FORD MOTOR CO
Form 10-Q
November 14, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2006

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _______________ to _______________

Commission File Number: 1-3950

FORD MOTOR COMPANY
(Exact name of registrant as specified in its charter)

1-3950 (Commission File Number)	38-0549190 (IRS Employer Identification No.)
One American Road, Dearborn, Michigan (Address of principal executive offices)	48126 (Zip Code)

(313) 322-3000
(Registrant's telephone number, including area code)

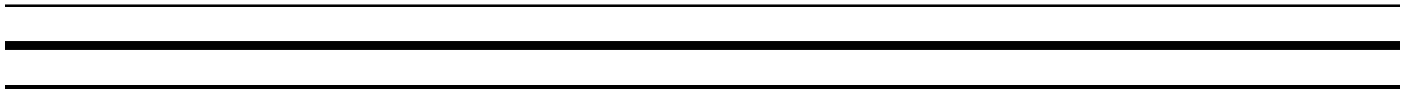
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days
x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.
Large accelerated filer x   Accelerated filer o   Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
o Yes x No

As of November 6, 2006, the registrant had outstanding 1,818,041,779 shares of Common Stock and 70,852,076 shares of Class B Stock.

Exhibit index located on page number 58.



EXPLANATORY NOTE

In October 2006, Ford Motor Company (generally, "Ford," "we," "us" or "our") reviewed our application of paragraph 68 of Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, and its use at our indirect wholly-owned subsidiary, Ford Motor Credit Company ("Ford Credit"). One of the general requirements of SFAS No. 133 is that hedge accounting is appropriate only for those hedging relationships that a company expects will be highly effective in achieving offsetting changes in fair value or cash flows attributable to the risk being hedged. To determine whether transactions satisfy this requirement, companies must periodically assess the effectiveness of hedging relationships both prospectively and retrospectively. Paragraph 68 of SFAS No. 133 ("Paragraph 68") contains an exception from these periodic assessment requirements in the form of an "assumption of no ineffectiveness" for certain hedges of interest rate risk that involve interest rate swaps and recognized interest-bearing assets or liabilities. The exception identifies the specific requirements for the derivative and hedged items that must be met, such as a derivative fair value of zero at inception of the hedging relationship, matching maturity dates, and contemporaneous formal documentation.

Based on our review, we concluded that all of our interest rate swaps were and continue to be highly effective economic hedges; nearly all of these transactions, however, failed to meet the requirements set forth in Paragraph 68, primarily because:

- Transactions that we designated as fair value hedges involved interest rate swaps hedging the back-end of debt instruments or involved longer-than-normal settlement periods.
- We paid or received fees when entering into a derivative contract or upon changing counterparties.
- Interest rate swaps included terms that did not exactly match the terms of the debt, including prepayment optionality.

Although we now have determined that the hedging relationships at issue in this restatement did not meet the specific criteria for an assumption of no ineffectiveness pursuant to Paragraph 68, we are precluded by SFAS No. 133 from retroactively performing full effectiveness testing in order to apply hedge accounting. Accordingly, the restated results in our Annual Report on Form 10-K/A for the year ended December 31, 2005 ("2005 Form 10-K/A Report") reflect the changes in fair value of these instruments as derivative gains and losses during the affected periods, without recording any offsetting change in the value of the debt they were economically hedging.

As a result, we have filed our 2005 Form 10-K/A Report restating certain financial information therein including: historical balance sheets as of December 31, 2005 and 2004; statements of income, cash flows and stockholders' equity for the years ending 2005, 2004, and 2003; and selected financial data as of and for the years ended December 31, 2005, 2004, 2003, 2002 and 2001.

Changes in the fair value of interest rate swaps are driven primarily by changes in interest rates. We have long-term interest rate swaps with large notional balances, many of which are "receive-fixed, pay-float" interest rate swaps. Such swaps increase in value when interest rates decline, and decline in value when interest rates rise. As a result, changes in interest rates cause substantial volatility in the fair values that must be recognized in earnings. For 2001 and 2002, when interest rates were trending lower, we have recognized large derivative gains in our restated financial data. The upward trend in interest rates from 2003 through 2005 caused our interest rate swaps to decline in value, resulting in the recognition of derivative losses for these periods.

See Note 28 of the Notes to the Financial Statements in our 2005 Form 10-K/A Report for additional information and amounts related to our restatement. In addition, this Quarterly Report on Form 10-Q for the period ended September 30, 2006 includes, in Note 2 of the Notes to the Financial Statements, restated consolidated and sector statements of income for the three- and nine-month periods ended September 30, 2005, restated consolidated and sector balance sheets as of December 31, 2005, and restated condensed consolidated and sector statements of cash flows for the nine-month period ended September 30, 2005.

The following table sets forth a reconciliation of previously reported and restated net income/(loss) for the periods shown (in millions):

	2005 Net Income/(Loss)			
		Third Quarter		First Nine Months
Previously reported	$	(284)	$	1,874
Pre-tax adjustments:				
Fair value interest rate swaps		(435)		(624)
Other out-of-period adjustments		(31)		63
Total pre-tax adjustments		(466)		(561)
Related tax effects - provision for/(benefit from)		(174)		(201)
Net after-tax adjustments		(292)		(360)
Restated	$	(576)	$	1,514

Subsequent to the completion of our originally-filed financial statements for each period being restated, we identified adjustments that should have been recorded in these earlier periods. Upon identification, we determined these adjustments to be immaterial, individually and in the aggregate, to our originally-filed financial statements, and generally recognized these adjustments ("out-of-period" adjustments) in the period in which they were identified. Because the Ford Credit interest rate swap adjustment has required a restatement, we also are reversing these out-of-period adjustments and recording them in the proper periods.

We do not intend to amend previously-filed Quarterly Reports on Form 10-Q for periods ending prior to December 31, 2005. The reader should not rely on our previously-filed Quarterly Report on Form 10-Q for the period ended September 30, 2005, but should instead rely upon the updated financial data provided for the third quarter and nine months ended September 30, 2005 herein.

PART I. FINANCIAL INFORMATION

ITEM 1. *Financial Statements.*

FORD MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME
For the Periods Ended September 30, 2006 and 2005
(in millions, except per share amounts)

		Third Quarter	
			Re
			N
		2006 (unaudited)	2
Sales and revenues			
Automotive sales	$	32,556	$ 3
Financial Services revenues		4,554	
Total sales and revenues		37,110	4
Costs and expenses			
Automotive cost of sales		37,554	3
Selling, administrative and other expenses		4,496	
Interest expense		1,936	
Financial Services provision for credit and insurance losses		97	
Total costs and expenses		44,083	4
Automotive interest income and other non-operating income/(expense), net		555	
Automotive equity in net income/(loss) of affiliated		61	

companies			
Income/(loss) before income taxes		(6,357)	
Provision for/(benefit from) income taxes		(1,157)	
Income/(loss) before minority interests		(5,200)	
Minority interests in net income/(loss) of subsidiaries		48	
Income/(loss) from continuing operations		(5,248)	
Income/(loss) from discontinued operations (Note 4)		—	
Net income/(loss)	$	(5,248)	$
AMOUNTS PER SHARE OF COMMON AND CLASS B STOCK (Note 12)			
Basic income/(loss)			
Income/(loss) from continuing operations	$		

2

Table of Contents

DAVITA INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(dollars in thousands)

	Nine months ended September 30,	
	2011	**2010**
Cash flows from operating activities:		
Net income	$ 397,263	$ 391,774
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	194,328	174,307
Stock-based compensation expense	36,392	33,492
Tax benefits from stock award exercises	35,096	15,755
Excess tax benefits from stock award exercises	(19,640)	(2,079)
Deferred income taxes	38,377	61,499
Equity investment income, net	238	(3,048)
Loss on disposal of assets and other non-cash charges	16,398	5,650
Goodwill impairment charge	24,000	
Debt redemption charges		4,127
Changes in operating assets and liabilities, other than from acquisitions and divestitures:		
Accounts receivable	(61,483)	21,680
Inventories	11,767	3,041
Other receivables and other current assets	81,737	16,596
Other long-term assets	2,408	187
Accounts payable	56,652	95,350
Accrued compensation and benefits	121,631	72,501
Other current liabilities	(8,733)	(118,305)
Income taxes	88,454	(55,703)
Other long-term liabilities	14,502	2,308
Net cash provided by operating activities	1,029,387	719,132
Cash flows from investing activities:		
Additions of property and equipment, net	(251,879)	(169,376)
Acquisitions	(927,124)	(137,643)
Proceeds from asset sales	51,623	18,471
Purchase of investments available for sale	(2,118)	(955)
Purchase of investments held-to-maturity	(29,740)	(23,540)
Proceeds from sale of investments available for sale	1,149	900
Proceeds from maturities of investments held-to-maturity	29,747	26,916
Purchase of equity investments and other assets	(5,005)	(436)
Distributions received on equity investments	340	350
Net cash used in investing activities	(1,133,007)	(285,313)
Cash flows from financing activities:		
Borrowings	27,506,051	14,736,519
Payments on long-term debt	(27,350,513)	(15,006,754)
Interest rate cap premiums and other deferred financing costs	(17,863)	(46)

Debt call premium		(3,314)
Purchase of treasury stock	(323,348)	(148,669)
Distributions to noncontrolling interests	(67,408)	(61,112)
Stock award exercises and other share issuances, net	9,886	39,416
Excess tax benefits from stock award exercises	19,640	2,079
Contributions from noncontrolling interests	14,779	5,365
Proceeds from sales of additional noncontrolling interests	2,675	3,205
Purchases from noncontrolling interests	(9,190)	(5,402)
Net cash used in financing activities	(215,291)	(438,713)
Net decrease in cash and cash equivalents	(318,911)	(4,894)
Cash and cash equivalents at beginning of period	860,117	539,459
Cash and cash equivalents at end of period	$ 541,206	$ 534,565

See notes to condensed consolidated financial statements.

