DaVita Inc. Reports 3rd Quarter 2001 Results

DaVita Inc. today announced results for the period ended September 30, 2001. Continental U.S. EBITDA (earnings before interest, taxes, depreciation and amortization) for the third quarter was $95.6 million. Net earnings were $28 million or $0.31 per share. These results exclude cash settlements and recoveries related to prior years.

Including the recoveries, net earnings for the quarter were $44.3 million or $0.47 per share.

Financial and operating highlights include:

-- Continental U.S. dialysis revenue per treatment (excluding lab, management fees and other revenue) in the third quarter was $280.16 compared to $275.87 in the second quarter, a 1.6% increase.
-- Operating cash flow for the three months and nine months ended September 30, 2001 was $112 million and $247 million, respectively.
-- Continental U.S. DSO at quarter end was 71 days compared to 68 days at the end of the second quarter.
-- Total continental U.S. treatments for the third quarter were 1,432,453. Both non-acquired and same center treatment growth were 4.1%.
-- Third quarter cash settlements and recoveries for 2000 net revenue were $22 million.
Third quarter cash recoveries associated with accounts receivable reserved in 1999 were $5.2 million. The third quarter cash recoveries associated with prior years' services reflect collections in excess of prior estimates due to continued improvements in the Company's billing and collecting operations.
-- At September 30, 2001 we operated 492 outpatient centers in the continental U.S. serving 42,000 patients. During the quarter we closed one under-performing center, opened two de novo centers and acquired eight centers. We previously managed five of the acquired centers. Included in our continental patient and center count are 3,200 patients in 30 centers under management.

DaVita will hold a conference call to discuss its third quarter 2001 results on Monday, November 5, 2001 at noon 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 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 June 30, 2001. 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 Civil Division of the US Attorney's Office for the Eastern District of Pennsylvania and 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
(unaudited)
(dollars in thousands, except per share data)

	September 30, 2001	December 31, 2000
ASSETS		
Cash and cash equivalents	$45,255	$31,207
Accounts receivable, less allowance of $48,757 and $61,619	318,035	290,412
Inventories	33,173	20,641
Other current assets	7,852	10,293
Income taxes receivable		2,830
Deferred income taxes	51,789	42,492
Total current assets	456,104	397,875

Property and equipment, net	246,031	236,659
Intangible assets, net	943,558	921,623
Investments in third-party dialysis businesses	5,093	34,194
Other long-term assets	2,307	1,979
Deferred income taxes		4,302
	$1,653,093	$1,596,632

LIABILITIES AND SHAREHOLDERS' EQUITY

Accounts payable	$80,325	$74,882
Other current liabilities	121,666	102,563
Accrued compensation and benefits	85,732	70,406
Current portion of long-term debt	6,432	1,676
Income taxes payable	19,485	
Total current liabilities	313,640	249,527
Long-term debt	813,977	974,006
Other long-term liabilities	5,212	4,855
Deferred income taxes	21,509	
Minority interests	21,121	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; 84,577,090 and 82,135,634 shares issued and outstanding)	85	82
Additional paid-in capital	456,593	430,676
Notes receivable from shareholders		(83)
Treasury stock, at cost (126,000 shares)	(2,494)	
Retained earnings (deficit)	23,450	(81,307)
Total shareholders' equity	477,634	349,368
	$1,653,093	$1,596,632

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

	Three months ended September 30,		Nine months ended September 30,	
	2001	2000	2001	2000
Net operating revenues:				
Current period services	$412,239	$ 362,535	$1,199,096	$1,113,556
Prior period services	22,000		22,000	
Operating expenses:				
Dialysis centers and labs	277,252	248,734	809,771	775,746
General and administrative	31,150	29,920	95,380	93,460
Depreciation and amortization	26,281	26,927	79,053	84,315
Provision for uncollectible accounts	2,689	7,048	(5,874)	32,555
Impairment and valuation adjustments			4,414	
Total operating expenses	337,372	312,629	978,330	990,490
Operating income	96,867	49,906	242,766	123,066
Other income (loss), net	1,856	1,418	4,324	(9,171)
Debt expense	18,319	26,370	56,758	94,017
Minority interests in income of consolidated subsidiaries	(2,126)	(1,147)	(6,852)	(3,168)
Income before income taxes and extraordinary				

item	78,278	23,807	183,480	16,710
Income tax expense	34,000	10,657	79,700	15,068
Income before extraordinary item	44,278	13,150	103,780	1,642
Extraordinary gain (loss) related to early extinguishment of debt, net of tax of $(652) in 2001 and $2,222 in 2000, respectively	(3,490)	977	(3,490)	
Net income (loss)	$44,278	$9,660	$104,757	$(1,848)
Earnings (loss) per common share - basic:				
Income before extraordinary item	$ 0.52	$ 0.16	$ 1.25	$ 0.02
Extraordinary gain (loss), net of tax	(0.04)	0.01	(0.04)	
Net income (loss)	$ 0.52	$ 0.12	$ 1.26	$ (0.02)
Weighted average number of common shares outstanding	84,354,000	81,649,000	83,411,000	81,469,000
Earnings (loss) per common share-assuming dilution:				
Income before extraordinary item	$ 0.47	$ 0.16	$ 1.15	$ 0.02
Extraordinary gain (loss), net of tax	(0.04)	0.01	(0.04)	
Net income (loss)	$ 0.47	$ 0.12	$ 1.16	$ (0.02)
Weighted average number of common shares outstanding - assuming dilution	104,026,000	83,847,000	103,157,000	82,564,000
Supplemental information excluding impairments, prior period recoveries and extraordinary items:				
Continental treatments	1,432,453	1,347,970	4,208,241	4,001,359
Continental EBITDA	$ 95,627	$ 76,740	$ 270,166	$ 201,585
Continental EBITDA margin	23.4%	21.4%	22.7%	19.3%
Earnings per common share - assuming dilution	$ 0.31	$ 0.16	$ 0.82	$ 0.05

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