                                                                                                                       |                    |                      | \$                |
| Net dialysis and related lab services revenues.....                                                                                | \$ 2,227           | \$ 2,216             | \$ 2,072          |

|                                                                                                                       |          |          |          |
|-----------------------------------------------------------------------------------------------------------------------|----------|----------|----------|
| Net ancillary services and strategic initiatives revenues, including international dialysis operations.....           | 391      | 398      | 305      |
| Elimination of intersegment revenues.....                                                                             | (26)     | (22)     | (17)     |
| Total Kidney Care net revenues.....                                                                                   | 2,592    | 2,592    | 2,360    |
| Net HCP revenues.....                                                                                                 | 989      | 942      | 928      |
| Total net consolidated revenues.....                                                                                  | \$ 3,581 | \$ 3,534 | \$ 3,288 |
| <b>Operating income</b>                                                                                               |          |          |          |
| Kidney Care:                                                                                                          |          |          |          |
| Dialysis and related lab services operating income (loss).....                                                        | \$ 440   | \$ 464   | \$ (104) |
| Other – Ancillary services and strategic initiatives, including international dialysis operations operating loss..... | (11)     | (34)     | (14)     |
| Corporate support and related long-term incentive compensation.....                                                   | (7)      | (4)      | (6)      |
| Total Kidney Care operating income (loss).....                                                                        | 422      | 426      | (124)    |
| HCP operating (loss) income.....                                                                                      | (57)     | (181)    | 60       |
| Total consolidated operating income (loss).....                                                                       | \$ 365   | \$ 245   | \$ (64)  |

**DAVITA HEALTHCARE PARTNERS INC.**  
**SUPPLEMENTAL FINANCIAL DATA—continued**  
(unaudited)  
(dollars in millions, except for per share and per treatment data)

|                                                             | Three months ended |                      |                   |
|-------------------------------------------------------------|--------------------|----------------------|-------------------|
|                                                             | March 31,<br>2016  | December 31,<br>2015 | March 31,<br>2015 |
| <b>4. Summary of Reportable Segment Financial Results:</b>  |                    |                      |                   |
| <b>Dialysis and Related Lab Services</b>                    |                    |                      |                   |
| Revenue:                                                    |                    |                      |                   |
| Patient services revenues.....                              | \$ 2,328           | \$ 2,316             | \$ 2,166          |
| Provision for uncollectible accounts.....                   | (105)              | (104)                | (97)              |
| Net patient service operating revenues.....                 | 2,223              | 2,212                | 2,069             |
| Other revenues.....                                         | 4                  | 4                    | 3                 |
| Total net operating revenues.....                           | \$ 2,227           | \$ 2,216             | 2,072             |
| Operating expenses:                                         |                    |                      |                   |
| Patient care costs.....                                     | \$ 1,496           | \$ 1,462             | 1,396             |
| General and administrative.....                             | 179                | 181                  | 183               |
| Depreciation and amortization.....                          | 116                | 112                  | 105               |
| Equity investment income.....                               | (4)                | (3)                  | (3)               |
| Settlement charge.....                                      | —                  | —                    | 495               |
| Total operating expenses.....                               | 1,787              | 1,752                | 2,176             |
| Segment operating income (loss).....                        | 440                | 464                  | (104)             |
| <b>Reconciliation for non-GAAP measure:</b>                 |                    |                      |                   |
| Add: Settlement charge.....                                 | —                  | —                    | 495               |
| Adjusted segment operating income <sup>(1)</sup> .....      | \$ 440             | \$ 464               | \$ 391            |
| <b>HCP</b>                                                  |                    |                      |                   |
| Revenue:                                                    |                    |                      |                   |
| HCP capitated revenues.....                                 | \$ 866             | \$ 850               | \$ 833            |
| Patient services revenues.....                              | 112                | 80                   | 81                |
| Provision for uncollectible accounts.....                   | (4)                | (4)                  | (1)               |
| Net patient service operating revenues.....                 | 108                | 76                   | 80                |
| Other revenues.....                                         | 15                 | 16                   | 15                |
| Total net operating revenues.....                           | \$ 989             | \$ 942               | 928               |
| Operating expenses:                                         |                    |                      |                   |
| Patient care costs.....                                     | \$ 794             | \$ 757               | 733               |
| General and administrative.....                             | 127                | 121                  | 92                |
| Depreciation and amortization.....                          | 46                 | 44                   | 43                |
| Goodwill and other intangible asset impairment charges..... | 77                 | 206                  | —                 |
| Equity investment (income) loss.....                        | 2                  | (5)                  | —                 |
| Total operating expenses.....                               | 1,046              | 1,123                | 868               |
| Segment operating (loss) income.....                        | (57)               | (181)                | 60                |
| <b>Reconciliation for non-GAAP measure:</b>                 |                    |                      |                   |
| Add:                                                        |                    |                      |                   |
| Goodwill and other intangible asset impairment charges..... | 77                 | 206                  | —                 |
| Hospice accrual.....                                        | 16                 | —                    | —                 |
| Adjusted segment operating income <sup>(1)</sup> .....      | \$ 36              | \$ 25                | \$ 60             |