Table of Contents

DAVITA INC.

CONSOLIDATED STATEMENTS OF EQUITY

AND COMPREHENSIVE INCOME

(unaudited)

(dollars and shares in thousands)

		DaVita Inc. Shareholders Equity									
	Non-controlling interests subject to put provisions	Common stock		Additional paid-in capital	Retained earnings	Treasury stock		Accumulated other comprehensive income (loss)	Total	Non-controlling interests not subject to put provisions	Comprehe incom
Balance at December 31, 2009	$ 331,725	134,862	$ 135	$ 621,685	$ 2,312,134	(31,800)	$ (793,340)	$ (5,548)	$ 2,135,066	$ 59,093	
Comprehensive income:											
Net income	52,589				405,683				405,683	25,947	$ 484,2
Unrealized losses on interest rate swaps, net of tax								(134)	(134)		(1
Less reclassification of net swap realized losses into net income, net of tax								5,557	5,557		5,5
Unrealized gains on investments, net of tax								615	615		6
Less reclassification of net investment realized losses into net income, net of tax								13	13		
Total comprehensive income											$ 490,2
Stock purchase shares issued				2,129		86	2,151		4,280		
Stock unit shares issued				(875)		32	875				
Stock options and SSARs				455		1,740	48,231		48,686		

exercised											
Stock-based compensation expense				45,551					45,551		
Excess tax benefits from stock awards exercised				6,283					6,283		
Distributions to noncontrolling interests	(54,612)									(28,979)	
Contributions from noncontrolling interests	5,439									4,071	
Sales and assumptions of additional noncontrolling interests	4,059			(298)					(298)	2,308	
Purchases from noncontrolling interests	(4,949)			(5,537)					(5,537)	(3,728)	
Impact on fair value due to change in methodology	(24,571)			24,571					24,571		
Changes in fair value of noncontrolling interests	73,372			(73,372)					(73,372)		
Other adjustments				(46)					(46)		
Purchase of treasury stock						(8,919)	(618,496)		(618,496)		
Balance at December 31, 2010	$ 383,052	134,862	$ 135	$ 620,546	$ 2,717,817	(38,861)	$ (1,360,579)	$ 503	$ 1,978,422	$ 58,712	
Comprehensive income:											
Net income	42,662				329,878				329,878	24,723	$ 397,2
Unrealized losses on interest rate swap and cap agreements, net of tax								(27,839)	(27,839)		(27,8
Less reclassification of net swap and cap agreements realized losses into net income, net of tax								7,124	7,124		7,1
Unrealized loss on investments, net of tax								(587)	(587)		(5
Less reclassification of net investment realized gains into net income, net of tax								(57)	(57)		(
											$ 375,9

Total comprehensive income										
Stock purchase shares issued				1,998		84	2,938		4,936	
Stock unit shares issued				(2,640)		72	2,640			
Stock options and SSARs exercised				(33,352)		1,080	38,795		5,443	
Stock-based compensation expense				36,392					36,392	
Excess tax benefits from stock awards exercised				19,640					19,640	
Distributions to noncontrolling interests	(43,071)									(24,337)
Contributions from noncontrolling interests	9,688									5,091
Sales and assumptions of additional noncontrolling interests	34,673			238					238	21,054
Purchases from noncontrolling interests	(1,041)			(6,049)					(6,049)	(2,100)
Changes in fair value of noncontrolling interests	24,940			(24,940)					(24,940)	
Other adjustments										(4)
Purchase of treasury stock						(3,795)	(323,348)		(323,348)	
Balance at September 30, 2011	$ 450,903	134,862	$ 135	$ 611,833	$ 3,047,695	(41,420)	$ (1,639,554)	$ (20,856)	$ 1,999,253	$ 83,139

See notes to condensed consolidated financial statements.

Table of Contents

DAVITA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(dollars and shares in thousands, except per share data)

Unless otherwise indicated in this Quarterly Report on Form 10-Q the Company , we , us , our and similar terms DaVita Inc. and its consolidated subsidiaries.

1. Condensed consolidated interim financial statements

The condensed consolidated interim financial statements included in this report are prepared by the Company without audit. In the opinion of management, all adjustments consisting only of normal recurring items necessary for a fair presentation of the results of operations are reflected in these consolidated interim financial statements. All significant intercompany accounts and transactions have been eliminated. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The most significant estimates and assumptions underlying these financial statements and accompanying notes generally involve revenue recognition and provisions for uncollectible accounts, impairments and valuation adjustments, fair value estimates, accounting for income taxes, variable compensation accruals, purchase accounting valuation estimates and stock-based compensation. The results of operations for the nine months ended September 30, 2011 are not necessarily indicative of the operating results for the full year. The consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010. Prior year balances and amounts have been classified to conform to the current year presentation. The Company has evaluated subsequent events through the date these condensed consolidated financial statements were issued and has included all necessary disclosures.

2. Earnings per share

Basic net income per share is calculated by dividing net income attributable to DaVita Inc., net of the (increase) decrease in noncontrolling interest redemption rights in excess of fair value, by the weighted average number of common shares and vested stock units outstanding. Diluted net income per share includes the dilutive effect of outstanding stock-settled stock appreciation rights, stock options and unvested stock units (under the treasury stock method).

Table of Contents

DAVITA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

(dollars and shares in thousands, except per share data)

The reconciliations of the numerators and denominators used to calculate basic and diluted earnings per share are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Basic:				
Income from continuing operations attributable to DaVita Inc.	$ 138,192	$ 119,482	$ 332,325	$ 336,475
(Increase) decrease in noncontrolling interest redemption rights in excess of fair value	(17)	26	103	(45)
Income from continuing operations for basic earnings per share calculation	$ 138,175	$ 119,508	$ 332,428	$ 336,430
Discontinued operations attributable to DaVita Inc.	(2,831)	(95)	(2,447)	188
Net income attributable to DaVita Inc. for basic earnings per share calculation	$ 135,344	$ 119,413	$ 329,981	$ 336,618
Weighted average shares outstanding during the period	93,439	102,602	95,050	102,982
Vested stock units	3	7	3	7
Weighted average shares for basic earnings per share calculation	93,442	102,609	95,053	102,989
Basic income from continuing operations per share attributable to DaVita Inc.	$ 1.48	$ 1.16	$ 3.50	$ 3.27
Basic net income per share attributable to DaVita Inc.	$ 1.45	$ 1.16	$ 3.47	$ 3.27
Diluted:				
Income from continuing operations attributable to DaVita Inc.	$ 138,192	$ 119,482	$ 332,325	$ 336,475
(Increase) decrease in noncontrolling interest redemption rights in excess of fair value	(17)	26	103	(45)
Income from continuing operations for diluted earnings per share calculation	$ 138,175	$ 119,508	$ 332,428	$ 336,430
Discontinued operations attributable to DaVita Inc.	(2,831)	(95)	(2,447)	188
Net income attributable to DaVita Inc. for diluted earnings per share calculation	$ 135,344	$ 119,413	$ 329,981	$ 336,618
Weighted average shares outstanding during the period	93,439	102,602	95,050	102,982
Vested stock units	3	7	3	7
Assumed incremental shares from stock plans	1,729	1,413	2,005	1,420

Weighted average shares for diluted earnings per share calculation	95,171	104,022	97,058	104,409
Diluted income from continuing operations per share attributable to DaVita Inc.	$ 1.45	$ 1.15	$ 3.43	$ 3.22
Diluted net income per share attributable to DaVita Inc.	$ 1.42	$ 1.15	$ 3.40	$ 3.22
Share-based anti-dilutive awards excluded from calculation [1]	2,834	1,804	1,777	1,368

[1] Shares associated with stock options and stock-settled stock appreciation rights that are excluded from the diluted denominator calculation because they are anti-dilutive under the treasury stock method.

