

FOR IMMEDIATE RELEASE

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**HEALTHCARE M&A IN SECOND QUARTER 2005,
ACCORDING TO IRVING LEVIN ASSOCIATES, INC.**

NEW CANAAN, CT – July 12, 2005 – According to a new Report from Irving Levin Associates, a total of \$18.4 billion was committed to finance the second quarter’s healthcare merger and acquisition activity, based on revealed prices. Four billion-dollar deals were announced, contributing \$8.9 billion, or 48%, to the quarter’s total committed funds.

THE HEALTHCARE M&A MARKET SECOND QUARTER 2005

DOLLAR AMOUNTS BY SECTOR*

| Sector | Dollar Amount (Q2:05) | Percent of Quarter | Dollar Amount (Q1:05) | Percent of Quarter | Dollar Amount (Q2:04) | Percent of Quarter |
|------------------------|----------------------------------|-------------------------------|----------------------------------|-------------------------------|----------------------------------|-------------------------------|
| Labs, MRI, Dialysis | \$ 4.0 B | 22% | \$ 333.0 M | 1% | \$ 209.0 M | >1% |
| Hospitals | 892.3 M | 5% | 179.0 M | >1% | 2.1 B | 8% |
| Long-Term Care | 857.0 M | 5% | 877.7 M | 3% | 1.2 B | 5% |
| Managed Care | 720.0 M | 4% | 68.6 M | >1% | 5.4 B | 21% |
| Behavioral Health Care | 41.0 M | >1% | 694.5 M | 2% | 404.0 M | 2% |
| Rehabilitation | 40.4 M | >1% | — | — | — | — |
| Physician Groups | 27.5 M | >1% | — | — | 39.3 M | — |
| Home Health Care | 6.5 M | >1% | 23.6 M | >1% | 264.0 M | 1% |
| Other services | 516.7 M | 3% | 2.8 B | 8% | 4.3 B | 17% |
| Services subtotal | \$ 7.1 B | 39% | \$ 4.8 B | 14% | \$ 13.9 B | 54% |
| Biotechnology | \$ 4.7 B | 26% | \$ 2.9 B | 8% | \$ 4.0 B | 16% |
| Pharmaceuticals | 3.4 B | 18% | 20.2 B | 57% | 3.3 B | 13% |
| Medical Devices | 2.8 B | 15% | 6.5 B | 19% | 4.6 B | 18 |
| e-Health | 377.1 M | 2% | 733.0 M | 2% | 78.7 M | >1% |
| Technology subtotal | \$ 11.3 B | 61% | \$ 30.3 B | 86% | \$ 11.9 B | 46% |
| Total health care | \$ 18.4 B | 100% | \$ 35.1 B | 100% | \$ 25.8 B | 100% |

**Preliminary figures*

“With second quarter figures now in, the first half of 2005 saw \$53.5 billion committed to finance healthcare M&A, including 10 billion-dollar deals worth \$33.5 billion,” observed Stephen M. Monroe, Managing Editor at Irving Levin Associates. “Eight of those big deals, worth a combined \$27 billion, are in health care technology sectors and account for half of all M&A dollars spent during the first six months of 2005.”

“In both the biotechnology and the pharmaceutical deals, the majority of buyers have been pharmaceutical companies, who paid 44% of all M&A dollars in the second quarter,” observed Sanford Steever, Ph.D., editor of the Report. “Big pharma companies are buying up late-stage biotechs to replace revenues from drugs going off patent while, further along the growth cycle, specialty and niche players are acquiring generic and OTC drugs and drug companies in response to the increased supply of, and demand for, lower-cost pharmaceuticals.”

Though the health care technology segment captured most of the dollars in the second quarter, health care services saw the lion’s share of deal volume. Acquisitions of health care facilities, particularly in the Hospital and Long-Term Care sectors, accounted for nearly one-fifth of all deals announced in the quarter. The contribution of each sector to the second quarter’s deal volume appears below, where each sector is assigned to the health care services or health care technology segment.

THE HEALTHCARE M&A MARKET SECOND QUARTER 2005 – DEAL VOLUME BY SECTOR*

| <u>Sector</u> | <u>Q2:05 Deals*</u> | <u>Q1:05 Deals</u> | <u>% Change</u> | <u>Q2:04 Deals</u> | <u>% Change</u> |
|-----------------------------------|--------------------------------|-------------------------------|----------------------------|-------------------------------|----------------------------|
| <i>Services Segment:</i> | | | | | |
| Long-Term Care | 25 | 28 | -11% | 21 | +19% |
| Hospitals | 15 | 9 | +67% | 9 | +67% |
| Home Health Care | 12 | 14 | -14% | 7 | +71% |
| Laboratories, MRI, Dialysis | 11 | 10 | +10% | 11 | 0% |
| Physician Medical Groups | 8 | 11 | -27% | 9 | -11% |
| Managed Care | 6 | 7 | -14% | 9 | -33% |
| Behavioral Health Care | 5 | 5 | 0% | 8 | +38% |
| Rehabilitation | 4 | 2 | +100% | 0 | NA |
| Other | <u>26</u> | <u>29</u> | <u>-10%</u> | <u>29</u> | <u>-10%</u> |
| Services Subtotal | 112 | 115 | -3% | 113 | -1% |
| <i>Technology Segment:</i> | | | | | |
| Medical Devices | 38 | 43 | -12% | 35 | +9% |
| Biotechnology | 26 | 39 | -33% | 30 | -13% |
| Pharmaceuticals | 25 | 32 | -22% | 45 | -44% |
| e-Health | <u>10</u> | <u>23</u> | <u>-57%</u> | <u>8</u> | <u>+25%</u> |
| Technology Subtotal | 99 | 137 | -28% | 118 | -16% |
| Grand Total | 211 | 252 | -16% | 231 | -9% |

**Preliminary figures*

“Investor interest in quality assisted and independent living has been growing through the year, and prices have been escalating to unprecedented levels,” observed Mr. Monroe. “Rural hospital operators remain bullish about their market niche and its ability to produce high returns for investors, translating into continued M&A activity in this part of the Hospital industry,” added Mr. Steever.

The broad availability of capital through the stock market and private equity firms will continue to fuel health care mergers and acquisitions throughout the remainder of 2005. “Dealmaking should remain fairly robust for the rest of the year, reaching over \$100 billion, with Pharmaceuticals leading the technology segment and Hospitals and Long-Term Care leading services,” stated Mr. Monroe.

For more information on *The Health Care M&A Report*, or for a subscription to any Irving Levin publication, call 800-248-1668. Irving Levin Associates, Inc., established in 1948, has headquarters in New Canaan, CT and is online at www.levinassociates.com. This privately held corporation publishes research reports and newsletters, and maintains merger and acquisition databases, on the health care and senior housing markets.

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