

# Total Renal Care Reports Net Revenues Up 50% and Net Income (Before an Unusual Item) Up 63% For Fourth Quarter 1998

Business Editors/Health & Medical Writers

Fourth Quarter/Recent Highlights:

- Revenues up 50% to \$339,210,000 for the quarter, up 58% to \$1,204,894,000 for the year
- Earnings (before an unusual item) up 63% to \$24,642,000 for the quarter, earnings up 84% (before all unusual items) to \$101,216,000 for the year
- Earnings per share (before an unusual item) up 58% to \$0.30 for the quarter, up 77% (before all unusual items) to \$1.22 for the year
- Completed \$345,000,000, 10 year, 7% Convertible Subordinated Notes private offering
- Addition of 31 centers and approximately 3,100 patients from October 1, 1998 to December 31, 1998, for 1998 year-end total of more than 39,500 patients
- Addition of 14 centers and approximately 1,000 patients since January 1, 1999, for a current total of more than 40,500 patients

TORRANCE, Calif.--(BUSINESS WIRE)--Feb. 18, 1999--

Fourth Quarter Earnings Per Share (Before An Unusual Item) at 30 cents, Up 58%

Total Renal Care Holdings, Inc. (NYSE:TRL), the second largest domestic and largest independent worldwide provider of integrated dialysis services, today announced revenues, earnings, and earnings per share for the fourth quarter and year ended December 31, 1998.

Revenues increased 50% to \$339.2 million in the fourth quarter of 1998 from \$225.6 million in the corresponding period of 1997. Earnings (before an unusual item of \$12.3 million) increased 63% to \$24.6 million from \$15.1 million, and earnings per share (before an unusual item of \$12.3 million) increased 58% to \$0.30 on 87.0 million weighted average shares outstanding, compared with earnings per share of \$0.19 on 81.0 million weighted average shares outstanding, for the prior-year fourth quarter period.

Operating expenses related to the fourth quarter of 1998 exceeded those of the third quarter by \$9.32 per treatment, or by \$12.8 million. Of the \$12.8 million in increased operating expenses, \$6.1 million was virtually all related to additional Renal Treatment Centers, Inc. (RTC) employee benefits accruals, principally arising upon conversion of a former RTC system to TRL's system. \$2.5 million was related to increased medical supply costs incurred during the quarter. The remaining \$4.2 million was related to miscellaneous expenses including professional fees and additional information system expenses. In total, it is expected that approximately 60% of these additional \$12.8 million in expenses will not be incurred in future periods. Had the Company not incurred these expenses, earnings per share would have been at \$0.35 for the quarter.

"With the integration of RTC, including accounting and information systems finally behind us, we look forward with confidence to 1999 because of the large base of business we have developed or acquired over the past years plus the strong growth opportunities afforded to us both domestically as well as overseas," stated Victor M.G. Chaltiel, TRL's Chairman, President and CEO. "1999 will be a year of growth and focus on our roots, developing value for all our constituents through our quality, clinical outcomes and efficiency programs."

For the fiscal year ended December 31, 1998, revenues increased 58% to \$1.205 billion from \$761.0 million in the corresponding period of 1997. Earnings (before all unusual items) increased 84% to \$101.2 million from \$55.0 million (before all unusual items) and earnings per share (before all unusual items) increased 77% to \$1.22 on 86.6 million weighted average shares outstanding, compared with earnings per share of \$0.69 on 80.0 million weighted average shares outstanding for the prior-year period.

The unusual item referred to in the fourth quarter results of operations was a \$12.3 million charge related to the operations of RTC. During the fourth quarter, the Company completed an analysis of the RTC accounts receivable and provided an additional allowance of \$11.5 million related to the RTC accounts receivable on the books as of December 31, 1997, and also determined that worker's compensation expenses required an additional allowance of \$0.8 million. In addition to the aforementioned items, the previously disclosed unusual items relating to the year ended December 31, 1998 were: first quarter 1998 merger costs of \$92.8 million and \$15.6 million of non-cash expenses related to a change in

accounting principle requiring start-up and organizational costs to be expensed immediately rather than capitalized and the write-off of deferred financing charges, and in the second quarter a \$25.8 million extraordinary item and related charge associated with the refinancing of existing credit lines and early retirement of underlying interest swap arrangements recognized.

#### Successful Completion of \$345 Million Convertible Notes Offering

In November, 1998, the Company completed the sale of \$345 million of 7% convertible subordinated notes due 2009 in a private offering. "Our strong cash flow from operations, the recent financing and our \$1.35 billion credit facility should provide us with ample capital to continue our exceptional growth into the foreseeable future," continued Mr. Chaltiel.