**DAVITA HEALTHCARE PARTNERS INC.**  
**SUPPLEMENTAL FINANCIAL DATA—continued**  
(unaudited)  
(dollars in millions, except for per share and per treatment data)

Three months ended

## 5. Dialysis and Related Lab Services Business Metrics:

|                                                                       | March 31,<br>2016 | December 31,<br>2015 | March 31,<br>2015 |
|-----------------------------------------------------------------------|-------------------|----------------------|-------------------|
| <b>Volume</b>                                                         |                   |                      |                   |
| Treatments.....                                                       | 6,639,874         | 6,649,227            | 6,262,635         |
| Number of treatment days.....                                         | 77.9              | 79.1                 | 76.6              |
| Treatments per day.....                                               | 85,236            | 84,061               | 81,758            |
| Per day year over year increase.....                                  | 4.3%              | 3.2%                 | 4.5%              |
| Normalized non-acquired growth year over year.....                    | 4.1%              | 3.7%                 | 4.5%              |
| <b>Operating revenues before provision for uncollectible accounts</b> |                   |                      |                   |
|                                                                       | \$                |                      |                   |
| Dialysis and related lab services revenue per treatment.....          | 350.60            | \$ 348.26            | \$ 345.88         |
| Per treatment increase (decrease) from previous quarter.....          | 0.7%              | 0.1%                 | (0.3%)            |
| Per treatment increase from previous year.....                        | 1.4%              | 0.4%                 | 1.5%              |
| Percent of net consolidated revenues.....                             | 61.8%             | 62.3%                | 62.7%             |
| <b>Expenses</b>                                                       |                   |                      |                   |
| <b>Patient care costs</b>                                             |                   |                      |                   |
| Percent of total segment operating net revenues.....                  | 67.2%             | 66.0%                | 67.4%             |
| Per treatment.....                                                    | \$ 225.30         | \$ 219.86            | \$ 222.99         |
| Per treatment increase (decrease) from previous quarter.....          | 2.5%              | (0.5%)               | 1.9%              |
| Per treatment increase from previous year.....                        | 1.0%              | 0.5%                 | 0.8%              |
| <b>General and administrative expenses</b>                            |                   |                      |                   |
| Percent of total segment operating net revenues.....                  | 8.0%              | 8.2%                 | 8.8%              |
| Per treatment.....                                                    | \$ 26.97          | \$ 27.21             | \$ 29.25          |
| Per treatment (decrease) increase from previous quarter.....          | (0.9%)            | 5.5%                 | (1.7%)            |
| Per treatment (decrease) increase from previous year.....             | (7.8%)            | (8.5%)               | 12.5%             |
| <b>Accounts receivable</b>                                            |                   |                      |                   |
| Net receivables.....                                                  | \$ 1,297          | \$ 1,255             | \$ 1,261          |
| DSO.....                                                              | 54                | 53                   | 56                |
| Provision for uncollectible accounts as a percentage of revenues..... | 4.5%              | 4.5%                 | 4.5%              |

## 6. HCP Business Metrics:

|                                                                                                   |           |           |           |
|---------------------------------------------------------------------------------------------------|-----------|-----------|-----------|
| <b>Capitated membership</b>                                                                       |           |           |           |
| Total members.....                                                                                | 787,100   | 807,400   | 830,400   |
| <b>Total member months</b>                                                                        |           |           |           |
| Medicare.....                                                                                     | 975,300   | 951,500   | 930,800   |
| Commercial.....                                                                                   | 1,048,600 | 1,109,900 | 1,132,900 |
| Medicaid.....                                                                                     | 342,500   | 367,100   | 418,800   |
| Total member months.....                                                                          | 2,366,400 | 2,428,500 | 2,482,500 |
| <b>Capitated revenues by sources</b>                                                              |           |           |           |
| Senior                                                                                            |           |           | \$        |
| revenues.....                                                                                     | \$ 648    | \$ 607    | 602       |
| Commercial revenues.....                                                                          | 172       | 184       | 185       |
| Medicaid revenues.....                                                                            | 46        | 59        | 46        |
|                                                                                                   |           |           | \$        |
| Total capitated revenues.....                                                                     | \$ 866    | \$ 850    | 833       |
| <b>Other</b>                                                                                      |           |           |           |
| Total care dollars under management <sup>(1)</sup> .....                                          | \$ 1,268  | \$ 1,213  | \$ 1,233  |
| Ratio of operating (loss) income to total care dollars under management <sup>(1)</sup> .....      | (4.5%)    | (14.9%)   | 4.9%      |
| Ratio of adjusted operating income to total care dollars under management <sup>(1)(6)</sup> ..... | 2.8%      | 2.1%      | 4.9%      |
| Full time clinicians.....                                                                         | 1,652     | 1,315     | 1,299     |
| IPA primary care physicians.....                                                                  | 2,877     | 2,937     | 2,829     |