Table of Contents

DAVITA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

(dollars and shares in thousands, except per share data)

3. Stock-based compensation and other common stock transactions

Stock-based compensation recognized in a period represents the amortization during that period of the estimated grant-date fair value of current and prior stock-based awards over their vesting terms, adjusted for expected forfeitures. Shares issued upon exercise of stock awards are generally issued from shares in treasury. The Company has used the Black-Scholes-Merton valuation model for estimating the grant-date fair value of stock-settled stock appreciation rights granted in all periods. During the nine months ended September 30, 2011, the Company granted 2,453 stock-settled stock appreciation rights with a grant-date fair value of $55,281 and a weighted-average expected life of approximately 4.2 years, and also granted 143 stock units with a grant-date fair value of $12,264 and a weighted-average expected life of approximately 3.2 years.

For the nine months ended September 30, 2011 and 2010, the Company recognized $36,392 and $33,492, respectively, in stock-based compensation expense for stock appreciation rights, stock units and discounted employee stock plan purchases, which are primarily included in general and administrative expenses. The estimated tax benefits recorded for stock-based compensation through September 30, 2011 and 2010 was $13,766 and $12,690, respectively. As of September 30, 2011, there was $100,337 of total estimated unrecognized compensation cost related to nonvested stock-based compensation arrangements under the Company s equity compensation and stock purchase plans. The Company expects to recognize this cost over a weighted average remaining period of 1.5 years.

During the nine months ended September 30, 2011 and 2010, the Company received $5,443 and $36,819, respectively, in cash proceeds from stock option exercises and $35,096 and $15,755, respectively, in actual tax benefits upon the exercise of stock awards.

During the first nine months of 2011, the Company repurchased a total of 3,795 shares of its common stock for $323,348, or an average price of $85.21 per share. During the third quarter of 2011, the Company repurchased 85 shares of its common stock for $7,261, or an average price of $85.83 per share. The Company has not repurchased any additional shares of its common stock from October 1, 2011 through October 31, 2011. Therefore, the Company s remaining board authorization for share repurchases as of October 31, 2011 is approximately $358,200.

On March 10, 2011, the Company and The Bank of New York Mellon Trust Company, N.A., as rights agent, entered into an amendment (the Amendment) to the Rights Agreement, dated November 14, 2002 (the Rights Plan). The Amendment accelerates the expiration of the rights issued under the Rights Plan from the close of business on November 14, 2012 to the close of business on March 10, 2011. Accordingly, as of the close of business on March 10, 2011, the rights issued under the Rights Plan expired and are no longer outstanding.

On June 6, 2011, our stockholders approved the DaVita Inc. 2011 Incentive Award Plan (the 2011 Plan). The 2011 Plan constitutes an amendment and restatement of the DaVita Inc. 2002 Equity Compensation Plan, as amended (the 2002 Plan). The 2011 Plan authorizes the Company to provide equity-based compensation in the form of stock options, stock appreciation rights, restricted stock units, restricted stock, and certain other performance-based awards. The 2011 Plan is designed to enable the Company to grant performance-based equity and cash awards that qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code. The 2011 Plan does not increase the number of shares authorized under the 2002 Plan but reflects a broad range of compensation and governance best practices such as limitations on the aggregate number of awards that can be granted to any one person, prohibitions on the amendment of stock awards to reduce the exercise price,

Table of Contents

DAVITA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

(dollars and shares in thousands, except per share data)

prohibitions on the replacement of an option or stock appreciation right with cash or any other award when the price per share exceeds fair value of the underlying shares and prohibitions on the grant of options or stock appreciation rights with an exercise price or base price that is less than fair market value.

4. Long-term debt

Long-term debt was comprised of the following:

	September 30, 2011	December 31, 2010
Senior Secured Credit Facilities:		
Term Loan A	$ 962,500	$ 1,000,000
Term Loan A-2	200,000	
Term Loan B	1,736,875	1,750,000
Senior notes	1,550,000	1,550,000
Acquisition obligations and other notes payable	27,343	9,049
Capital lease obligations	31,505	8,074
Total debt principal outstanding	4,508,223	4,317,123
Discount on long-term debt	(8,258)	(8,381)
	4,499,965	4,308,742
Less current portion	(82,497)	(74,892)
	$ 4,417,468	$ 4,233,850

Scheduled maturities of long-term debt at September 30, 2011 were as follows:

2011 (remainder of the year)	28,198
2012	74,680
2013	124,386
2014	175,436
2015	674,138
2016	1,856,900
Thereafter	1,574,485

On August 26, 2011, the Company entered into an Increase Joinder Agreement under its existing Senior Secured Credit Agreement. Pursuant to the Increase Joinder Agreement, the Company increased the revolving credit facility by $100,000, to a total of $350,000, and entered into an additional $200,000 Term Loan A-2. The new Term Loan A-2 requires quarterly principal payments of $500 beginning on the last day of December 2011, and bears interest at LIBOR (floor of 1.00%) plus an interest rate margin of 3.50% subject to a rating based step-down to 3.25%. The Term Loan A-2 matures in October 2016.

During the first nine months of 2011, the Company made mandatory principal payments under its Senior Secured Credit Facilities totaling $37,500 on the Term Loan A and $13,125 on the Term Loan B.

In January 2011, the Company entered into several interest rate swap agreements as a means of hedging its exposure to and volatility from variable-based interest rate changes as part of its overall risk management strategy. These agreements are not held for trading or speculative purposes and have the economic effect of

Table of Contents

DAVITA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

(dollars and shares in thousands, except per share data)

converting the LIBOR variable component of the Company s interest rate to a fixed rate. These swap agreements are designated as cash flow hedges, and as a result, hedge-effective gains or losses resulting from changes in the fair values of these swaps are reported in other comprehensive income until such time as each specific swap tranche is realized, at which time the amounts are reclassified into net income. Net amounts paid or received for each specific swap tranche that have settled have been reflected as adjustments to debt expense. In addition, in January 2011, the Company entered into several interest rate cap agreements that have the economic effect of capping the Company s maximum exposure to LIBOR variable interest rate changes on specific portions of the Company s Term Loan B debt, as described below. These cap agreements are also designated as cash flow hedges and as a result changes in the fair values of these cap agreements are reported in other comprehensive income. The amortization of the original cap premium is recognized as a component of debt expense on a straight line basis over the term on the cap agreements. The swap and cap agreements do not contain credit-risk contingent features.

As of September 30, 2011, the Company maintained a total of nine interest rate swap agreements with amortizing notional amounts totaling $962,500. These agreements had the economic effect of modifying the LIBOR variable component of the Company s interest rate on an equivalent amount of the Company s Term Loan A to fixed rates ranging from 1.59% to 1.64%, resulting in an overall weighted average effective interest rate of 4.11%, including the Term Loan A margin of 2.50%. The swap agreements expire by September 30, 2014 and require monthly interest payments. The Company estimates that approximately $10,800 of existing unrealized pre-tax losses in other comprehensive income at September 30, 2011 will be reclassified into income over the next twelve months.

As of September 30, 2011, the Company maintained five interest rate cap agreements with notional amounts totaling $1,250,000. These agreements have the economic effect of capping the LIBOR variable component of the Company s interest rate at a maximum of 4.00% on an equivalent amount of the Company s Term Loan B debt. The cap agreements expire on September 30, 2014.

The following table summarizes the Company s derivative instruments as of September 30, 2011 and December 31, 2010:

	September 30, 2011		December 31, 2010	
Derivatives designated as hedging instruments	**Balance sheet location**	**Fair value**	**Balance sheet location**	**Fair value**
Interest rate swap agreements	Other long-term liabilities	$ 24,629	Other long-term liabilities	$
Interest rate cap agreements	Other long-term assets	$ 1,492	Other long-term assets	$

9

Table of Contents

DAVITA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

(dollars and shares in thousands, except per share data)

The following table summarizes the effects of the Company s interest rate swap and cap agreements for the nine months ended September 30, 2011 and 2010:

Derivatives designated as cash flow hedges	Amount of gains (losses) recognized in OCI on interest rate swap agreements				Location of (losses) gains reclassified from accumulated OCI into income	Amount of gains (losses) reclassified from accumulated OCI into income			
	Three months ended September 30,		Nine months ended September 30,			Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010		2011	2010	2011	2010
Interest rate swap agreements	$ (13,907)	$ (3)	$ (33,897)	$ (217)	Debt expense	$ (3,525)	$ (1,942)	$ (9,268)	$ (9,093)
Interest rate cap agreements	(3,882)		(11,666)		Debt expense	(897)		(2,392)	
Tax benefit	6,920	1	17,724	83		1,720	756	4,536	3,536
Total	$ (10,869)	$ (2)	$ (27,839)	$ (134)		$ (2,702)	$ (1,186)	$ (7,124)	$ (5,557)

Total comprehensive income for the three and nine months ended September 30, 2011 was $152,777 and $375,904, respectively, including a decrease to other comprehensive income due to unrealized valuation losses on interest rate swaps and caps of $8,167 and $20,715, net of tax, respectively, net of amounts reclassified into income, and a decrease to other comprehensive income for unrealized valuation losses on investments, and the amounts reclassified into income of $902 and $644, net of tax, respectively.