In connection with the \$345 million Convertible Notes Offering, the Company filed a Registration Statement on Form S-3 with the Securities and Exchange Commission on December 18, 1998. On February 2, 1999, TRL received written communication from the SEC related to the Form S-3 as well as its Form 10K/A for the year ended December 31, 1997, and its Form 10Q for the period ended September 30, 1998.

The Company has been asked by the SEC to expand its disclosure in the Form 10K/A in the Management, Discussion and Analysis section and Notes to the Financial Statement. Additionally certain questions of clarification were sought relating to accounting disclosure. In the Form 10Q, the Company was also asked to expand its disclosure and to answer certain questions regarding merger expenses of \$92.8 million taken in the first quarter related to the RTC merger. Additionally, the SEC asked for a breakdown of goodwill balances by amortization period with a detailed justification for use of amortization periods of greater than 20 years for goodwill. In the Form S-3, the Company was also asked to utilize plain English throughout and in general to comply with the disclosure requirements outlined in Regulation S-K. The Company complied with all SEC requests and provided answers to all questions asked on February 16, 1999.

#### Company Continues Rapid Expansion

Since its last press release on November 3, 1998, the Company has added, in 15 separate domestic and international transactions, 25 facilities serving more than 2,000 patients (including 6 domestic centers under management, serving approximately 675 patients).

#### Expansion in Continental U.S.

The new TRL dialysis facilities, which further strengthen its positions in several of its existing markets, are located in:

State	Acquired Centers	Managed Centers	Patients
CA	4	3	965
RI	--	3	250
TX	1	--	75
FL	1	--	70
NY	1	--	70
MD	1	--	40
Total	8	6	1,470

"We are very pleased with our continued success in the domestic market, including the further strengthening of our leading positions in California, Texas, Florida, Maryland and New York," continued Mr. Chaltiel. "We are also pleased at having made our initial meaningful entry into the Rhode Island market. Additionally, we continue to reap rewards from our strategy of developing innovative programs with industry-leading Managed Care Organizations, and our acquisition pipeline remains as robust as ever."

#### Expansion Overseas

Internationally, TRL added 11 centers serving over 560 patients, further strengthening its leading position in Argentina and its growing position in Italy, as well as establishing its initial facilities in Germany. The newly acquired TRL dialysis facilities are located in:

Country	Acquired Centers	Patients
Argentina	5	260
Germany	3	170
Italy	3	130

"We are especially pleased with our first steps in entering Germany, the largest European market, in cooperation with several high-quality physicians," said Mr. Chaltiel. "Clearly, we can compete in the overseas consolidation to provide meaningful value to patients, physicians and payors as the largest independent worldwide provider of integrated dialysis services." A summary of TRL's international growth follows:

Country	Census 12/97	Census 2/99	Facilities
Argentina	1,625	2,690	51
Italy	100	440	12
Germany	--	170	3
U.K.	120	200	4
Total	1,845	3,500	70

Torrance-based Total Renal Care Holdings, Inc. is the second largest domestic and the largest independent worldwide provider of integrated dialysis services for patients suffering from chronic kidney failure. The Company owns and operates high-quality, free-standing kidney dialysis centers and home peritoneal dialysis programs in 34 states, as well as Washington, D.C., Puerto Rico, Guam, Argentina and Europe, and also provides high-quality acute hemodialysis services to inpatients at approximately 290 hospitals. Currently, TRL has 522 outpatient dialysis facilities and provides services to approximately 40,500 patients. The Company additionally operates ESRD laboratory and pharmacy facilities, as well as vascular access management, transplant services and ESRD clinical research programs.

For information on Total Renal Care Holdings, Inc., via facsimile at no cost, call 1-800-PRO-INFO and dial company code 039.

#### Expansion Highlights

Year ended	Year ended	Year ended
Dec.31 1997	Mar.31, 1998	June 30, 1998
	Sept.30, 1998	Dec.31, 1998
		Dec.31, 1998
Treatments	3,391,671	1,099,627
Patients	28,600	30,700
Centers	380	391
Revenue per Treatment	\$224	\$235
	\$243	\$248
	\$253	\$245
		1,186,597
		1,283,734
		1,342,386
		4,912,344
		33,100
		36,400
		508
		508
		39,500
		508
		39,500

(Financial Tables to Follow)

This release contains forward looking statements which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements regarding business trends, projections and market opportunities and involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Factors which could cause or contribute to such differences include, but are not limited to, the uncertainties associated with governmental regulation, general economic and other market conditions, and the "risk factors" set forth in the Company's filings with the Securities and Exchange Commission. The forward-looking statements should be considered in light of these risks and uncertainties.