**DAVITA HEALTHCARE PARTNERS INC.**  
**SUPPLEMENTAL FINANCIAL DATA—continued**  
(unaudited)  
(dollars in millions, except for per share and per treatment data)

|                                                                 | Three months ended |                      |                   |
|-----------------------------------------------------------------|--------------------|----------------------|-------------------|
|                                                                 | March 31,<br>2016  | December 31,<br>2015 | March 31,<br>2015 |
| <b>7. Cash Flow:</b>                                            |                    |                      |                   |
| Operating cash flow.....                                        | \$ 429.0           | \$ 436.7             | \$ 410.1          |
| Operating cash flow, last twelve months.....                    | \$ 1,576.1         | \$ 1,557.2           | \$ 1,450.4        |
| Free cash flow <sup>(1)</sup> .....                             | \$ 305.3           | \$ 256.2             | \$ 319.6          |
| Free cash flow, last twelve months <sup>(1)</sup> .....         | \$ 1,041.2         | \$ 1,055.5           | \$ 1,028.1        |
| Capital expenditures:                                           |                    |                      |                   |
| Routine maintenance/IT/other.....                               | \$ 73.3            | \$ 131.8             | \$ 49.0           |
| Development and relocations.....                                | \$ 99.9            | \$ 114.0             | \$ 72.4           |
| Acquisition expenditures.....                                   | \$ 405.2           | \$ 5.8               | \$ 40.7           |
| <b>8. Debt and Capital Structure:</b>                           |                    |                      |                   |
| Total debt <sup>(3)</sup> .....                                 | \$ 9,210           | \$ 9,226             | \$ 8,513          |
| Net debt, net of cash and cash equivalents <sup>(3)</sup> ..... | \$ 8,168           | \$ 7,727             | \$ 7,502          |

|                                                                                                                                 |                    |                    |                    |
|---------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|
| Leverage ratio (see calculation on page 13).....                                                                                | 3.07x              | 2.95x              | 2.94x              |
| Overall weighted average effective interest rate during the quarter.....                                                        | 4.40%              | 4.40%              | 4.48%              |
| Overall weighted average effective interest rate at end of the quarter.....                                                     | 4.40%              | 4.39%              | 4.47%              |
| Weighted average effective interest rate on the Senior Secured Credit Facilities at end of the quarter.....                     | 3.46%              | 3.46%              | 3.44%              |
| Fixed and economically fixed interest rates as a percentage of our total debt.....                                              | 60% <sup>(4)</sup> | 61% <sup>(4)</sup> | 58% <sup>(4)</sup> |
| Fixed and economically fixed interest rates, including our interest rate cap agreements, as a percentage of our total debt..... | 90% <sup>(4)</sup> | 90% <sup>(4)</sup> | 90% <sup>(4)</sup> |

**9. Clinical: (quarterly averages)**

|                                                                            |     |     |     |
|----------------------------------------------------------------------------|-----|-----|-----|
| Dialysis adequacy -% of patients with Kt/V > 1.2 at the end of the quarter | 98% | 97% | 98% |
| Dialysis patients with arteriovenous fistulas placed.....                  | 73% | 73% | 73% |

(1) 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, and for a definition of adjusted amounts, see attached reconciliation schedules.

(2) Consolidated percentages of revenues are comprised of the dialysis and related lab services business, HCP's business and other ancillary services and strategic initiatives. General and administrative expenses includes certain corporate support, long-term incentive compensation, as well as the estimated hospice and pharmacy accruals for the three months ended March 31, 2016 and December 31, 2015, respectively.

(3) The reported balance sheet amounts at March 31, 2016, December 31, 2015 and March 31, 2015, excludes \$92.0 million, \$96.0 million and \$96.9 million, respectively, of a debt discount associated with our Term Loan B and other deferred financing costs.

(4) The Term Loan B is subject to a LIBOR floor of 0.75%. Because actual LIBOR, for all periods presented above, was lower than this embedded LIBOR floor, the interest rate on the Term Loan B is set at its respective floor. At such time as the actual LIBOR-based variable component of our interest rate exceeds 0.75% on the Term Loan B, we will then be subject to LIBOR-based interest rate volatility on the LIBOR variable component of our interest rate on all of the Term Loan B. However, we are limited to a maximum rate of 2.50% on \$2.735 billion of outstanding principal debt on the Term Loan B as a result of interest rate cap agreements. The remaining \$704 million outstanding principal balance of the Term Loan B is subject to LIBOR-based interest rate volatility above a floor of 0.75%.