Total comprehensive income for the three and nine months ended September 30, 2010 was $144,461 and $397,441, respectively, including an increase to other comprehensive income for amounts reclassified into income, net of unrealized valuation loss on interest rate swaps of $1,184 and $5,423, net of tax, respectively, and an increase to other comprehensive income for unrealized valuation gains on investments, and the amounts reclassified into income of $396 and $244, net of tax, respectively.

As of September 30, 2011, interest rates on our Term Loan A-2 and Term Loan B debt are set at their interest rate floors. Interest rates on our senior notes and Term Loan A are economically fixed, while rates on $1,250,000 of our Term Loan B are subject to interest rate caps.

As a result of the swap agreements, the Company s overall weighted average effective interest rate on the Senior Secured Credit Facilities was 4.61%, based upon the current margins in effect of 2.50% for the Term loan A, 3.50% for the Term Loan A-2 and 3.00% for the Term Loan B, as of September 30, 2011.

The Company s overall weighted average effective interest rate during the third quarter of 2011 was 5.30% and as of September 30, 2011 was 5.27%.

As of September 30, 2011, the Company had undrawn revolving credit facilities totaling $350,000 of which approximately $42,811 was committed for outstanding letters of credit.

5. Contingencies

The majority of the Company s revenues are from government programs and may be subject to adjustment as a result of: (1) examination by government agencies or contractors, for which the resolution of any matters

10

Table of Contents

DAVITA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

(dollars and shares in thousands, except per share data)

raised may take extended periods of time to finalize; (2) differing interpretations of government regulations by different Medicare contractors or regulatory authorities; (3) differing opinions regarding a patient s medical diagnosis or the medical necessity of services provided; and (4) retroactive applications or interpretations of governmental requirements. In addition, the Company s revenues from commercial payors may be subject to adjustment as a result of potential claims for refunds, as a result of government actions or as a result of other claims by commercial payors.

Inquiries by the Federal Government and Certain Related Civil Proceedings

2005 U.S. Attorney Investigation: In March 2005, the Company received a subpoena from the U.S. Attorney s Office for the Eastern District of Missouri in St. Louis. The subpoena required production of a wide range of documents relating to the Company s operations, including documents related to, among other things, pharmaceutical and other services provided to patients, relationships with pharmaceutical companies, and financial relationships with physicians and joint ventures. The subpoena covers the period from December 1, 1996 through March 2005. In October 2005, the Company received a follow-up request for additional documents related to specific medical director and joint venture arrangements. In February 2006, the Company received an additional subpoena for documents, including certain patient records relating to the administration and billing of Epogen®, or EPO. In May 2007, the Company received a request for documents related to durable medical equipment and supply companies owned and operated by the Company. The Company cooperated with the inquiry and has produced the requested records. The subpoenas were issued in connection with a joint civil and criminal investigation. It is possible that criminal proceedings may be initiated against the Company in connection with this investigation. The Company has not received a communication from the St. Louis U.S. Attorney s Office on this matter in over two years.

Woodard Private Civil Suit: In February 2007, the Company received a request for information from the Office of Inspector General, U.S. Department of Health and Human Services, or OIG, for records relating to EPO claims submitted to Medicare. In August 2007, the Company received a subpoena from the OIG seeking similar documents. The requested documents relate to services provided from 2001 to 2004 by a number of the Company s centers. The request and subpoena were sent from the OIG s offices in Houston and Dallas, Texas. The Company cooperated with the inquiry and has produced all previously requested records to date. The Company was contacted by the U.S. Attorney s Office for the Eastern District of Texas, which stated that this was a civil investigation related to EPO claims. On July 6, 2009, the United States District Court for the Eastern District of Texas lifted the seal on the civil *qui tam* complaint related to these previous requests for information. The Company was subsequently served with a complaint by the relator, Ivey Woodard, purportedly on behalf of the federal government, under the *qui tam* provisions of the federal False Claims Act. The government did not intervene and is not actively pursuing this matter. The relator is pursuing the claims independently and the parties are engaged in active litigation. The complaint contains allegations relating to the Company s EPO practices for the period from 1992 through 2010 and seeks monetary damages and civil penalties as well as costs and expenses. The court has ruled that claims earlier than 1996 are beyond the statute of limitations. The Company believes that there is some overlap between the subject of this complaint and the review of EPO utilization in the 2005 U.S. Attorney investigation described above. The Company is vigorously defending this matter and intends to continue to do so. The Company can make no assurances as to the time or resources that will be needed to devote to this litigation or its final outcome.

Vainer Private Civil Suit: In December 2008, the Company received a subpoena for documents from the OIG relating to the pharmaceutical products Zemplar, Hectorol, Venofer, Ferrlecit and EPO, as well as other related matters. The subpoena covers the period from January 2003 to the present. The Company was in contact

Table of Contents

DAVITA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

(dollars and shares in thousands, except per share data)

with the U.S. Attorney s Office for the Northern District of Georgia and the U.S. Department of Justice in Washington, DC, since November 2008 relating to this matter, and was advised that this was a civil inquiry. On June 17, 2009, the Company learned that the allegations underlying this inquiry were made as part of a civil complaint filed by individuals and brought pursuant to the *qui tam* provisions of the federal False Claims Act. On April 1, 2011, the United States District Court for the Northern District of Georgia ordered the case to be unsealed. At that time, the Department of Justice and U.S. Attorney s Office filed a notice of declination stating that the United States would not be intervening and not pursuing the relators allegation in litigation. On July 25, 2011, the relators, Daniel Barbir and Dr. Alon Vainer, filed their amended complaint in the United States District Court for the Northern District of Georgia, purportedly on behalf of the federal government. The allegations in the complaint relate to the Company s drug administration practices for Vitamin D and iron agents for a period from 2003 through 2010. The complaint seeks monetary damages and civil penalties as well as costs and expenses. The Company is vigorously defending this matter and intends to continue to do so. The Company can make no assurances as to the time or resources that will be needed to devote to this litigation or its final outcome.

2010 U.S. Attorney Physician Relationship Investigation: In May 2010, the Company received a subpoena from the OIG s office in Dallas, Texas. The subpoena covers the period from January 1, 2005 to the present, and seeks production of a wide range of documents relating to the Company s operations, including documents related to, among other things, financial relationships with physicians and joint ventures. The general subject matter of the inquiry appears to overlap with the 2005 U.S. Attorney Investigation described above. The Company met with representatives of the government to discuss the scope of the subpoena and the production of responsive documents. The Company has been advised that this is a civil investigation. The Company is cooperating with the inquiry and is producing the requested records. The Company can make no assurances as to the time or resources that will be needed to devote to this litigation or its final outcome.

2011 U.S. Attorney Physician Relationship Investigation: In August 2011, the Company announced it had learned that the U.S. Attorney s Office for the District of Colorado would be looking into certain activities of the Company in connection with information being provided to a grand jury. The Company announced further, that it understood that this investigation was at a very preliminary stage, and while its precise scope was unclear, it appeared to overlap, at least in part, with the 2005 U.S. Attorney Investigation and 2010 U.S. Attorney Physician Relationship Investigation described above. Subsequent to the Company s announcement of this 2011 U.S. Attorney Physician Relationship Investigation, it received a subpoena for documents which substantially overlaps with the subpoena in the 2010 U.S. Attorney Physician Relationship Investigation described above. The Company is cooperating with the government and is producing the requested records. The Company can make no assurances as to the time or resources that will be needed to devote to this litigation or its final outcome.

2011 U.S. Attorney Medicaid Investigation: In October 2011, the Company announced that it would be receiving a request for documents, which could include an administrative subpoena from the Office of Inspector General for the U.S. Department of Health and Human Services. The request appears to relate to payments for infusion drugs covered by the New York Medicaid composite payment system for dialysis. The Company believes this inquiry is civil in nature. The Company does not know the time period or scope. The Company understands that certain other providers that operate dialysis clinics in New York may be receiving or have received a similar request for documents. The Company intends to cooperate with the government to provide responsive documents.

Except for the private civil complaints filed by the relators as described above, to the Company s knowledge, no proceedings have been initiated against the Company at this time in connection with any of the inquiries by the federal government. Although the Company cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for inquiries such as these to continue for a

Table of Contents

DAVITA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

(dollars and shares in thousands, except per share data)

considerable period of time. Responding to the subpoenas or inquiries and defending the Company in the relator proceedings will continue to require management s attention and significant legal expense. Any negative findings in the inquiries or relator proceedings could result in substantial financial penalties or awards against the Company, exclusion from future participation in the Medicare and Medicaid programs and, to the extent criminal proceedings may be initiated against the Company, possible criminal penalties. At this time, the Company cannot predict the ultimate outcome of these inquiries, or the potential outcome of the relators claims, or the potential range of damages, if any.

