

PRNewswire-FirstCall
TORRANCE, Calif.

DaVita Inc. , today announced results for the quarter ended June 30, 2002. Continental U.S. EBITDA, excluding accounts receivable recoveries and valuation gains, was \$92.7 million for the quarter.

Net earnings for the three and six months ended June 30, 2002 were \$8 million and \$44 million, or \$0.13 and \$0.54 per share, respectively. Net earnings, excluding the following three items: cash recoveries, valuation gains of \$2.4 million and a \$29 million after-tax extraordinary loss related to the early extinguishment of debt, were \$35 million and \$70 million, or \$0.41 and \$0.79 per share, respectively.

Financial and operating highlights include:

- For the rolling 12 months ended June 30, 2002 operating cash flow was \$248 million and free cash flow was \$200 million; both exclude recoveries and settlements. Operating cash flow for the quarter was \$61 million and free cash flow was \$43 million.
- Total continental U.S. treatments for the second quarter were 1,486,816. Both non-acquired and same center treatment growth were 4.5%.
- Second quarter continental U.S. dialysis revenue per treatment (excluding lab, management fees and other revenue) was essentially flat from the first quarter at \$291 and up 5.3% from the second quarter of 2001.
- The continental EBITDA margin was 21.0%, a 130 basis point decline from the prior year quarter as a result of increased costs, primarily labor and general and administrative expenses.
- Continental U.S. DSO remained at 73 days.
- Cash recoveries associated with accounts receivable reserved in 1999 for the three and six months ended June 30, 2002, were \$2 million and \$4 million, respectively.
- On April 26, 2002, we entered into a new senior credit facility. The proceeds were used to pay off all amounts outstanding under the existing credit facility, to complete a tender for the Company's outstanding \$225 million 9 1/4% senior subordinated notes, to purchase 16.7 million shares of the Company's common stock, through a modified Dutch auction tender offer, at \$24.00 per share, and to purchase shares of the Company's common stock in the open market following the completion of the tender.
- At June 30, 2002 we operated 493 outpatient centers in the continental U.S. serving approximately 44,000 patients. During the second quarter we closed 1 under-performing center and opened 2 denovo centers. Included in this patient and center count are approximately 3,300 patients in 30 centers under management. Effective June 1, 2002, we completed the divestiture of our two remaining non-continental units.

DaVita will hold a conference call to discuss its second quarter 2002 results on August 1, 2002 at 1:30 p.m. Eastern. The dial-in number is 800-399-4406. A replay of the conference call will be available on DaVita's official web page, <http://www.davita.com/>, for the following 30 days.

This release contains forward-looking statements. Factors which could impact future results include the uncertainties associated with governmental regulation, general economic and other market conditions, and the risk factors set forth in the Company's SEC filings, including its Form 10-Q for the quarter ended March 31, 2002. The forward-looking statements should be considered in light of these risks and uncertainties.

These risks include those relating to:

- possible reductions in private and government reimbursement rates,
- the concentration of profits generated from PPO and private indemnity patients and from ancillary services including the administration of pharmaceuticals,
- changes in pharmaceutical practice patterns or reimbursement policies,
- the ongoing review of the Company's Florida laboratory subsidiary by its Medicare carrier and the Department of Justice,
- the ongoing review by the US Attorney's Office and HHS Office of Inspector General in Philadelphia and
- the Company's ability to maintain contracts with physician medical directors.

DAVITA INC.

CONSOLIDATED BALANCE SHEETS

(unaudited)

(dollars in thousands, except per share data)

| | June 30, 2002 | December 31, 2001 | |
|--|------------------|----------------------|----------|
| ASSETS | | | |
| Cash and cash equivalents | | \$137,020 | \$36,711 |
| Accounts receivable, | | | |
| less allowance of \$54,765 and \$52,475 | | 347,064 | 333,546 |
| Inventories | 31,769 | 34,901 | |
| Other current assets | 13,852 | 9,364 | |
| Deferred income taxes | 61,607 | 60,142 | |
| Total current assets | 591,312 | 474,664 | |
| Property and equipment, net | 267,335 | 252,778 | |
| Amortizable intangibles, net | 67,987 | 73,108 | |
| Investments in third-party dialysis businesses | 3,449 | 4,346 | |
| Other long-term assets | 1,876 | 2,027 | |
| Goodwill | 852,691 | 855,760 | |
| | \$1,784,650 | \$1,662,683 | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Accounts payable | \$77,374 | \$74,630 | |
| Other liabilities | 98,739 | 111,164 | |
| Accrued compensation and benefits | | 94,880 | 88,826 |
| Current portion of long-term debt | | 8,299 | 9,034 |
| Income taxes payable | 11,036 | 15,027 | |
| Total current liabilities | 290,328 | 298,681 | |
| Long-term debt | 1,316,153 | 811,190 | |
| Other long-term liabilities | 6,077 | 5,012 | |
| Deferred income taxes | 37,045 | 23,441 | |
| Minority interests | 21,613 | 20,722 | |
| Shareholders' equity: | | | |
| Preferred stock (\$0.001 par value; 5,000,000 shares authorized; none issued or outstanding) | | | |
| Common stock (\$0.001 par value, 195,000,000 shares authorized; 88,033,939 and 85,409,037 shares issued) | | 88 | 85 |
| Additional paid-in capital | 507,788 | 467,904 | |
| Retained earnings | 100,356 | 56,008 | |
| Treasury stock, at cost (20,716,437 and 888,700 shares) | | (494,798) | (20,360) |
| Total shareholders' equity | 113,434 | 503,637 | |
| | \$1,784,650 | \$1,662,683 | |