(5) Adjusted operating income margin is a calculation of adjusted operating income divided by consolidated net revenues.

(6) Ratio of adjusted operating income to total care dollars under management is a calculation of adjusted operating income divided by total care dollars under management.

**DAVITA HEALTHCARE PARTNERS INC.**  
**SUPPLEMENTAL FINANCIAL DATA—continued**  
(unaudited)  
(dollars in thousands)

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

Under the 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, including short-term investments, 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.

|                                                                                                                       | <b>Rolling twelve months ended<br/>March 31, 2016</b> |
|-----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| Net income attributable to DaVita HealthCare Partners Inc.....                                                        | \$ 477,783                                            |
| Income taxes.....                                                                                                     | 508,481                                               |
| Interest expense.....                                                                                                 | 386,546                                               |
| Depreciation and amortization.....                                                                                    | 653,590                                               |
| Goodwill and other intangible asset impairment charges.....                                                           | 287,234                                               |
| Noncontrolling interests and equity investment income, net.....                                                       | 182,794                                               |
| Stock-settled stock-based compensation.....                                                                           | 56,586                                                |
| Debt redemption charges.....                                                                                          | 48,072                                                |
| Other .....                                                                                                           | 9,604                                                 |
| "Consolidated EBITDA".....                                                                                            | <u>\$ 2,610,690</u>                                   |
|                                                                                                                       | <b>March 31, 2016</b>                                 |
|                                                                                                                       | \$                                                    |
| Total debt, excluding debt discount and other deferred financing costs of \$92.0 million.....                         | 9,209,771                                             |
| Letters of credit issued.....                                                                                         | 92,464                                                |
|                                                                                                                       | <u>9,302,235</u>                                      |
| Less: Cash and cash equivalents including short-term investments (excluding HCP's physician owned entities cash)..... | <u>(1,291,696)</u>                                    |
|                                                                                                                       | \$                                                    |
| Consolidated net debt.....                                                                                            | 8,010,539                                             |
|                                                                                                                       | \$                                                    |
| Last twelve months "Consolidated EBITDA".....                                                                         | <u>2,610,690</u>                                      |
| Leverage ratio.....                                                                                                   | <u>3.07x</u>                                          |

In accordance with the Credit Agreement, the Company's leverage ratio cannot exceed 5.00 to 1.00 as of March 31, 2016. At that date the Company's leverage ratio did not exceed 5.00 to 1.00.

**DAVITA HEALTHCARE PARTNERS INC.**  
**RECONCILIATIONS FOR NON-GAAP MEASURES**  
(unaudited)  
(dollars in thousands except for per share data)

**1. Adjusted net income and adjusted diluted net income per share attributable to DaVita HealthCare Partners Inc. excluding goodwill and other intangible asset impairment charges, estimated accruals for our HCP Nevada hospice business and our pharmacy business, and a settlement charge, net of related tax.**

We believe that adjusted net income attributable to DaVita HealthCare Partners Inc., excluding goodwill and other intangible asset impairment charges, primarily related to certain HCP reporting units, estimated accruals for damages and liabilities associated with our HCP Nevada hospice business and our pharmacy business, and a settlement charge related to a private civil suit, net of related tax, enhances a user's understanding of our normal net income attributable to DaVita HealthCare Partners Inc. and adjusted diluted net income per share attributable to DaVita HealthCare Partners Inc. for these periods by providing a measure that is meaningful because it excludes these unusual amounts, and accordingly, is comparable to prior periods and indicative of normal net income attributable to DaVita HealthCare Partners Inc. and diluted net income per share attributable to DaVita HealthCare Partners 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 HealthCare Partners Inc. and diluted net income per share attributable to DaVita HealthCare Partners Inc.

**Adjusted net income attributable to DaVita HealthCare Partners Inc. excluding goodwill and other intangible asset impairment charges, estimated accruals for damages and liabilities associated with our HCP Nevada hospice business and our pharmacy business, and a settlement charge related to a private civil suit, net of related tax:**

|                                                                        | Three months ended |                      |                   |
|------------------------------------------------------------------------|--------------------|----------------------|-------------------|
|                                                                        | March 31,<br>2016  | December 31,<br>2015 | March 31,<br>2015 |
| Net income (loss) attributable to DaVita HealthCare Partners Inc. .... | \$ 97,434          | \$ (6,000)           | \$ (110,617)      |
| Add:                                                                   |                    |                      |                   |
| Goodwill and other intangible asset impairment charges.....            | 77,000             | 206,169              | —                 |
| HCP hospice accrual.....                                               | 16,000             | —                    | —                 |
| Pharmacy accrual.....                                                  | —                  | 22,530               | —                 |
| Settlement charge.....                                                 | —                  | —                    | 495,000           |
| Less: Related income tax.....                                          | —                  | (8,643)              | (197,747)         |
|                                                                        | <u>\$ 190,434</u>  | <u>\$ 214,056</u>    | <u>\$ 186,636</u> |