Other

The Company has received several notices of claims from commercial payors and other third parties related to historical billing practices and claims against DVA Renal Healthcare (formerly known as Gambro Healthcare), a subsidiary of the Company, related to historical Gambro Healthcare billing practices and other matters covered by its 2004 settlement agreement with the Department of Justice and certain agencies of the U.S. government. At least one commercial payor has filed an arbitration demand against the Company, which has now been dismissed as described below. Additional commercial payors have threatened litigation. The Company intends to defend against these claims vigorously; however, the Company may not be successful and these claims may lead to litigation and any such litigation may be resolved unfavorably. At this time, the Company cannot predict the ultimate outcome of this matter or the potential range of damages, if any.

A wage and hour claim, which has been styled as a class action, is pending against the Company in the Superior Court of California. The Company was served with the complaint in this lawsuit in April 2008, and it has been amended since that time. The lawsuit, as amended, alleges that the Company failed to provide meal periods, failed to pay compensation in lieu of providing rest or meal periods, failed to pay overtime, and failed to comply with certain other California Labor Code requirements. In September 2011, the court denied the plaintiffs motion for class certification. Plaintiffs have appealed that decision. The Company intends to continue to vigorously defend against these claims. Any potential settlement of these claims is not anticipated to be material to the Company s condensed consolidated financial statements.

In October 2007, the Company was contacted by the Attorney General s Office for the State of Nevada. The Attorney General s Office informed the Company that it was conducting a civil and criminal investigation of the Company s operations in Nevada and that the investigation related to the billing of pharmaceuticals, including EPO. In February 2008, the Attorney General s Office informed the Company that the civil and criminal investigation had been discontinued. The Attorney General s Office further advised the Company that Nevada Medicaid intended to conduct audits of end stage renal disease (ESRD) dialysis providers in Nevada and such audits would relate to the issues that were the subjects of the investigation. To the Company s knowledge, no court proceedings have been initiated against the Company at this time. Any negative audit findings could result in a substantial repayment by the Company. At this time, the Company cannot predict the ultimate outcome of this matter or the potential range of damages, if any.

In August 2005, Blue Cross/Blue Shield of Louisiana filed a complaint in the United States District Court for the Western District of Louisiana against Gambro AB, the Company s subsidiary, DVA Renal Healthcare (formerly known as Gambro Healthcare) and related entities. The plaintiff sought to bring its claims as a class action on behalf of itself and all entities that paid any of the defendants for health care goods and services from on or about January 1991 through at least December 2004. The complaint alleged, among other things, damages resulting from facts and circumstances underlying Gambro Healthcare s 2004 settlement agreement with the

Table of Contents

DAVITA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

(dollars and shares in thousands, except per share data)

Department of Justice and certain agencies of the U.S. government. In March 2006, the case was dismissed and the plaintiff was compelled to seek arbitration to resolve the matter. In November 2006, the plaintiff filed a demand for class arbitration against the Company and DVA Renal Healthcare. In February 2011, the arbitration panel denied plaintiff s request to certify a class. On September 11, 2011, the arbitration panel entered a final award dismissing all claims with prejudice.

In June 2004, DVA Renal Healthcare was served with a complaint filed in the Superior Court of California by one of its former employees who worked for its California acute services program. The complaint, which is styled as a class action, alleges, among other things, that DVA Renal Healthcare failed to provide overtime wages, defined rest periods and meal periods, or compensation in lieu of such provisions and failed to comply with certain other California Labor Code requirements. The parties have reached an agreement, subject to approval by the court, which fully resolves this matter for an amount that did not materially impact the Company s financial results.

In addition to the foregoing, the Company is subject to claims and suits, including from time to time, contractual disputes and professional and general liability claims, as well as audits and investigations by various government entities, in the ordinary course of business. The Company believes that the ultimate resolution of any such pending proceedings, whether the underlying claims are covered by insurance or not, will not have a material adverse effect on its financial condition, results of operations or cash flows.

6. Investments in debt and equity securities

Based on the Company s intentions and strategy involving investments in debt and equity securities, the Company classifies certain debt securities as held-to-maturity and records them at amortized cost. Equity securities that have readily determinable fair values and certain other debt securities classified as available for sale are recorded at fair value.

The Company s investments consist of the following:

	September 30, 2011			December 31, 2010		
	Held to maturity	Available for sale	Total	Held to maturity	Available for sale	Total
Certificates of deposit, money market funds and U.S. treasury notes due within one year	$ 21,811	$	$ 21,811	$ 21,803	$	$ 21,803
Investments in mutual funds and warrants		11,707	11,707		10,048	10,048
	$ 21,811	$ 11,707	$ 33,518	$ 21,803	$ 10,048	$ 31,851
Short-term investments	$ 21,811	$ 2,850	$ 24,661	$ 21,803	$ 1,200	$ 23,003
Long-term investments		8,857	8,857		8,848	8,848
	$ 21,811	$ 11,707	$ 33,518	$ 21,803	$ 10,048	$ 31,851

The cost of the certificates of deposit, money market funds and U.S. treasury notes at September 30, 2011 and December 31, 2010 approximates their fair value. As of September 30, 2011, the available for sale investments include $229 of gross

pre-tax loss, and as of December 31, 2010, the available for sale investments included $824 of gross pre-tax unrealized gains. During the nine months ended September 30, 2011, the Company recorded gross pre-tax unrealized losses of $960, or $587 after tax, in other comprehensive income

Table of Contents

DAVITA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

(dollars and shares in thousands, except per share data)

associated with changes in the fair value of these investments. During the nine months ended September 30, 2011, the Company sold equity securities in mutual funds for net proceeds of $1,149, and recognized a pre-tax gain of $93, or $57 after tax, that was previously recorded in other comprehensive income. During the nine months ended September 30, 2010, the Company sold investments in mutual funds for net proceeds of $900, and recognized a pre-tax loss of $22, or $13 after tax, that was previously recorded in other comprehensive income.

In addition, the available for sale securities include the estimated fair value of vested warrants to purchase NxStage Medical Inc. (NxStage) common stock totaling $1,650 based on their estimated fair value at September 30, 2011. Under the terms of the NxStage Service Provider Agreement effective July 22, 2010, the Company may, in lieu of a cash rebate, vest in warrants to purchase NxStage common stock based on achieving certain System One home patient growth targets by June 30, 2011, 2012 and 2013. The warrants are exercisable for up to a cumulative total of 5,500,000 shares of common stock at an initial exercise price of $14.22 per share. For the nine months ended September 30, 2011, the Company earned warrants to purchase 250,000 shares of NxStage common stock.

As of September 30, 2011, investments totaling $18,544 classified as held to maturity are investments used to maintain certain capital requirements of the special needs plans of VillageHealth, which is a wholly-owned subsidiary of the Company. As of December 31, 2009, the Company discontinued the VillageHealth special needs plans and is in process of paying out all incurred claims. The Company also expects to liquidate its investments that are currently held to maintain certain capital requirements as soon as the various state regulatory agencies approve the release of these investments. The investments in mutual funds classified as available for sale are held within a trust to fund existing obligations associated with several of the Company s non-qualified deferred compensation plans.

7. Fair value of financial instruments

The Company measures the fair value of certain assets, liabilities and noncontrolling interests subject to put provisions (temporary equity) based upon certain valuation techniques that include observable or unobservable inputs and assumptions that market participants would use in pricing these assets, liabilities and commitments. The Company also has classified certain assets, liabilities and noncontrolling interests subject to put provisions that are measured at fair value into the appropriate fair value hierarchy levels.

The following table summarizes the Company s assets, liabilities and temporary equity measured at fair value on a recurring basis as of September 30, 2011:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Available for sale securities	$ 11,707	$ 10,057	$	$ 1,650
Interest rate cap agreements	$ 1,492	$	$ 1,492	$
Liabilities				

Interest rate swap agreements	$ 24,629	$	$ 24,629	$
Temporary equity				
Noncontrolling interests subject to put provisions	$ 450,903	$	$	$ 450,903

15

Table of Contents

DAVITA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

(dollars and shares in thousands, except per share data)

The available for sale securities represent investments in various open-ended registered investment companies, or mutual funds, and are recorded at fair value based upon quoted prices reported by each mutual fund. The available for sale securities also include the estimated fair value of vested NxStage common stock warrants based upon their estimated fair value. See Note 6 to the condensed consolidated financial statements for further discussion.

The interest rate swap and cap agreements are recorded at fair value based upon valuation models and a variety of techniques as reported by various broker dealers that are based upon relevant observable market inputs such as current interest rates, forward yield curves, and other credit and liquidity market conditions. The Company does not believe the ultimate amount that could be realized upon settlement of these interest rate swap and cap agreements would be materially different than the fair values as currently reported. See Note 4 to the condensed consolidated financial statements for further discussion.

See Note 8 to the condensed consolidated financial statements for a discussion of the Company s methodology for estimating the fair value of noncontrolling interests subject to put provisions.

