



## Current Agreements

### Dealdoc

### Acquisition agreement for Liberty Dialysis

Fresenius Medical Care

Liberty Dialysis

Aug 02 2011

## Acquisition agreement for Liberty Dialysis

<b>Companies:</b>	<a href="#">Fresenius Medical Care</a> <a href="#">Liberty Dialysis</a>
<b>Announcement date:</b>	Aug 02 2011
<b>Deal value, US\$m:</b>	1700.0 : sum of transaction

- [Details](#)
- [Financials](#)
- [Termsheet](#)
- [Press Release](#)
- [Filing Data](#)
- [Contract](#)

### Details

<b>Announcement date:</b>	Aug 02 2011
<b>Industry sectors:</b>	Bigpharma Medical device
<b>Therapy areas:</b>	Genitourinary » Dialysis

### Financials

<b>Deal value, US\$m:</b>	1700.0 : sum of transaction
---------------------------	-----------------------------

### Termsheet

Fresenius Medical Care has executed a merger agreement with Liberty Dialysis Holdings, Inc., the holding company for Liberty Dialysis and Renal Advantage.

The investment, including assumed debt, will be approximately \$1.7 billion.

In addition, Fresenius Medical Care previously invested approximately \$300 million in Renal Advantage.

The merger is subject to clearance under the Hart–Scott–Rodino Antitrust Improvements Act and is expected to close in early 2012.

Liberty Dialysis Holdings, Inc. has annual sales of approximately \$1 billion and operates approximately 260 dialysis clinics.

Fresenius Medical Care anticipates that facilities may need to be divested to secure regulatory clearance of the transaction.

The transaction will be financed from cash flow from operations and debt and is expected to be accretive to earnings in the first year after closing of the transaction.

### Press Release

Fresenius Medical Care Reports Strong Second Quarter and Half Year Results; confirms Outlook for 2011 and plans to acquire Liberty Dialysis as well as American Access Care

Fresenius Medical Care AG & Co. KGaA ("the company" or "Fresenius Medical Care"; Frankfurt Stock Exchange: FME / New York Stock Exchange: FMS), the world's largest provider of dialysis products and services, today announced its results for the second quarter and first half of 2011.

Second Quarter 2011:

Revenue Net revenue for the second quarter of 2011 increased by 8% to \$3,194 million (+5% at constant currency) compared to the second quarter of 2010. Organic revenue growth worldwide was 3%. Dialysis services revenue grew by 6% to \$2,362 million (+4% at constant currency) and dialysis product revenue increased by 15% to \$832 million (+7% at constant currency).

North America revenue for the second quarter of 2011 was at the same level as the corresponding quarter last year at \$2,027 million including the impact of the new Medicare end-stage renal disease prospective payment system in the United States. Dialysis services revenue grew by 1% to \$1,828 million with a same market growth of 3%. Average revenue per treatment for U.S. clinics decreased to \$348 in the second quarter of 2011 compared to \$356 for the corresponding quarter in 2010 reflecting the targeted implementation of the new prospective payment system. Dialysis product revenue decreased by 5% to \$199 million, as increased sales of dialysis products could not entirely offset lower pricing of renal drugs.

International revenue increased by 26% to \$1,163 million (+15% at constant currency). Organic revenue growth was 8%. Dialysis services revenue increased by 31% to \$534 million (+20% at constant currency). Dialysis product revenue increased by 23% to \$629 million and increased by 11% at constant currency, mainly driven by higher sales of peritoneal dialysis products, dialyzers, products for acute care treatments and dialysis machines.

Earnings Operating income (EBIT) for the second quarter of 2011 increased by 9% to \$510 million compared to \$467 million in the second quarter of 2010. This resulted in an operating margin of 16.0% for the second quarter of 2011 compared to 15.8% for the corresponding quarter in 2010.

In North America, the operating margin increased from 16.4% in the second quarter of 2010 to 17.2% in the second quarter of 2011. This increase was mainly favorably influenced by the development of pharmaceutical costs and higher income from the joint venture with Vifor Pharma. Average costs per treatment for U.S. clinics decreased to \$283 in the second quarter of 2011 compared to \$292 for the corresponding quarter in 2010.

In the International segment, the operating margin decreased from 18.8% to 17.5% mainly due to unfavorable currency effects.

Net interest expense for the second quarter of 2011 was \$75 million compared to \$68 million in the second quarter of 2010. This development was mainly attributable to a higher debt level.

Income tax expense was \$149 million for the second quarter of 2011 compared to \$129 million in the second quarter of 2010. The effective tax rates increased to 34.2% from 32.4% mainly as a result of the positive effect in the second quarter of 2010 of the release of a \$10 million valuation allowance.

Net income attributable to Fresenius Medical Care AG & Co. KGaA for the second quarter of 2011 was \$261 million, an increase of 5% compared to the corresponding quarter of 2010. Net income increased by 10% if adjusted by the positive tax effect in the second quarter of 2010.