**DAVITA HEALTHCARE PARTNERS INC.**  
**RECONCILIATIONS FOR NON-GAAP MEASURES**  
(unaudited)  
(dollars in thousands except for per share data)

**Adjusted diluted net income per share attributable to DaVita HealthCare Partners Inc. excluding goodwill and other intangible asset impairment charges, estimated accruals for damages and liabilities associated with our HCP Nevada hospice business and our pharmacy business, and a settlement charge related to a private civil suit:**

|                                                                                         | Three months ended |                                     |                                  |
|-----------------------------------------------------------------------------------------|--------------------|-------------------------------------|----------------------------------|
|                                                                                         | March 31,<br>2016  | December 31,<br>2015 <sup>(1)</sup> | March 31,<br>2015 <sup>(1)</sup> |
| Diluted net income (loss) per share attributable to DaVita HealthCare Partners Inc..... | \$ 0.47            | \$ (0.03)                           | \$ (0.52)                        |
| Add:                                                                                    |                    |                                     |                                  |
| Goodwill and other intangible asset impairment charges.....                             | 0.37               | 0.94                                | —                                |
| HCP hospice accrual.....                                                                | 0.08               | —                                   | —                                |
| Pharmacy accrual.....                                                                   | —                  | 0.10                                | —                                |
| Settlement charge.....                                                                  | —                  | —                                   | 1.38                             |
|                                                                                         | <u>\$ 0.92</u>     | <u>\$ 1.01</u>                      | <u>\$ 0.86</u>                   |

(1) Adjusted diluted net income per share attributable to DaVita HealthCare Partners Inc. for the three months ended December 31, 2015 is calculated using 212,777,826 shares, which includes shares that would be dilutive based on adjusted net income attributable to DaVita HealthCare Partners Inc. of \$214,056, excluding goodwill and other intangible asset impairment charges and an estimated accrual for damages and liabilities associated with our pharmacy business. Adjusted diluted net income per share attributable to DaVita HealthCare Partners Inc. for the three months ended March 31, 2015 is calculated using 217,977,358 shares, which includes shares that would be dilutive based on adjusted net income attributable to DaVita HealthCare Partners Inc. of \$186,636 excluding a settlement charge.

**DAVITA HEALTHCARE PARTNERS INC.**  
**RECONCILIATIONS FOR NON-GAAP MEASURES – (continued)**  
(unaudited)  
(dollars in thousands except for per share data)

In addition, we have excluded amortization of intangible assets, net of tax, associated with acquisitions from our adjusted net income attributable to DaVita HealthCare Partners Inc. and from our adjusted diluted net income per share attributable to DaVita HealthCare Partners Inc. as we believe this presentation enhances a user's understanding of our operating results for these periods by providing a different reflection of the Company's operating performance since it excludes the amortization of intangible assets, net of tax, that relate to the fair value measurement of acquired intangible assets associated with our acquisitions, and accordingly is indicative of consistent adjusted net income excluding amortization of acquired intangibles, attributable to DaVita HealthCare Partners Inc. and diluted net income per share attributable to DaVita HealthCare Partners Inc. These measures are not measures of financial performance under GAAP and should not be considered as an alternative to net income attributable to DaVita HealthCare Partners Inc. and diluted net income per share attributable to DaVita HealthCare Partners Inc.

**Adjusted net income and adjusted diluted net income per share attributable to DaVita HealthCare Partners Inc., further adjusted to exclude the amortization of intangible assets associated with acquisitions, net of tax:**

|                                                                                                              | Three months ended |                      |                   |
|--------------------------------------------------------------------------------------------------------------|--------------------|----------------------|-------------------|
|                                                                                                              | March 31,<br>2016  | December 31,<br>2015 | March 31,<br>2015 |
| Adjusted net income attributable to DaVita HealthCare Partners Inc. ....                                     | \$ 190,434         | \$ 214,056           | \$ 186,636        |
| Add:                                                                                                         |                    |                      |                   |
| Amortization of intangible assets associated with acquisitions for the dialysis and ancillary operations.... | 3,809              | 3,992                | 6,524             |
| Amortization of intangible assets associated with acquisitions for the HCP operations.....                   | 36,078             | 35,727               | 35,878            |

|                                                                                                                                     |            |            |          |
|-------------------------------------------------------------------------------------------------------------------------------------|------------|------------|----------|
| Less: Related income tax.....                                                                                                       | (15,955)   | (14,418)   | (15,901) |
|                                                                                                                                     | \$ 214,366 | \$ 239,357 | 213,137  |
| Adjusted diluted net income per share attributable to DaVita HealthCare Partners Inc.....                                           | \$ 0.92    | \$ 1.01    | \$ 0.86  |
| Add:                                                                                                                                |            |            |          |
| Amortization of intangible assets per share associated with acquisitions for the dialysis and ancillary operations, net of tax..... | 0.01       | 0.01       | 0.02     |
| Amortization of intangible assets per share associated with acquisitions for the HCP operations, net of tax.....                    | 0.10       | 0.10       | 0.10     |
|                                                                                                                                     | \$ 1.03    | \$ 1.12    | \$ 0.98  |