The Company has other financial instruments in addition to the above that consist primarily of cash, accounts receivable, accounts payable, other accrued liabilities, and debt. The balances of the non-debt financial instruments are presented in the condensed consolidated financial statements at September 30, 2011 at their approximate fair values due to the short-term nature of their settlements. The carrying amount of the Company s Senior Secured Credit Facilities totaled $2,891,117 as of September 30, 2011 and the fair value was $2,867,569 based upon quoted market prices. The fair value of the Company s senior notes was approximately $1,484,125 at September 30, 2011, based upon quoted market prices, as compared to the carrying amount of $1,550,000.

8. Noncontrolling interests subject to put provisions and other commitments

The Company has potential obligations to purchase the noncontrolling interests held by third parties in several of its joint ventures and non-wholly-owned subsidiaries. These obligations are in the form of put provisions and are exercisable at the third-party owners discretion within specified periods as outlined in each specific put provision. If these put provisions were exercised, the Company would be required to purchase the third-party owners noncontrolling interests at either the appraised fair market value or a predetermined multiple of earnings or cash flow attributable to the noncontrolling interests put to the Company, which is intended to approximate fair value. The methodology the Company uses to estimate the fair values of noncontrolling interests subject to put provisions assumes either the higher of a liquidation value of net assets or an average multiple of earnings, based on historical earnings, patient mix and other performance indicators, as well as other factors. The estimated fair values of the noncontrolling interests subject to put provisions can fluctuate and the implicit multiple of earnings at which these noncontrolling interests obligations may be settled will vary significantly depending upon market conditions including potential purchasers access to the capital markets, which can impact the level of competition for dialysis and non-dialysis related businesses, the economic performance of these businesses and the restricted marketability of the third-party owners noncontrolling interests. The amount of noncontrolling interests subject to put provisions that contractually employ a predetermined multiple of earnings rather than fair value are immaterial.

Additionally, the Company has certain other potential commitments to provide operating capital to several dialysis centers that are wholly-owned by third parties or centers in which the Company owns a minority equity investment as well as to physician-owned vascular access clinics that the Company operates under management and administrative services agreements of approximately $2,100.

Table of Contents

DAVITA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

(dollars and shares in thousands, except per share data)

Certain consolidated joint ventures are contractually scheduled to dissolve after terms ranging from ten to fifty years. Accordingly, the noncontrolling interests in these joint ventures are considered mandatorily redeemable instruments for which the classification and measurement requirements have been indefinitely deferred. Future distributions upon dissolution of these entities would be valued below the related noncontrolling interest carrying balances in the condensed consolidated balance sheet.

9. Income taxes

As of September 30, 2011, the Company s total liability for unrecognized tax benefits relating to tax positions that do not meet the more-likely-than-not threshold is $9,804, all of which would impact the Company s effective tax rate if recognized. This balance represents an increase of $1,666 from the December 31, 2010 balance of $8,138 due to the addition of 2011 liabilities.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in its income tax expense. At September 30, 2011 and December 31, 2010, the Company had approximately $3,641 and $3,177, respectively, accrued for interest and penalties related to unrecognized tax benefits, net of federal tax benefits.

10. Acquisitions

On September 2, 2011, the Company completed its acquisition of all of the outstanding common stock of CDSI I Holding Company, Inc., the parent company of dialysis provider DSI Renal Inc., (DSI), pursuant to an agreement and plan of merger for approximately $724,219 in net cash, plus the assumption of certain liabilities totaling approximately $6,541, subject to certain post-closing adjustments. DSI had 113 outpatient dialysis centers that provide services to approximately 8,000 patients in 23 states. The Company also incurred approximately $9,000 in transaction and integration costs during the third quarter of 2011 associated with this acquisition that are included in general and administrative expenses in the condensed consolidated statements of income.

The initial purchase price allocation for the DSI acquisition is recorded at estimated fair values based upon the best information available to management and will be finalized when certain information arranged to be obtained has been received. In particular, certain income tax amounts and the fair values of certain intangible and fixed assets are pending issuance of the final tax returns and valuation reports.

The following table summarizes the assets acquired and liabilities assumed in the transaction and recognized at the acquisition date at their estimated fair values, as well as the estimated fair value of the noncontrolling interests in DSI at that date:

Current assets	$ 163,634
Property and equipment	67,451
Amortizable intangible and other long-term assets	6,523
Goodwill	495,474
Long-term deferred income taxes	79,420
Current liabilities assumed	(48,081)
Other long-term liabilities	(10,561)

Noncontrolling interests	(23,100)
	$ 730,760

17

Table of Contents

DAVITA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

(dollars and shares in thousands, except per share data)

Of the goodwill recognized in this acquisition, approximately $262,000 is expected to be deductible for tax purposes over the next 15 years.

The noncontrolling interests acquired as part of the acquisition are stated at fair value based on a predetermined multiple of earnings based upon implied multiples used for the acquisition of DSI.

The operating results of DSI are included in the Company s condensed consolidated financial statements effective September 1, 2011.

Other dialysis acquisitions

During the first nine months of 2011, the Company acquired other dialysis businesses consisting of 44 centers for a total of $202,905 in cash and deferred purchase price obligations totaling $10,335. The assets and liabilities for all acquisitions were recorded at their estimated fair market values at the dates of the acquisitions and are included in the Company s financial statements and operating results from the designated effective dates of the acquisitions.

The following table summarizes the assets acquired and liabilities assumed in these transactions and recognized at their acquisition dates at estimated fair values, as well as the estimated fair value of the noncontrolling interests assumed in these transactions:

	Nine months ended September 30, 2011
Tangible assets, principally leasehold improvements and equipment	$ 17,355
Amortizable intangible assets	11,325
Goodwill	215,682
Liabilities assumed	(244)
Noncontrolling interests assumed	(30,878)
	$ 213,240

Amortizable intangible assets acquired during the first nine months of 2011 had weighted-average estimated useful lives of 8.5 years. The total amount of goodwill deductible for tax purposes associated with these 2011 other dialysis acquisitions is approximately $188 million.

Discontinued operations

Pursuant to a consent order issued by the Federal Trade Commission on September 2, 2011, the Company agreed to divest a total of 30 outpatient dialysis centers and several home-based dialysis programs in order to complete the acquisition of DSI. In conjunction with the consent order, on September 30, 2011, the Company completed the sale of 28 outpatient dialysis centers to Dialysis Newco, Inc., (Dialysis Newco), a portfolio company of Frazier Healthcare VI, L.P. and New Enterprise Associates 13, Limited Partnership pursuant to an asset purchase agreement dated August 26, 2011. Effective October 31,

2011, the Company also completed the sale of two additional outpatient dialysis centers to Dialysis Newco that were previously pending state regulatory approval. The Company anticipates receiving total cash consideration of approximately $83,600 for all of the outpatient dialysis centers that were divested. At September 30, 2011, there was $19,981 of assets valued at fair value that

Table of Contents

DAVITA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

(dollars and shares in thousands, except per share data)

were held for sale associated with the two outpatient dialysis centers that were sold effective October 31, 2011. These assets are included in other current assets on the consolidated balance sheet. As part of this transaction, Dialysis Newco assumed specific liabilities related to the centers it acquired. All other liabilities were retained by the Company. The Company recorded a loss of approximately $3,668, net of tax, during the three months ended September 30, 2011 related to the divestiture of its historical DaVita centers.

The operating results of the historical DaVita divested centers are reflected as discontinued operations for all periods presented. In addition, the operating results for the DSI centers divested and to be divested are reflected as discontinued operations in the consolidated financial statements beginning September 1, 2011.

The results from discontinued operations related to the dialysis and related lab services segment were as follows:

	September 30, 2011		September 30, 2010	
	Three months	Nine months	Three months	Nine months
Net operating revenues	$ 9,281	$ 14,741	$ 2,092	$ 6,848
Income (loss) before income taxes	1,640	2,281	(154)	321
Income tax expense (benefit)	564	821	(59)	133
Income (loss) from discontinued operations	$ 1,076	$ 1,460	$ (95)	$ 188

Net assets of discontinued operations related to the dialysis and related lab services segment sold at September 30, 2011 were as follows:

Current assets	$ 52,949
Property and equipment, net	5,183
Goodwill	7,999
Liabilities and noncontrolling interests	(836)
Net assets from discontinued operations	$ 65,295

Pro forma financial information

The following summary, prepared on a pro forma basis, combines the results of operations as if the acquisitions and divestitures in 2011 had been consummated as of the beginning of 2010, after including the impact of certain adjustments such as amortization of intangibles and income tax effects.

