DaVita Inc. Reports 2nd Quarter 2001 Results

DaVita Inc. , today announced results for the period ended June 30, 2001. Net earnings for the second quarter and six months ended June 30, 2001 were $23.2 million or $0.26 per share and $44.6 million or $0.51 per share, respectively. Continental U.S. EBITDA (earnings before interest, taxes, depreciation and amortization) for the quarter was $88.5 million and $174.5 million for the six months ended June 30, 2001. These results exclude second quarter and year to date cash recoveries of $8.9 million and $24.9 million, respectively, associated with accounts receivable reserved in 1999. These results also exclude a second quarter extraordinary gain of $1 million, net of tax, related to our completed debt refinancing.

Net earnings for the quarter and six months ended June 30, 2001, including recoveries and the extraordinary gain, were $29.5 million or $0.33 per share and $60.5 million or $0.68 per share, respectively.

Financial and operating highlights include:

-- Continental U.S. dialysis revenue per treatment (excluding lab, management fees and other revenue) in the second quarter was $275.87 as compared to $274.22 in the first quarter, or a .6% sequential increase.
-- Continental U.S. DSO at quarter end was 68 days compared to 71 days at the end of the first quarter.
-- The continental U.S. EBITDA margin, excluding the cash recoveries, for the second quarter was 22.3% as compared to 22.5% for the first quarter of 2001.
-- Operating cash flow for the three months and six months ended June 30, 2001 was $77 million and $135 million, respectively.
-- Total continental U.S. treatments for the second quarter were 1,409,320. Both non-acquired and same center treatment growth were 2.8%.
-- At June 30, 2001 we operated 488 outpatient centers in the continental U.S. serving 42,000 patients. During the quarter we closed one under-performing center and opened two de novo centers. Included in our continental patient and center count are 3,300 patients in 35 centers under management.

DaVita will hold a conference call to discuss its second quarter 2001 results on Thursday, August 2, 2001 at 10:30 a.m. Pacific time, 1:30 p.m. Eastern time. The dial-in number is +1-800-399-4406. A replay of the conference call will be available on DaVita's official web page, http://www.davita.com/ for the following 90 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/A for the year ended December 31, 2000. These risks include those relating to (1) possible reductions in private and government reimbursement rates, (2) the concentration of profits generated from PPO and private indemnity patients and from ancillary services including pharmaceuticals, (3) the ongoing payment suspension and review of the Company's Florida laboratory subsidiary by its Medicare carrier and the Department of Justice, (4) the ongoing review by the Civil Division of the US Attorney's Office for the Eastern District of Pennsylvania and (5) the Company's ability to maintain contracts with physician medical directors. The forward-looking statements should be considered in light of these risks and uncertainties.

DAVITA INC.

CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)

	June 30, 2001	December 31, 2000
ASSETS		
Cash and cash equivalents	$85,258	$31,207
Accounts receivable, less allowance of $53,551 and $61,619	297,907	290,412
Inventories	44,604	20,641
Other current assets	12,726	10,293
Income taxes receivable		2,830
Deferred income taxes	42,846	42,492
Total current assets	483,341	397,875
Property and equipment, net	241,538	236,659

Intangible assets, net	945,821	921,623
Investments in third-party dialysis businesses	11,206	34,194
Other long-term assets	2,117	1,979
Deferred income taxes		4,302
	$1,684,023	$1,596,632

LIABILITIES AND SHAREHOLDERS' EQUITY

Accounts payable	$ 79,227	$ 74,882
Other current liabilities	116,066	102,563
Accrued compensation and benefits	83,166	70,406
Current portion of long-term debt	15,419	1,676
Income taxes payable	689	
Total current liabilities	294,567	249,527
Long-term debt	935,247	974,006
Other long-term liabilities	4,984	4,855
Deferred taxes	521	
Minority interests	21,125	18,876
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; 84,135,381 and 82,135,634 shares issued and outstanding)	84	82
Additional paid-in capital	450,817	430,676
Notes receivable from shareholders		(83)
Treasury stock, at cost (126,000 shares)	(2,494)	
Accumulated deficit	(20,828)	(81,307)
Total shareholders' equity	427,579	349,368
	$1,684,023	$1,596,632

DAVITA INC.

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

Three months ended Six months ended

	June 30,		June 30,	
	2001	2000	2001	2000
Net operating revenues	$400,640	$378,908	$786,857	$751,021
Operating expenses:				
Dialysis centers and labs	271,545	267,714	532,519	527,012
General and administrative	32,417	31,619	64,230	63,540
Depreciation and amortization	26,624	29,670	52,772	57,388
Provision for uncollectible accounts	(378)	12,648	(8,563)	25,507
Impairment and valuation adjustments	4,414	4,414		
Total operating expenses	330,208	346,065	640,958	677,861
Operating income	70,432	32,843	145,899	73,160
Other income, net	1,120	(11,984)	2,468	(10,589)
Debt expense	18,715	34,482	38,439	67,647
Minority interests in income of consolidated subsidiaries	(2,269)	(1,023)	(4,726)	(2,021)
Income before income taxes	50,568	(14,646)	105,202	(7,097)
Income tax expense	22,000	709	45,700	4,411
Income (loss) before extraordinary item	28,568	(15,355)	59,502	(11,508)
Extraordinary gain related to early extinguishment of debt, net of tax of $652	977		977	
Net income (loss)	$29,545	$(15,355)	$60,479	$(11,508)
Earnings (loss) per common share-basic:				
Income (loss) before extraordinary item	$0.34	$(0.19)	$0.72	$(0.14)
Extraordinary gain, net of tax	0.01		0.01	
Net income (loss)	$0.35	$(0.19)	$0.73	$(0.14)

Weighted average number of common shares outstanding	83,548,000	81,438,000	82,997,000	81,376,000
Earnings (loss) per common share-assuming dilution:				
Income (loss) before extraordinary item	$0.32	$(0.19)	$0.67	$(0.14)
Extraordinary gain, net of tax	0.01	0.01		
Net income (loss)	$0.33	$(0.19)	$0.68	$(0.14)
Weighted average number of common shares outstanding - assuming dilution	92,693,000	81,438,000	92,262,000	81,376,000
Supplemental information excluding recoveries, impairments and extraordinary item:				
Continental treatments	1,409,320	1,335,873	2,775,788	2,653,389
Continental EBITDA	$88,510	$62,306	$174,539	$124,845
Earnings per common share - assuming dilution	$0.26	$0.03	$0.51	$0.07

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