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

**2. Adjusted operating income and adjusted EBITDA.**

Adjusted operating income is defined as operating income before unusual charges, including where applicable goodwill and other intangible asset impairment charges, estimated accruals for damages and liabilities associated with our HCP Nevada hospice business and our pharmacy business, and a settlement charge related to a private civil suit. Adjusted EBITDA is defined as adjusted operating income excluding depreciation and amortization.

We use adjusted operating income and adjusted EBITDA as measures to assess operating and financial performance. We believe that these measures enhance a user's understanding of the normal operating income and normal operating income excluding depreciation and amortization of our consolidated enterprise and of our individual reportable segments.

Adjusted operating income and adjusted EBITDA are not measures of financial performance computed in accordance with GAAP and should not be considered in isolation nor as a substitute for operating income, net income, cash flows from operations, or other statement of operations or cash flow data prepared in conformity with GAAP, or as measures of profitability or liquidity. In addition, the calculation of adjusted operating income and adjusted EBITDA is susceptible to varying interpretations and calculations, and the amounts presented may not be comparable to similarly titled measures of other companies. Adjusted operating income and adjusted EBITDA may not be indicative of historical operating results, and we do not intend them to be predictive of future results of operations or cash flows.

|                                                                   | Three months ended |                      |                   |
|-------------------------------------------------------------------|--------------------|----------------------|-------------------|
|                                                                   | March 31,<br>2016  | December 31,<br>2015 | March 31,<br>2015 |
| <b>Consolidated:</b>                                              |                    |                      |                   |
| Operating income (loss).....                                      | \$ 364,889         | \$ 244,935           | \$ (64,156)       |
| Add:                                                              |                    |                      |                   |
| Goodwill and other intangible asset impairment charges.....       | 77,000             | 206,169              | —                 |
| Hospice accrual.....                                              | 16,000             | —                    | —                 |
| Pharmacy accrual.....                                             | —                  | 22,530               | —                 |
| Settlement charge.....                                            | —                  | —                    | 495,000           |
| Adjusted operating income.....                                    | \$ 457,889         | \$ 473,634           | \$ 430,844        |
| <b>U.S. dialysis and related lab services reportable segment:</b> |                    |                      |                   |
| Segment operating income                                          | \$                 |                      |                   |
| (loss).....                                                       | 440,055            | \$ 464,378           | \$ (104,489)      |
| Add: Settlement charge.....                                       | —                  | —                    | 495,000           |
| Adjusted operating income.....                                    | \$ 440,055         | \$ 464,378           | \$ 390,511        |
| <b>HCP reportable segment:</b>                                    |                    |                      |                   |
| Segment operating (loss)                                          |                    |                      |                   |
| income.....                                                       | \$ (57,145)        | \$ (181,263)         | \$ 60,294         |
| Add:                                                              |                    |                      |                   |
| Hospice accrual.....                                              | 16,000             | —                    | —                 |
| Goodwill and other intangible asset impairment charges.....       | 77,000             | 206,169              | —                 |
| Adjusted operating income.....                                    | \$ 35,855          | \$ 24,906            | \$ 60,294         |
| Depreciation and                                                  |                    |                      |                   |
| amortization.....                                                 | 46,263             | 44,229               | 43,279            |
| Adjusted EBITDA.....                                              | \$ 82,118          | \$ 69,135            | \$ 103,573        |

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

**3. Effective income tax rates and adjusted effective income tax rates.**

We believe that reporting the effective income tax rate attributable to DaVita HealthCare Partners Inc. as well as the adjusted effective income tax rate attributable to DaVita HealthCare Partners Inc., excluding goodwill and other intangible asset impairment charges, primarily related to certain HCP reporting units, estimated accruals for damages and liabilities associated with our HCP Nevada hospice business and our pharmacy business, and a settlement charge related to a private civil suit, enhances an investor's understanding of DaVita HealthCare Partners Inc.'s effective income tax rate and DaVita HealthCare Partners Inc.'s adjusted effective income tax rate for the periods presented because it excludes noncontrolling owners' income that primarily relates to non-tax paying entities and these unusual amounts, and, therefore, are meaningful to an investor to fully understand the related income tax effects on DaVita HealthCare Partners Inc.'s operating results. These are not measures 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 HealthCare Partners Inc. is as follows:

Three months ended

|                                        | March 31,<br>2016 | December 31,<br>2015 | March 31,<br>2015 |
|----------------------------------------|-------------------|----------------------|-------------------|
| Income (loss) before income taxes..... | \$ 264,981        | \$ 146,307           | \$ (162,081)      |
|                                        | \$                |                      |                   |
| Income tax expense (benefit).....      | 126,822           | \$ 111,833           | \$ (85,933)       |
| Effective income tax rate.....         | 47.9%             | 76.4%                | 53.0%             |

Three months ended

|                                                                                            | March 31,<br>2016 | December 31,<br>2015 | March 31,<br>2015 |
|--------------------------------------------------------------------------------------------|-------------------|----------------------|-------------------|
| Income (loss) before income taxes.....                                                     | \$ 264,981        | \$ 146,307           | \$ (162,081)      |
| Less: Noncontrolling owners' income primarily attributable to non-tax paying entities..... | (40,797)          | (40,587)             | (34,536)          |
| Income (loss) before income taxes attributable to DaVita HealthCare Partners Inc.....      | \$ 224,184        | \$ 105,720           | \$ (196,617)      |
|                                                                                            | \$                |                      |                   |
| Income tax expense (benefit).....                                                          | 126,822           | \$ 111,833           | \$ (85,933)       |
| Less: Income tax attributable to noncontrolling interests.....                             | (72)              | (113)                | (67)              |
| Income tax expense (benefit) attributable to DaVita HealthCare Partners Inc. ....          | \$ 126,750        | \$ 111,720           | \$ (86,000)       |
| Effective income tax rate attributable to DaVita HealthCare Partners Inc. ....             | 56.5%             | 105.7%               | 43.7%             |

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

Adjusted effective income tax rates attributable to DaVita HealthCare Partners Inc. excluding goodwill and other intangible asset impairment charges, estimated accruals for damages and liabilities associated with our HCP Nevada hospice business and our pharmacy business, and a settlement charge related to a private civil suit:

|                                                                                              | Three months ended |                      |                   |
|----------------------------------------------------------------------------------------------|--------------------|----------------------|-------------------|
|                                                                                              | March 31,<br>2016  | December 31,<br>2015 | March 31,<br>2015 |
| Income (loss) before income taxes.....                                                       | \$ 264,981         | \$ 146,307           | \$ (162,081)      |
| Add:                                                                                         |                    |                      |                   |
| Goodwill and other intangible asset impairment charges.....                                  | 77,000             | 206,169              | —                 |
| Hospice accrual.....                                                                         | 16,000             | —                    | —                 |
| Pharmacy accrual.....                                                                        | —                  | 22,530               | —                 |
| Settlement charge.....                                                                       | —                  | —                    | 495,000           |
| Less: Noncontrolling owners' income primarily attributable to non-tax paying entities.....   | (40,797)           | (40,587)             | (34,536)          |
| Adjusted income before income taxes attributable to DaVita HealthCare Partners Inc.....      | \$ 317,184         | \$ 334,419           | \$ 298,383        |
|                                                                                              | \$                 |                      |                   |
| Income tax expense (benefit).....                                                            | 126,822            | \$ 111,833           | \$ (85,933)       |
| Add:                                                                                         |                    |                      |                   |
| Income taxes attributable to the goodwill and other intangible asset impairment charges..... | —                  | 6,647                | —                 |
| Income taxes attributable to the pharmacy accrual.....                                       | —                  | 1,996                | —                 |
| Income taxes attributable to the settlement charge.....                                      | —                  | —                    | 197,747           |
| Less: Income tax attributable to noncontrolling interests.....                               | (72)               | (113)                | (67)              |
| Adjusted income tax attributable to DaVita HealthCare Partners Inc.....                      | \$ 126,750         | \$ 120,363           | \$ 111,747        |
| Adjusted effective income tax rate attributable to DaVita HealthCare Partners Inc.....       | 40.0%              | 36.0%                | 37.5%             |

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

4. Free cash flow and adjusted operating cash flow.

Free cash flow represents net cash provided by operating activities less 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 acquisitions and development activities and meet our debt service requirements. In addition, free cash flow excluding distributions to noncontrolling interests provides an investor with an understanding of free cash flows that are attributable to DaVita HealthCare Partners Inc. We have also presented adjusted operating cash flow excluding the payments made in the second quarter of 2015 related to the settlement of a private civil suit and in the fourth quarter of 2014 related to the settlement of the 2010 and 2011 U.S. Attorney physician relationship investigations, net of tax, in each case. We believe this measure is meaningful to investors to understand our operating cash flows that were generated excluding these unusual payments that were part of the settlements. Free cash flow and adjusted operating cash flow are not measures 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 |                      |                   |
|-------------------------------------------------------------------------------------------|--------------------|----------------------|-------------------|
|                                                                                           | March 31,<br>2016  | December 31,<br>2015 | March 31,<br>2015 |
| Cash provided by operating activities.....                                                | \$ 429,002         | \$ 436,673           | \$ 410,089        |
| Less: Distributions to noncontrolling interests.....                                      | (50,409)           | (48,697)             | (41,499)          |
| Cash provided by operating activities attributable to DaVita HealthCare Partners Inc..... | 378,593            | 387,976              | 368,590           |
| Less: Expenditures for routine maintenance and information technology                     | (73,288)           | (131,769)            | (49,010)          |

