DaVita Inc. Reports 1st Quarter 2002 Results

DaVita Inc. , today announced results for the quarter ended March 31, 2002. Continental U.S. EBITDA excluding accounts receivable recoveries was $91.9 million for the quarter. For the 12 months ended March 31, 2002 operating cash flow was $256 million and free cash flow was $219 million, both exclude recoveries and settlements.

Financial and operating highlights include:

Net earnings for the first quarter were $34.6 million or $0.39 per share. These results exclude first quarter cash recoveries of $2.3 million associated with accounts receivable reserved in 1999. Net earnings for the quarter, including these recoveries, were $36.0 million or $0.40 per share.

-- Continental U.S. dialysis revenue per treatment (excluding lab, management fees and other revenue) in the first quarter was $290.45 as compared to $283.19 in the fourth quarter, or a 2.6% sequential increase.
-- Total continental U.S. treatments for the first quarter were 1,433,803. Both non-acquired and same center treatment growth were 4.2%.
-- Continental U.S. DSO at quarter end was 73 days.
-- Operating cash flow was $85 million and free cash flow was $77 million for the quarter.
-- At March 31, 2002 we operated 495 outpatient centers in the continental U.S. serving approximately 43,000 patients. During the first quarter we closed 1 under-performing center, sold 1 center, opened 2 denovo centers and acquired 1 center. Included in this patient and center count are approximately 3,400 patients in 33 centers under management.

DaVita will hold a conference call to discuss its first quarter 2002 results on May 10, 2002 at 10 a.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-K for the year ended December 31, 2001. 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, the ongoing payment suspension and review of the Company's Florida laboratory subsidiary by its Medicare carrier and the Department of Justice, the ongoing review by the 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)

	March 31, 2002	December 31, 2001
ASSETS		
Cash and cash equivalents	$31,697	$36,711
Accounts receivable, less allowance of $51,807 and $52,475	344,238	333,546
Inventories	28,179	34,901
Other current assets	12,192	9,364
Deferred income taxes	58,987	60,142
Total current assets	475,293	474,664
Property and equipment, net	256,046	252,778
Amortizable intangible assets, net	70,189	73,108
Investments in third-party dialysis businesses	4,145	4,346
Other long-term assets	2,027	2,027
Goodwill	857,132	855,760
	$1,664,832	$1,662,683

LIABILITIES AND SHAREHOLDERS' EQUITY

Accounts payable	$83,559	$74,630
Other liabilities	126,153	111,164
Accrued compensation and benefits	86,213	88,826
Current portion of long-term debt	1,597	9,034
Income taxes payable	15,288	15,027
Total current liabilities	312,810	298,681
Long-term debt	798,707	811,190
Other long-term liabilities	4,725	5,012
Deferred income taxes	30,147	23,441
Minority interests	21,423	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; 87,017,029 and 85,409,037 shares issued)	87	85
Additional paid-in capital	493,184	467,904
Retained earnings	91,986	56,008
Treasury stock, at cost (3,834,400 and 888,700 shares)	(88,237)	(20,360)
Total shareholders' equity	497,020	503,637
	$1,664,832	$1,662,683

DAVITA INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(unaudited)
(dollars in thousands, except per share data)

	Three months ended March 31,	
	2002	2001
Net operating revenues	$427,665	$386,217
Operating expenses:		
Dialysis centers and labs	291,634	260,974
General and administrative	36,053	31,813
Depreciation and amortization	15,805	26,148
Provision for uncollectible accounts	5,255	(8,185)
Total operating expenses	348,747	310,750
Operating income	78,918	75,467
Other income	565	1,348
Debt expense	15,072	19,724
Minority interests in income of consolidated subsidiaries	(2,433)	(2,457)
Income before income taxes	61,978	54,634
Income tax expense	26,000	23,700
Net income	$35,978	$30,934
Comprehensive income	$35,978	$30,934
Basic earnings per common share	$0.43	$0.37
Diluted earnings per common share	$0.40	$0.35

DAVITA INC.
SUPPLEMENTAL FINANCIAL DATA

Financial Results:	Q1 2002	Q4 2001	Q1 2001
Net Earnings, excluding recoveries and goodwill amortization(A)	$34,600	$35,700	$27,700
Basic EPS	$0.42	$ 0.42	$0.34
EPS assuming dilution	$0.39	$ 0.39	$0.31
EBITDA, excluding recoveries			
Consolidated (in 000's)	$92,500	$96,300	$85,600
Continental U.S. (in 000's)	$91,900	$96,000	$86,000
Continental EBITDA margin	21.7%	22.5%	22.5%
Business Metrics (Continental U.S.):			
Category #1 Volume			
Treatments	1,433,803	1,481,958	1,366,468

Per day sequential increase	0.8%	1.4%	2.9%
Per day year over year increase	6.2%	8.4%	4.7%
Same center growth	4.2%	4.6%	4.0%
Non-acquired growth	4.2%	4.6%	4.0%
Category #2 Revenue, excluding recoveries			
Revenue (in 000's)	$424,000	$426,000	$383,000
Dialysis revenue per treatment	$290.45	$283.19	$274.22
Per treatment increase from previous quarter	2.6%	1.1%	2.9%
Category #3 Expenses			
A. Dialysis centers and lab operating expenses			
Percent of revenue	68.0%	67.5%	67.2%
Per treatment	$201.02	$194.03	$188.13
Per treatment increase from previous quarter	3.6%	1.5%	0.9%
B. General & Administrative			
Percent of revenue	8.5%	7.9%	8.3%
Per treatment	$25.14	$22.82	$23.28
Per treatment increase from previous quarter	10.2%	4.9%	4.3%
C. Bad debt expense as a percent of revenue	1.8%	2.0%	2.0%
D. Consolidated effective tax rate	42.0%	43.3%	43.4%
Category #4 Cash Flow (Consolidated, in 000's)			
Operating cash flow	$85,000	$26,000	$58,000
Free cash flow (before share repurchase, acquisition and development spending)	$77,000	$12,000	$55,000
Capital expenditures:			
Development	$8,200	$8,300	$3,800
Routine maintenance/other	$8,400	$13,600	$3,200
Acquisition expenditures, net	$1,400	--	$50,700
Category #5 Accounts Receivable			
Net receivables (in 000's)	$337,000	$325,000	$296,000
DSO	73	72	71
Category #6 Debt/Capital Structure (Consolidated)			
Total debt (in 000's)	$800,000	$820,000	$940,000
Net debt, net of cash (in 000's)	$769,000	$784,000	$922,000
LTM leverage ratio	2.1x	2.1x	3.0x
Shares repurchased (in 000's)	2,900	800	--
Average repurchase price	$23.02	$23.41	--
Category #7 Clinical			
Dialysis adequacy -- % of patients with URR > 65	88%	87%	--
Dialysis adequacy -- % of patients with Kt/V > 1.2	92%	90%	--
Anemia measure -- % of patients with HCT > 33	79%	79%	--
Gross mortality	18.4%	18.2%	--

(A) Effective January 1, 2002 the Company discontinued the amortization of goodwill. As a result, previously reported quarterly amounts have been restated for consistent presentation.

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