Nine months ended September 30,	
2011	2010

	(unaudited)	
Pro forma net revenues	$ 5,353,067	$ 5,117,128
Pro forma income from continuing operations attributable to DaVita Inc.	357,885	365,774
Pro forma net income attributable to DaVita Inc.	355,438	365,962
Pro forma diluted income from continuing operations per share attributable to DaVita Inc.	3.68	3.50
Pro forma diluted net income per share attributable to DaVita Inc.	3.66	3.51

19

Table of Contents

DAVITA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

(dollars and shares in thousands, except per share data)

11. Segment reporting

The Company operates principally as a dialysis and related lab services business but also operates other ancillary services and strategic initiatives. These ancillary services and strategic initiatives consist of pharmacy services, infusion therapy services, disease management services, vascular access services, ESRD clinical research programs and physician services. For internal management reporting, the dialysis and related lab services business and each of the ancillary services and strategic initiatives have been defined as separate operating segments by management as separate financial information is regularly produced and reviewed by the Company s chief operating decision maker in making decisions about allocating resources and assessing financial results. The Company s chief operating decision maker is its Chief Executive Officer. The dialysis and related lab services business qualifies as a separately reportable segment and all of the other ancillary services and strategic initiatives operating segments have been combined and disclosed in the other segments category.

The Company s operating segment financial information is prepared on an internal management reporting basis that the Chief Executive Officer uses to allocate resources and analyze the performance of operating segments. For internal management reporting, segment operations include direct segment operating expenses with the exception of stock-based compensation expense and equity investment income. In addition, beginning in 2011, the ancillary services and strategic initiatives segment operations also include an allocation of corporate general and administrative expenses.

Table of Contents

DAVITA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

(dollars and shares in thousands, except per share data)

The following is a summary of segment revenues, segment operating margin (loss), and a reconciliation of segment operating margin to consolidated income before income taxes:

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Segment revenues:				
Dialysis and related lab services [1]				
External sources	$ 1,672,218	$ 1,549,100	$ 4,758,070	$ 4,514,325
Intersegment revenues	2,938	2,182	7,164	6,866
Total dialysis and related lab services	1,675,156	1,551,282	4,765,234	4,521,191
Other Ancillary services and strategic initiatives				
External sources [2]	$ 135,651	$ 100,458	$ 361,825	$ 276,801
Intersegment revenues	1,333		4,161	
Total ancillary services and strategic initiatives	136,984	100,458	365,986	276,801
Total segment revenues	1,812,140	1,651,740	5,131,220	4,797,992
Elimination of intersegment revenues	(4,271)	(2,183)	(11,324)	(6,866)
Consolidated revenues	$ 1,807,869	$ 1,649,557	$ 5,119,896	$ 4,791,126
Segment operating margin (loss): [3]				
Dialysis and related lab services	$ 327,698	$ 265,768	$ 860,036	$ 771,084
Other Ancillary services and strategic initiatives	1,728	281	(29,529)	(3,258)
Total segment margin	329,426	266,049	830,507	767,826
Reconciliation of segment operating margin to consolidated income before income taxes:				
Stock-based compensation	(13,333)	(11,093)	(36,392)	(33,492)
Equity investment income	2,619	1,789	6,555	6,968
Consolidated operating income	318,712	256,745	800,670	741,302
Debt expense	(60,848)	(39,490)	(179,340)	(127,728)
Debt redemption charges				(4,127)
Other income	798	759	2,195	2,328
	$ 258,662	$ 218,014	$ 623,525	$ 611,775

Consolidated income from continuing operations before income taxes

(1) Includes management fees related to providing management and administrative services to dialysis centers that are wholly-owned by third parties or centers in which the Company owns a minority equity investment.

(2) Revenues from external sources in 2010 that were previously eliminated within the ancillary services and strategic initiatives segment have now been reported as a component of revenue from external sources to conform to current year presentations.

21

Table of Contents

DAVITA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

(dollars and shares in thousands, except per share data)

(3) Certain costs previously reported in the ancillary services and strategic initiatives have been reclassified to the dialysis and related lab services to conform to the current year presentation.

Depreciation and amortization expense for the dialysis and related lab services for the three and nine months ended September 30, 2011 was $65,898 and $188,642, respectively, and was $1,660 and $4,999, respectively, for the ancillary services and strategic initiatives.

Depreciation and amortization expense for the dialysis and related lab services for the three and nine months ended September 30, 2010 was $56,698 and $168,904, respectively, and was $1,627 and $4,916, respectively, for the ancillary services and strategic initiatives.

Summary of assets by segment is as follows:

	September 30, 2011	December 31, 2010
Segment assets		
Dialysis and related lab services	$ 8,450,133	$ 7,862,882
Other Ancillary services and strategic initiatives	226,195	225,624
Equity investments	30,340	25,918
Consolidated assets	$ 8,706,668	$ 8,114,424

For the three and nine months ended September 30, 2011, the total amount of expenditures for property and equipment for the dialysis and related lab services were $108,905 and $268,587, respectively, and were $3,340 and $6,806, respectively, for the ancillary services and strategic initiatives.

For the three and nine months ended September 30, 2010, the total amount of expenditures for property and equipment for the dialysis and related lab services were $67,739 and $168,054, respectively, and were $2,286 and $4,108, respectively, for the ancillary services and strategic initiatives.

As of September 30, 2011, there was $4,725,023 and $44,942 of goodwill associated with the dialysis and related lab services business and the ancillary services and strategic initiatives, respectively.

As of December 31, 2010, there was $4,022,365 and $68,942 of goodwill associated with the dialysis and related lab services business and the ancillary services and strategic initiatives, respectively.

Table of Contents

DAVITA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

(dollars and shares in thousands, except per share data)

12. Changes in DaVita Inc. s ownership interest in consolidated subsidiaries

The effects of changes in DaVita Inc. s ownership interest on the Company s equity are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Net income attributable to DaVita Inc.	$ 135,361	$ 119,387	$ 329,878	$ 336,663
Increase (decrease) in paid-in capital for sales of noncontrolling interests in several joint ventures	69	(125)	238	(301)
Decrease in paid-in capital for the purchase of noncontrolling interests in several joint ventures	(248)		(6,049)	(779)
Net transfer to noncontrolling interests	(179)	(125)	(5,811)	(1,080)
Change from net income attributable to DaVita Inc. and transfers to noncontrolling interests	$ 135,182	$ 119,262	$ 324,067	$ 335,583

13. Variable interest entities

The Company is deemed to be the primary beneficiary of all of the variable interest entities (VIEs) with which it is associated. These VIEs are principally operating subsidiaries owned by related party nominee owners for the Company s benefit in jurisdictions in which the Company does not qualify for direct ownership under applicable regulations or joint ventures that require subordinated support in addition to their equity capital to finance operations. These include both dialysis operations and physician practice management entities.

Under the terms of the applicable arrangements, the Company bears substantially all of the economic risks and rewards of ownership for these operating VIEs. In some cases, the Company has contractual arrangements with its respective related party nominee owners which indemnify them from the economic losses, and entitle the Company to the economic benefits, that may result from ownership of these VIEs. DaVita Inc. manages these VIEs and provides operating and capital funding as necessary to accomplish their operational and strategic objectives. Accordingly, since the Company bears the majority of the risks and rewards attendant to their ownership, the Company consolidates these VIEs as their primary beneficiary.

Total assets of these consolidated operating VIEs were approximately $6,000 and their liabilities to unrelated third parties were approximately $5,000 at September 30, 2011.

The Company also sponsors certain deferred compensation plans whose trusts qualify as VIEs, and as their primary beneficiary, the Company consolidates each of these plans. The assets of these plans are recorded in short-term or long-term investments with matching offsetting liabilities in accrued compensation and benefits and other long-term liabilities. See Note 6 for disclosures of the assets of these consolidated non-qualified deferred compensation plans.

23

Table of Contents

DAVITA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

(dollars and shares in thousands, except per share data)

14. Goodwill

In the second quarter of 2011, the Company determined that circumstances indicated it was more likely than not that the fair value of one of the Company s ancillary businesses, HomeChoice Partners (HCP), which provides infusion therapy services, was less than its carrying amount. The primary factor informing the Company s conclusion was the recent decline in the operating performance of HCP caused mainly by rapid expansion. This led management to scale back significantly its current plans and expectations for HCP s future growth initiatives, as well as its current and recently-opened centers, and to update HCP s forecasts and current operating budgets accordingly. These revisions reduced the current and expected future cash flows that the Company believes market participants would use currently in determining the fair value of the HCP business. As a result, the Company has estimated that the carrying amount of its goodwill related to HCP exceeds its implied fair value by $24,000, resulting in a pre-tax goodwill impairment charge of that amount. As of September 30, 2011, after giving effect to this impairment charge, the Company has approximately $31,900 of remaining goodwill recorded related to HCP. The Company is in the process of finalizing its estimates of the fair values used to determine the amount of the goodwill impairment charge and, depending upon the outcome of that analysis, an additional goodwill impairment charge could result. However, management does not believe that such an amount, if any, would be material.