|                     |         |            |            |
|---------------------|---------|------------|------------|
|                     |         |            | \$         |
| Free cash flow..... | 305,305 | \$ 256,207 | \$ 319,580 |

|                                                                                           | Rolling 12-Month Period |                      |                   |
|-------------------------------------------------------------------------------------------|-------------------------|----------------------|-------------------|
|                                                                                           | March 31,<br>2016       | December 31,<br>2015 | March 31,<br>2015 |
|                                                                                           | \$                      |                      |                   |
| Cash provided by operating activities.....                                                | 1,576,113               | \$ 1,557,200         | \$ 1,450,389      |
| Less: Distributions to noncontrolling interests.....                                      | (183,545)               | (174,635)            | (157,691)         |
| Cash provided by operating activities attributable to DaVita HealthCare Partners Inc..... | 1,392,568               | 1,382,565            | 1,292,698         |
| Less: Expenditures for routine maintenance and information technology....                 | (351,357)               | (327,079)            | (264,633)         |
| Free cash flow.....                                                                       | \$ 1,041,211            | \$ 1,055,486         | \$ 1,028,065      |

|                                                                                                                         | Rolling 12-Months ended |                      |                   |
|-------------------------------------------------------------------------------------------------------------------------|-------------------------|----------------------|-------------------|
|                                                                                                                         | March 31,<br>2016       | December 31,<br>2015 | March 31,<br>2015 |
| Cash provided by operating activities.....                                                                              | \$ 1,576,113            | \$ 1,557,200         | \$ 1,450,389      |
| Payment in connection with the settlement of a private civil suit.....                                                  | 493,775                 | 493,775              | —                 |
| Payment in connection with the settlement of the 2010 and 2011 U.S. Attorney physician relationship investigations..... | —                       | —                    | 410,356           |
| Related tax benefit.....                                                                                                | (190,246)               | (190,246)            | (141,487)         |
|                                                                                                                         | \$                      |                      |                   |
| Adjusted operating cash flow.....                                                                                       | 1,879,642               | \$ 1,860,729         | \$ 1,719,258      |

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

**5. Total care dollars under management.**

In California, as a result of our managed care administrative services agreements with hospitals and health plans, HCP does not assume the direct financial risk for institutional (hospital) services in most cases, but is responsible for managing the care dollars associated with both the professional (physician) and institutional services being provided for the Per Member Per Month (PMPM) fee attributable to both professional and institutional services. In cases where HCP does not assume the direct financial risk, HCP recognizes the surplus of institutional revenue less institutional expense as HCP net revenue. In addition to revenues recognized for financial reporting purposes, HCP measures its total care dollars under management, which includes the PMPM fee payable to third parties for institutional services where HCP manages the care provided to its members by the hospitals and other institutions, which are not included in GAAP revenues. HCP uses total care dollars under management as a supplement to GAAP revenues as it allows HCP to measure profit margins on a comparable basis across both the global capitation model (where HCP assumes the full financial risk for all services, including institutional services) and the risk sharing models (where HCP operates under managed care administrative services agreements where HCP does not assume the full risk). HCP believes that presenting amounts in this manner is useful because it presents its operations on a unified basis without the complication caused by models that HCP has adopted in its California market as a result of various regulations related to the assumption of institutional risk. Total care dollars under management is not a measure of financial performance computed in accordance with GAAP and should not be considered in isolation or as a substitute for revenues calculated in accordance with GAAP. Total care dollars under management includes PMPM payments received from third parties that are recorded net of expenses in our accounting records. The following table reconciles total care dollars under management to medical revenues for the periods indicated.

|                                            | Three months ended |                      |                   |
|--------------------------------------------|--------------------|----------------------|-------------------|
|                                            | March 31,<br>2016  | December 31,<br>2015 | March 31,<br>2015 |
| Medical revenues.....                      | \$ 974,328         | \$ 925,764           | \$ 912,588        |
| Less: Risk share revenue, net.....         | (28,402)           | (44,134)             | (12,956)          |
| Add: Institutional capitation amounts..... | 321,776            | 331,736              | 333,108           |
| Total care dollars under management.....   | \$ 1,267,702       | \$ 1,213,366         | \$ 1,232,740      |

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