DAVITA INC.

CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(dollars in thousands, except per share data)

| | Three months ended | | Six months ended | |
|--|--------------------|------|------------------|------|
| | June 30, | 2001 | June 30, | 2001 |
| | 2002 | | 2002 | |

| | | | | |
|---|-----------|-----------|-----------|-----------|
| Net operating revenues | \$442,677 | \$400,640 | \$870,342 | \$786,857 |
| Operating expenses: | | | | |
| Dialysis centers and labs | 300,552 | 271,545 | 592,186 | 532,519 |
| General and administrative | 42,024 | 32,417 | 78,077 | 64,230 |
| Depreciation and amortization | 15,698 | 26,624 | 31,503 | 52,772 |
| Provision for uncollectible accounts | 5,882 | (378) | 11,137 | (8,563) |
| Valuation adjustments | (2,390) | | (2,390) | |
| Total operating expenses | 361,766 | 330,208 | 710,513 | 640,958 |
| Operating income | 80,911 | 70,432 | 159,829 | 145,899 |
| Other income, net | 3,283 | 1,120 | 3,848 | 2,468 |
| Debt expense | 17,139 | 18,715 | 32,211 | 38,439 |
| Minority interests in income of consolidated subsidiaries | (2,827) | (2,269) | (5,260) | (4,726) |
| Income before income taxes and extraordinary item | 64,228 | 50,568 | 126,206 | 105,202 |
| Income tax expense | 26,500 | 22,000 | 52,500 | 45,700 |
| Income before extraordinary item | 37,728 | 28,568 | 73,706 | 59,502 |
| Extraordinary (loss)/gain related to early extinguishment of debt, net of tax of \$19,572 in 2002 and \$652 in 2001 | (29,358) | 977 | (29,358) | 977 |
| Net income | \$8,370 | \$29,545 | \$44,348 | \$60,479 |

Basic earnings per common share:

| | | | | |
|---------------------------------------|--------|--------|--------|--------|
| Income before extraordinary item | \$0.47 | \$0.34 | \$0.91 | \$0.72 |
| Extraordinary (loss)/gain, net of tax | (0.37) | 0.01 | (0.36) | 0.01 |
| Net income | \$0.10 | \$0.35 | \$0.55 | \$0.73 |

Diluted earnings per common share:

| | | | | |
|---------------------------------------|--------|--------|--------|--------|
| Income before extraordinary item | \$0.43 | \$0.32 | \$0.83 | \$0.67 |
| Extraordinary (loss)/gain, net of tax | (0.30) | 0.01 | (0.29) | 0.01 |
| Net income | \$0.13 | \$0.33 | \$0.54 | \$0.68 |

DAVITA INC.

SUPPLEMENTAL FINANCIAL DATA

Q2 2002 Q1 2002 Q2 2001 YTD 2002

Financial Results:

| | | | | |
|---|----------|----------|----------|----------|
| Net Earnings, excluding extraordinary items, recoveries, valuation adjustments and goodwill amortization (in 000's) (A) | \$35,100 | \$34,600 | \$29,500 | \$69,800 |
| Basic EPS | \$0.44 | \$0.42 | \$0.35 | \$0.86 |
| EPS assuming dilution | \$0.41 | \$0.39 | \$0.33 | \$0.79 |

EBITDA, excluding recoveries and valuation adjustments

| | | | | |
|-----------------------------|----------|----------|----------|-----------|
| Consolidated (in 000's) | \$92,300 | \$92,500 | \$88,100 | \$184,800 |
| Continental U.S. (in 000's) | \$92,700 | \$91,900 | \$88,500 | \$184,600 |
| Continental EBITDA margin | 21.0% | 21.7% | 22.3% | 21.4% |

