

DaVita Inc. Reports 1st Quarter 2001 Results

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DaVita Inc. , today announced results for the quarter ended March 31, 2001. Net earnings for the first quarter were \$21.3 million or \$0.24 per share. Continental U.S. EBITDA (earnings before interest, taxes, depreciation and amortization) for the quarter was \$86 million. These results exclude first quarter cash recoveries of \$16 million associated with accounts receivable reserved in 1999. Net earnings for the quarter, including the \$16 million of recoveries, were \$30.9 million or \$0.35 per share.

Financial and operating highlights include:

- Continental U.S. dialysis revenue per treatment (excluding lab, management fees and other revenue) in the first quarter was \$274.22 as compared to \$266.51 in the fourth quarter, or a 2.9% sequential increase.
- Continental U.S. DSO at quarter end was 71 days. This represents a 2-day improvement from the end of the fourth quarter of 2000.
- The continental U.S. EBITDA margin for the first quarter was 22.5% as compared to 21.5% for the fourth quarter of 2000.
- Operating cash flow for the three months ended March 31, 2001 was \$58 million, in line with our 2001 forecast of \$200-\$260 million.
- Total continental U.S. treatments for the first quarter were 1,366,468. Both non-acquired and same center treatment growth were 4.0%.
- At March 31, 2001 we operated 486 outpatient centers in the continental U.S. serving 41,000 patients. During the first quarter we closed 1 under-performing center and acquired 13 previously managed centers. Included in our continental patient and center count are 3,300 patients in 34 centers under management.

Other developments:

- In April the Company completed the sale of \$225 million of its 9 1/4% Senior Subordinated Notes. The net proceeds of this offering were used to pay down amounts outstanding under the Company's senior credit facilities. Additionally on May 4, the Company completed a refinancing of its existing senior credit facilities. The new credit facilities include \$250 million of term loan borrowings and a revolving credit facility with \$150 million of unused availability.

DaVita will hold a conference call to discuss its first quarter 2001 results and revised financial outlook on Monday, May 7, 2001 at noon Pacific time, 3 PM Eastern time. The dial-in number is 800-399-4406. A replay of the conference call will be available on DaVita's official web page, <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 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 private indemnity patients, (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)

| | March 31, 2001 | December 31, 2000 |
|--|-------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$17,443 | \$31,207 |
| Accounts receivable, less allowance of \$60,790 and \$61,619 | 299,424 | 290,412 |
| Inventories | 45,566 | 20,641 |

| | | |
|--|-------------|-------------|
| Other current assets | 14,259 | 10,293 |
| Income taxes receivable | | 2,830 |
| Deferred income taxes | 42,265 | 42,492 |
| Total current assets | 418,957 | 397,875 |
| Property and equipment, net | 242,797 | 236,659 |
| Intangible assets, net | 947,946 | 921,623 |
| Investments in third-party dialysis businesses | 12,203 | 34,194 |
| Other long-term assets | 2,205 | 1,979 |
| Deferred taxes | 1,629 | 4,302 |
| | \$1,625,737 | \$1,596,632 |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | |
|-----------------------------------|----------|----------|
| Accounts payable | \$77,345 | \$74,882 |
| Other liabilities | 106,781 | 102,563 |
| Accrued compensation and benefits | 72,484 | 70,406 |
| Current portion of long-term debt | 7,580 | 1,676 |
| Income taxes payable | 15,503 | |
| Total current liabilities | 279,693 | 249,527 |
| Long-term debt | 932,025 | 974,006 |
| Other long-term liabilities | 4,755 | 4,855 |
| Minority interests | 21,045 | 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; 82,943,817 and 82,135,634 shares issued and outstanding)

83 82

Additional paid-in capital 438,509 430,676

Notes receivable from shareholders (83)

Accumulated deficit (50,373) (81,307)

Total shareholders' equity 388,219 349,368

\$1,625,737 \$1,596,632

DAVITA INC.

CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands)

Three months ended

March 31,

2001

| | |
|---|-----------|
| Net operating revenues | \$386,217 |
| Operating expenses: | |
| Dialysis centers and labs | 260,974 |
| General and administrative | 31,813 |
| Depreciation and amortization | 26,148 |
| Provision for uncollectible accounts | (8,185) |
| Total operating expenses | 310,750 |
| Operating income | 75,467 |
| Other income | 1,348 |
| Debt expense | 19,724 |
| Minority interests in income of consolidated subsidiaries | (2,457) |
| Income before income taxes | 54,634 |
| Income tax expense | 23,700 |
| Net income | 30,934 |

Earnings per share-basic \$0.37

Earnings per share-assuming dilution \$0.35

Diluted weighted average and incremental shares 102,200,931

Supplemental information:

| | |
|--|--------------|
| Continental treatments | 1,366,468 |
| Continental EBITDA, excluding recoveries | \$86 million |
| Operating cash flow | \$58 million |
| Diluted earnings per share, excluding accounts receivable recoveries | \$0.24 |

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