#### TOTAL RENAL CARE HOLDINGS, INC. CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Three Months Ended	December 31,	Twelve Months Ended	December 31,
1998	1997	1998	1997
Net operating			

revenues	\$339,210,000	\$225,596,000	\$1,204,894,000	\$760,997,000
Operating expenses:				
Facilities	220,001,000	150,219,000	769,545,000	510,990,000
General and administrative	22,557,000	14,855,000	73,146,000	50,099,000
Provision for doubtful accounts	20,826,000	5,739,000	44,365,000	20,525,000
Depreciation and amortization	23,654,000	16,580,000	86,128,000	54,603,000
Merger and related costs			92,835,000	
Total operating expenses	287,038,000	187,393,000	1,066,019,000	636,217,000
Operating income	52,172,000	38,203,000	138,875,000	124,780,000
Interest expense, net of capitalized interest	(22,742,000)	(11,035,000)	(73,608,000)	(28,214,000)
Interest rate swap-early termination costs		(9,823,000)		
Interest income	1,267,000	829,000	4,894,000	3,175,000

Income before income taxes, minority interests, extraordinary item and cumulative effect of change in accounting principle	30,697,000	27,997,000	60,338,000	99,741,000
Income taxes	11,165,000	11,551,000	40,089,000	40,212,000

Income before minority interests, extraordinary item and cumulative effect of change in accounting principle	19,532,000	16,446,000	20,249,000	59,529,000
Minority interests in income of consolidated subsidiaries	2,346,000	1,309,000	7,163,000	4,502,000
Income before extraordinary item and cumulative effect of change in				

accounting principle	17,186,000	15,137,000	13,086,000	55,027,000
Extraordinary loss, net of tax of principle	\$7,668,000		12,744,000	
Cumulative effect of change in accounting principle, net of tax of principle	\$4,300,000		6,896,000	
Net income (loss)	\$17,186,000	\$15,137,000	\$(6,554,000)	\$55,027,000
Earnings (loss) per common share:				
Income before extraordinary item and cumulative effect of change in accounting principle	\$0.21	\$0.19	\$0.16	\$0.71
Extraordinary loss, net of tax		0.16		
Cumulative effect of change in accounting principle, net of tax		0.08		
Net income (loss)	\$0.21	\$0.19	\$(0.08)	\$0.71
Weighted average number of common shares outstanding	80,973,000	77,882,000	80,143,000	77,524,000
Earnings (loss) per common share assuming dilution:				
Income before extraordinary item and cumulative effect of change in accounting principle	\$0.21	\$0.19	\$0.16	\$0.69
Extraordinary loss, net of tax		0.16		
Cumulative effect of change in accounting				

principle,				
net of tax		0.08		
Net income				
(loss)	\$0.21	\$0.19	\$(0.08)	\$0.69
Weighted				
average				
number of				
common shares				
and				
equivalents				
outstanding-				
assuming				
dilution	82,142,000	80,967,000	81,701,000	79,975,000

**TOTAL RENAL CARE HOLDINGS, INC. EPS RECONCILIATION**  
**ADJUSTED FOR UNUSUAL ITEMS**  
 (in 000's, except EPS data)

	Three Months Ended December 31, 1998	Twelve Months Ended December 31, 1998
Pre-tax income	\$30,697	\$60,338
Less: Minority interest	(2,346)	(7,163)
Add: Merger and related costs	92,835	
Add: Interest rate swap early termination cost	9,823	
Add: RTC additional allowances required	12,300	12,300
Adjusted pre-tax income	\$40,651	\$168,133
Taxes (at 39.4% and 39.8%, respectively)	(16,009)	(66,917)
Adjusted net income	\$24,642	\$101,216
 "If converted" method:		
Adjusted net income	\$24,642	\$101,216
Add: After-tax convertible debt interest expense (5 5/8% convert)	1,058	4,233
"If converted" adjusted net income	25,700	105,449
 Shares outstanding used in computation		
82,142	82,142	81,701
Add: Shares underlying convertible debt (5 5/8% convert)	4,879	4,879
"If converted" adjusted shares outstanding	87,021	86,580
 "If converted" adjusted earnings per share		
\$0.30	\$0.30	\$1.22

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