Business Metrics (Continental U.S.):

| | | | | |
|---------------------------------|-----------|-----------|-----------|-----------|
| Category #1 Volume | | | | |
| Treatments | 1,486,816 | 1,433,803 | 1,409,320 | 2,920,618 |
| Per day sequential increase | 1.6% | 0.8% | 2.2% | -- |
| Per day year over year increase | 5.5% | 6.2% | 5.5% | 5.8% |
| Same center growth | 4.5% | 4.2% | 2.8% | 4.4% |

| | | | | |
|---------------------|------|------|------|------|
| Non-acquired growth | 4.5% | 4.2% | 2.8% | 4.4% |
|---------------------|------|------|------|------|

Category #2 Revenue, excluding recoveries

| | | | | |
|--------------------|-----------|-----------|-----------|-----------|
| Revenue (in 000's) | \$441,000 | \$424,000 | \$397,000 | \$864,000 |
|--------------------|-----------|-----------|-----------|-----------|

| | | | | |
|--|----------|----------|----------|----------|
| Dialysis revenue per treatment | \$290.52 | \$290.45 | \$275.87 | \$290.49 |
| Per treatment increase from previous quarter | 0% | 2.6% | 0.6% | -- |
| Per treatment increase from prior year | 5.3% | 5.9% | -- | 5.6% |

Category #3 Expenses

| | | | | |
|---|----------|----------|----------|----------|
| A. Dialysis centers and lab operating expenses | | | | |
| Percent of revenue | 67.7% | 68.0% | 67.5% | 67.8% |
| Per treatment | \$200.46 | \$201.02 | \$190.04 | \$200.73 |
| Per treatment increase (decrease) from previous quarter | (0.3%) | 3.6% | 1.0% | -- |

| | | | | |
|---|---------|---------|---------|---------|
| B. General & administrative | | | | |
| Percent of revenue | 9.5% | 8.5% | 8.2% | 9.0% |
| Per treatment | \$28.26 | \$25.14 | \$23.00 | \$26.73 |
| Per treatment increase (decrease) from previous quarter | 12.4% | 10.2% | (1.2%) | -- |

| | | | | |
|---|------|------|------|------|
| C. Bad debt expense as a percent of revenue | | | | |
| | 1.8% | 1.8% | 2.0% | 1.8% |

| | | | | |
|------------------------------------|-------|-------|-------|-------|
| D. Consolidated effective tax rate | | | | |
| | 41.2% | 42.0% | 43.5% | 41.6% |

Category #4 Cash Flow (Consolidated, in 000's)

| | | | | |
|--|----------|----------|----------|-----------|
| Operating cash flow | \$61,000 | \$85,000 | \$77,000 | \$146,000 |
| Free cash flow (before share repurchase, acquisition and development spending) | \$43,000 | \$77,000 | \$68,000 | \$119,000 |
| Capital expenditures: | | | | |
| Development | \$9,300 | \$8,200 | \$3,200 | \$17,500 |
| Routine maintenance/IT/other | \$18,400 | \$8,400 | \$8,700 | \$26,800 |
| Acquisition expenditures, net | -- | \$1,400 | \$500 | \$1,400 |

Category #5 Accounts Receivable

| | | | | |
|----------------------------|-----------|-----------|-----------|-----------|
| Net receivables (in 000's) | \$347,000 | \$337,000 | \$291,000 | \$347,000 |
| DSO | 73 | 73 | 68 | -- |

Category #6 Debt/Capital Structure (Consolidated)

| | | | | |
|----------------------------------|-------------|-----------|-----------|-------------|
| Total debt (in 000's) | \$1,324,000 | \$800,000 | \$951,000 | \$1,324,000 |
| Net debt, net of cash (in 000's) | \$1,187,000 | \$769,000 | \$865,000 | \$1,187,000 |
| LTM leverage ratio | 3.2x | 2.1x | 2.6x | 3.2x |
| Shares repurchased (in 000's) | 16,900 | 2,900 | -- | 19,800 |
| Average repurchase price | \$24.08 | \$23.02 | -- | \$23.93 |

Category #7 Clinical

| | | | | |
|---------------------------------|-----|-----|----|----|
| Dialysis adequacy | | | | |
| - % of patients with URR > 65 | 89% | 88% | -- | -- |
| Dialysis adequacy | | | | |
| - % of patients with Kt/V > 1.2 | 92% | 92% | -- | -- |
| Anemia measure | | | | |
| - % of patients with HCT > 33 | 80% | 79% | -- | -- |

(A) Effective January 1, 2002 goodwill is no longer amortized in accordance with new accounting standards. Second quarter 2001 net

earnings and per-share amounts, including goodwill amortization but excluding extraordinary items and recoveries, were \$23.2 million or \$0.28 basic EPS and \$0.26 diluted EPS.

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