15. Significant new accounting standards

In September 2011, the Financial Accounting Standards Board (FASB) issued ASU No. 2011-08, *Intangibles Goodwill and Other*. This standard amends the current two-step goodwill impairment test required under the existing accounting guidance. This amendment allows entities the option to first assess certain qualitative factors to ascertain whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount to determine if the two-step impairment test is necessary. If an entity concludes that certain events or circumstances prove that it is more likely than not that the fair value of a reporting unit is less than its carrying amount then an entity is required to proceed to step one of the two-step goodwill impairment test. This standard is effective during interim and annual periods beginning after December 15, 2011. The adoption of this standard will not have a material impact on the Company s consolidated financial statements.

In July 2011, the FASB issued ASU No. 2011-07, *Health Care Entities-Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts.* This standard amends the current presentation and disclosure requirements for Health Care Entities that recognize significant amounts of patient service revenue at the time the services are rendered without assessing the patient s ability to pay. This standard requires health care entities to reclassify the provision for bad debts from an operating expense to a deduction from patient service revenues. In addition, this standard requires more disclosure on the policies for recognizing revenue, assessing bad debts, as well as quantitative and qualitative information regarding changes in the allowance for doubtful accounts. This standard is applied retrospectively to all prior periods presented and is effective during interim and annual periods beginning after December 15, 2011. The adoption of this standard will not have a material impact on the Company s consolidated financial statements.

In June 2011, the FASB issued Accounting Standard Update (ASU) No. 2011-05, *Comprehensive Income Presentation of Comprehensive Income*. This standard amends the current presentation requirements for comprehensive income by eliminating the presentation of the components of other comprehensive income within the statement of equity. This standard allows two options on how to present the various components of comprehensive income. These options are either to report the components of comprehensive income separately on the income statement or to present total other comprehensive income and the components of other comprehensive income in a separate statement. This standard does not change the items that must be reported in

Table of Contents

DAVITA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

(dollars and shares in thousands, except per share data)

other comprehensive income or when an item must be reclassified into net income. This standard is applied retrospectively and is effective for fiscal years and interim periods within those years beginning after December 15, 2011. Early adoption is permitted. The adoption of this standard will not have a material impact on the Company s consolidated financial statements.

In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement.* This standard amends the current fair value measurement and disclosure requirements to improve comparability between U.S. GAAP and International Financial Reporting Standards (IFRS). The intent of this standard is to update the disclosures that describe several of the requirements in U.S. GAAP for measuring fair value and to enhance disclosures about fair value measurements which will improve consistency between U.S. GAAP and IFRS. This standard does not change the application of the requirements on fair value measurements and disclosures. This standard is applied prospectively and is effective during interim and annual periods beginning after December 15, 2011. The adoption of this standard will not have a material impact on the Company s consolidated financial statements.

16. Condensed consolidating financial statements

The following information is presented in accordance with Rule 3-10 of Regulation S-X. The operating and investing activities of the separate legal entities included in the consolidated financial statements are fully interdependent and integrated. Revenues and operating expenses of the separate legal entities include intercompany charges for management and other services. The senior notes were issued by the Company on October 20, 2010, and are guaranteed by substantially all of the Company s direct and indirect domestic wholly-owned subsidiaries. Each of the guarantor subsidiaries has guaranteed the notes on a joint and several, full and unconditional basis. Non-wholly-owned subsidiaries, certain wholly-owned subsidiaries, foreign subsidiaries, joint venture partnerships and other third parties are not guarantors of these obligations.

Table of Contents

DAVITA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

(dollars and shares in thousands, except per share data)

Condensed Consolidating Statements of Income

For the three months ended September 30, 2011	DaVita Inc.	Guarantor subsidiaries	Non-Guarantor subsidiaries	Consolidating adjustments	Consolidated total
Net operating revenues	$ 116,752	$ 1,468,045	$ 397,364	$ (174,292)	$ 1,807,869
Operating expenses	83,459	1,280,989	299,001	(174,292)	1,489,157
Operating income	33,293	187,056	98,363		318,712
Debt (expense)	(61,123)	(57,129)	(598)	58,002	(60,848)
Other income	58,073	596	131	(58,002)	798
Income tax expense	12,303	85,110	(3,209)		94,204
Equity earnings in subsidiaries	117,421	75,400		(192,821)	
Income from continuing operations	135,361	120,813	101,105	(192,821)	164,458
Discontinued operations net of (loss) gain on disposal of discontinued operations		(3,431)	819		(2,612)
Net income	135,361	117,382	101,924	(192,821)	161,846
Less: Net income attributable to noncontrolling interests				(26,485)	(26,485)
Net income attributable to DaVita Inc.	$ 135,361	$ 117,382	$ 101,924	$ (219,306)	$ 135,361
For the three months ended September 30, 2010					
Net operating revenues	$ 113,670	$ 1,318,723	$ 339,910	$ (122,746)	$ 1,649,557
Operating expenses	63,400	1,192,045	260,113	(122,746)	1,392,812
Operating income	50,270	126,678	79,797		256,745
Debt (expense)	(39,960)	(36,768)	(306)	37,544	(39,490)
Other income	37,683	462	158	(37,544)	759
Income tax expense	18,560	54,152	2,326		75,038
Equity earnings in subsidiaries	89,954	53,487		(143,441)	
Income from continuing operations	119,387	89,707	77,323	(143,441)	142,976
Discontinued operations		(122)	27		(95)
Net income	119,387	89,585	77,350	(143,441)	142,881
Less: Net income attributable to noncontrolling interests				(23,494)	(23,494)
Net income attributable to DaVita Inc.	$ 119,387	$ 89,585	$ 77,350	$ (166,935)	$ 119,387
For the nine months ended September 30, 2011					
Net operating revenues	$ 335,255	$ 4,195,993	$ 1,082,699	$ (494,051)	$ 5,119,896
Operating expenses	223,299	3,693,401	896,577	(494,051)	4,319,226

Operating income	111,956	502,592	186,122		800,670
Debt (expense)	(180,428)	(168,189)	(1,161)	170,438	(179,340)
Other income	171,046	1,094	493	(170,438)	2,195
Income tax expense	41,235	183,418	(619)		224,034
Equity earnings in subsidiaries	268,539	144,377		(412,916)	
Income from continuing operations	329,878	296,456	186,073	(412,916)	399,491
Discontinued operations net of (loss) gain on disposal of discontinued operations		(3,321)	1,093		(2,228)
Net income	329,878	293,135	187,166	(412,916)	397,263
Less: Net income attributable to noncontrolling interests				(67,385)	(67,385)
Net income attributable to DaVita Inc.	$ 329,878	$ 293,135	$ 187,166	$ (480,301)	$ 329,878
For the nine months ended September 30, 2010					
Net operating revenues	$ 327,095	$ 3,853,970	$ 968,811	$ (358,750)	$ 4,791,126
Operating expenses	189,677	3,435,087	783,810	(358,750)	4,049,824
Operating income	137,418	418,883	185,001		741,302
Debt (expense)	(132,761)	(120,701)	(1,023)	122,630	(131,855)
Other income	122,823	1,121	1,014	(122,630)	2,328
Income tax expense	50,355	163,691	6,143		220,189
Equity earnings in subsidiaries	259,538	122,567		(382,105)	
Income from continuing operations	336,663	258,179	178,849	(382,105)	391,586
Discontinued operations		140	48		188
Net income	336,663	258,319	178,897	(382,105)	391,774
Less: Net income attributable to noncontrolling interests				(55,111)	(55,111)
Net income attributable to DaVita Inc.	$ 336,663	$ 258,319	$ 178,897	$ (437,216)	$ 336,663

Table of Contents

DAVITA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

(dollars and shares in thousands, except per share data)

Condensed Consolidating Balance Sheets

As of September 30, 2011	DaVita Inc.	Guarantor subsidiaries	Non-Guarantor subsidiaries	Consolidating adjustments	Consolidated total
Cash and cash equivalents	$ 520,652	$	$ 20,554	$	$ 541,206
Accounts receivable, net		927,783	237,227		1,165,010
Other current assets	8,040	558,907	97,004		663,951
Total current assets	528,692	1,486,690	354,785		2,370,167
Property and equipment, net	60,980	922,489	352,320		1,335,789
Amortizable intangibles, net	55,934	91,891	11,964		159,789
Investments in subsidiaries	6,460,883	761,153		(7,222,036)	
Intercompany receivables		428,434	274,526	(702,960)	
Other long-term assets and investments	10,467	58,827	1,664		70,958
Goodwill		4,100,567	669,398		4,769,965
Total assets	$ 7,116,956	$ 7,850,051	$ 1,664,657	$ (7,924,996)	$ 8,706,668
Current liabilities	$ 179,906	$ 894,531	$ 131,483	$	$ 1,205,920
Intercompany payables	282,913		420,047	(702,960)	
Long-term debt and other long-term liabilities	4,371,613	552,023	43,817		4,967,453
Noncontrolling interests subject to put provisions	283,271			167,632	450,903
Total DaVita Inc. shareholders equity	1,999,253	6,403,497	818,539	(7,222,036)	1,999,253
Noncontrolling interest not subject to put provisions			250,771	(167,632)	&nbs