Earnings per share (EPS) for the second quarter of 2011 rose by 4% to \$0.86 per ordinary share compared to \$0.83 for the second quarter of 2010. The weighted average number of shares outstanding for the second quarter of 2011 was approximately 302.5 million shares compared to 300.0 million shares for the second quarter of 2010. The increase in shares outstanding resulted from stock option exercises in the past 12 months.

Cash Flow In the second quarter of 2011, the company generated \$311 million in cash from operations, accomplishing the targeted 10% of revenue. The cash flow generation was supported by increased earnings and negatively influenced by an unfavorable development of days sales outstanding (DSO) and raised inventory levels.

A total of \$117 million in cash was spent for capital expenditures, net of disposals. Free cash flow before acquisitions was \$194 million compared to \$175 million in the second quarter of 2010. A total of \$784 million in cash was spent for acquisitions and investments, net of divestitures.

Free cash flow after acquisitions, investments and divestitures was -\$590 million compared to -\$26 million in the second quarter of 2010. This reflects the cash outflow related to the closing of the acquisition of Euromedic's dialysis service business.

First Half 2011:

Revenue and Earnings Net revenue for the first half of 2011 increased by 7% to \$6,230 million (+5% at constant currencies) compared to the first half of 2010. Organic revenue growth was 3% in the first half of 2011.

Operating income (EBIT) for the first half of 2011 increased by 7% to \$955 million compared to \$892 million in the first half of 2010. The operating income margin remained constant at 15.3% for the first half of 2011 as compared to the same period in 2010.

Net interest expense for the first half of 2011 was \$146 million compared to \$135 million in the same period of 2010.

Income tax expense for the first half of 2011 was \$273 million compared to \$257 million in the same period in 2010, reflecting effective tax rates of 33.8% and 33.9%, respectively.

For the first half of 2011, net income attributable to Fresenius Medical Care AG & Co. KGaA was \$481 million, up by 5% from the first half of 2010.

In the first half of 2011, earnings per ordinary share rose by 4% to \$1.59. The weighted average number of shares outstanding during the first half of 2011 was approximately 302.4 million.

Cash Flow Cash from operations during the first half of 2011 was \$487 million compared to \$643 million for the same period in 2010, representing approximately 8% of revenue.

A total of \$231 million in cash was spent for capital expenditures, net of disposals. Free cash flow before acquisitions for the first half of 2011 was \$256 million compared to \$425 million in the same period in 2010. A total of \$1,122 million in cash was spent for acquisitions, net of divestitures. Free cash flow after acquisitions and divestitures was -\$866 million compared to \$142 million in the first half of last year.

Please refer to the attachments for a complete overview on the second quarter and first half of 2011 and the reconciliation of non-GAAP financial measures included in this release to the most comparable GAAP financial measures.

Patients - Clinics - Treatments As of June 30, 2011, Fresenius Medical Care treated 225,909 patients worldwide, which represents a 12% increase compared to the previous year's figure. North America provided dialysis treatments for 139,906 patients, an increase of 4%. Including 23 clinics managed by Fresenius Medical Care North America, the number of patients in North America was 141,420. The International segment provided dialysis treatments to 86,003 patients, an increase of 28% over the prior year's figure.

As of June 30, 2011, the company operated a total of 2,838 clinics worldwide, which represents a 10% increase compared to the previous year's figure. The number of clinics is comprised of 1,826 clinics in North America (1,849 including managed clinics), and 1,012 clinics in the International segment, representing an increase of 2% and 26%, respectively.

During the first half of 2011, Fresenius Medical Care delivered approximately 16.56 million dialysis treatments worldwide. This represents an increase of 9% compared to last year's figure. North America accounted for 10.62 million treatments, an increase of 4%. The International segment delivered 5.94 million treatments, an increase of 18%.

Employees As of June 30, 2011, Fresenius Medical Care had 77,081 employees (full-time equivalents) worldwide compared to 73,452 employees at the end of 2010. This increase of more than 3,600 employees is due to overall growth in the company's business and acquisition.

Debt/EBITDA Ratio The ratio of debt to Earnings before interest, taxes, depreciation and amortization (EBITDA) increased from 2.46 at the end of the second quarter of 2010 to 2.77 at the end of the second quarter of 2011. The debt/EBITDA ratio at the end of 2010 was 2.38.

Rating Standard & Poor's Ratings Services rates the company's corporate credit as 'BB' with a 'positive' outlook. Moody's rates the company's corporate credit as 'Ba1' with a 'stable' outlook, and Fitch rates the company's corporate credit as 'BB' with a 'positive' outlook. For further information on Fresenius Medical Care's credit ratings, maturity profiles and credit instruments, please visit our website at [www.fmc-ag.com](http://www.fmc-ag.com) / Investor Relations / Credit Relations.

Acquisition of Euromedic's dialysis service business completed On July 1, 2011, Fresenius Medical Care announced that it has completed the acquisition of Euromedic's dialysis service business effective June 30, 2011. This follows final regulatory approvals by the relevant antitrust authorities except Portugal, where the review by the relevant antitrust authority is still ongoing.

Acquisition of Liberty Dialysis Holdings, Inc. Fresenius Medical Care has executed a merger agreement with Liberty Dialysis Holdings, Inc., the holding company for Liberty Dialysis and Renal Advantage. The investment, including assumed debt, will be approximately \$1.7 billion. In addition, Fresenius Medical Care previously invested approximately \$300 million in Renal Advantage. The merger is subject to clearance under the Hart-Scott-Rodino Antitrust Improvements Act and is expected to close in early 2012. Liberty Dialysis Holdings, Inc. has annual sales of approximately \$1 billion and operates approximately 260 dialysis clinics. Fresenius Medical Care anticipates that facilities may need to be divested to secure regulatory clearance of the transaction. The transaction will be financed from cash flow from operations and debt and is expected to be accretive to earnings in the first year after closing of the transaction.

Rice Powell, chief executive officer of Fresenius Medical Care North America and deputy chairman of Fresenius Medical Care, commented: "We are very pleased with this agreement. Both companies, Liberty Dialysis and Fresenius Medical Care, have three key assets in common: a strong commitment to continuous quality improvement, dedicated and highly-motivated staff and excellent physician partners."

Mark Caputo, chief executive officer and president of Liberty Dialysis Holdings, Inc, commented: "This combination of Liberty's model of integrating physicians into the clinical and operational management of the facilities with Fresenius Medical Care's focus on technology and experience with integrated delivery systems clearly gives us an opportunity to create a superior platform for innovation in the delivery of services and products and will further enhance the lives of patients entrusted to our care and reduce costs for the healthcare system."

Acquisition of American Access Care Fresenius Medical Care has executed an agreement to acquire the U.S. based company American Access Care Holdings, LLC (AAC) for \$385 million. AAC operates 28 freestanding out-patient centers primarily dedicated to serving vascular access needs of dialysis patients. Fresenius Medical Care currently operates 13 vascular access centers. The transaction is subject to clearance under the Hart-Scott-Rodino Antitrust Improvements Act and is expected to close in the fourth quarter of 2011. On completion, the acquired

operations would add approximately \$175 million in annual revenue and are expected to be accretive to earnings in the first year after closing of the transaction. The transaction will be financed from cash flow from operations and debt.

The acquisition enables Fresenius Medical Care to achieve critical mass in its vascular access business and has strategic importance by virtue of the scale, resources and operational efficiency it brings to its vascular access operations, particularly when considering the U.S. Government's proposal to include the type of access and the frequency of access-related infections within the quality outcome component of the dialysis bundled reimbursement system by 2014.

Sales and earnings outlook for 2011 confirmed For the full year 2011, the company confirms its sales and earnings outlook.

Revenue is expected to grow to above \$13 billion.

Net income attributable to FMC AG & Co. KGaA is expected to be between \$1.070 billion and \$1.090 billion.

For 2011, the company expects to spend around 5% of revenue on capital expenditures and approximately \$1.9 billion on acquisitions. Previously the company expected to spend approximately \$1.2 billion on acquisitions. The debt/EBITDA ratio is expected to be below 3.0 by the end of 2011 (previously below or equal to 2.8).

"Thanks to a consistent focus on quality, sustainable growth and expense control, we have maintained a strong operational performance this second quarter. We are particularly pleased with the success of our international region, given a persistently challenging business environment with the current debt crisis worldwide and the successful expansion of our clinic network in Asia-Pacific and Europe. North America continued to improve its operating margin and successfully cope with the challenges of the ongoing implementation of the new Medicare end-stage renal disease prospective payment system", said Dr. Ben Lipps, chief executive officer of Fresenius Medical Care. "Our acquisitions of Liberty Dialysis and American Access Care in the U.S. are important steps in our strategy of expanding our service network to achieve excellent patient care in a more cost effective integrated model."

Conference Call Fresenius Medical Care will hold a conference call to discuss the results of the second quarter and first half of 2011 on Tuesday, August 2, 2011, at 3:30 p.m. CEDT / 9:30 a.m. EDT. The company invites investors to view the live webcast of the call at the company's website [www.fmc-ag.com](http://www.fmc-ag.com) in the "Investor Relations" section. A replay will be available shortly after the call.

[Click here for a full version of the Investor News in PDF format.](#)

---

About Fresenius Medical Care Fresenius Medical Care is the world's largest integrated provider of products and services for individuals undergoing dialysis because of chronic kidney failure, a condition that affects more than 2 million individuals worldwide. Through its network of 2,838 dialysis clinics in North America, Europe, Latin America, Asia-Pacific and Africa, Fresenius Medical Care provides dialysis treatment to 225,909 patients around the globe. Fresenius Medical Care is also the world's leading provider of dialysis products such as hemodialysis machines, dialyzers and related disposable products.

## **Filing Data**

*Not available.*

## **Contract**

*Not available.*