

# The Strategic Healthcare M&A Report

A Review of Merger, Acquisition and Strategic Transactions  
in the Healthcare Industry

1st Quarter 2007, April '07

## Highlights

1. **Industry Sector Focus – Disease Management:** -- an overview of the sector, a quick view of trends and a presentation of recent M&A activity.
2. **Quarterly M&A Overview** – a high elevation perspective on Q1'07's deal activity.
3. **Q1'07's Top Deals** – Transactions with a value over \$100m.
4. **Quarterly M&A Deal-by-Deal Review** -- More than 50 Transactions Analyzed -- announced or closed in Q1 '07.

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*The Strategic Healthcare M&A Report analyzes important merger, acquisition and strategic transactions taking place in the healthcare industry. Please feel free to e-mail suggestions for future content to the address listed above.*

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## 1. Industry Sector Focus -- Disease Management

| Disease Management Overview   | DM Trends  |
|---|--|
| <p>With rising healthcare costs posing a major problem for many companies and the economy, as a whole, more attention is being paid to disease prevention and management, not just the treatment of conditions after they arise. Disease management (DM) describes the programs offered by stand-alone medical service firms like Healthways and Matria, full-service medical insurance payors (i.e., Aetna, Cigna), and other organizations to identify people at risk – even to address healthy person – to avoid or minimize the effects of a medical condition.</p> <p>According to the Disease Management Association of America, Disease management is a system of coordinated health care interventions and communications for populations with conditions in which patient self-care efforts are significant.</p> <p>According to a 2006 study by The Boston Consulting Group:</p> <ul style="list-style-type: none"> <li>• Companies that sell DM service have grown rapidly over the past decade. Revenues have increased from \$78m in 1997 to \$1.2b in 2008 (estimate by Disease Management Purchasing Consortium).</li> <li>• Despite DM's reach, its penetration among payers and employers is just scratching the surface in terms of covered lives.</li> <li>• DM will evolve from a separate service into a central component of medical management.</li> </ul> | <ul style="list-style-type: none"> <li>■ <b>Integration.</b> Medical care management companies are integrating various services along the continuum encompassing utilization management, wellness programs, disease management, case management and behavioral health, among other services. A challenge is to combine disparate elements into a uniform program, yielding cost efficiencies and more coordinated care for employee/patients.</li> <li>■ <b>Predictive Modeling.</b> Employee/patient population-based approaches seek to predict and prevent the onset of chronic conditions. Formerly, medical management focused on managing the most chronic conditions once they occur (i.e., treating hypertension to prevent future cardiac events).</li> <li>■ <b>Segmentation.</b> Predictive modeling is being used to identify high risk patients and route them into appropriate programs – nutrition counseling, exercise plans, medication compliance.</li> <li>■ <b>Preventative Approaches.</b> More preventative approaches make it more difficult to measure ROI; thus, objective reference points are needed.</li> <li>■ <b>DM Expands.</b> Initial disease management efforts targeted the five major chronic conditions: diabetes, asthma, congestive heart failure and chronic pulmonary disease (COPD). Other more specialized programs are now developing (covering problem pregnancies, kidney failure, etc.)</li> <li>■ <b>Government Recognition.</b> The Medicare Modernization Act of 2003 authorized CMS to launch chronic care improvement programs. Several large DM contracts were awarded and it is anticipated that the results of these programs will spur greater use of wellness and DM programs as major component to control overall healthcare costs and improved patients' welfare.</li> </ul> |

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**Recent Disease Management Transactions**

| Date       | Target                  | Acquiror      | Comments  | (millions) |         |        | Multiples |        |
|------------|-------------------------|---------------|---|------------|---------|--------|-----------|--------|
|            |                         |               |   | Value      | Revenue | EBITDA | Revenue   | EBITDA |
| 10/1/2002  | Quality Oncology        | Matria        | DM services focused on cancer.  | \$45.0     | \$5.0   | -      | 9.0x      | -      |
| 10/10/2002 | Accordant Health        | Advance/PCS   | Adds DM to pharmacy benefits management.  | \$75.0     | \$30.0  | -      | 2.5x      | -      |
| 9/8/2003   | StatusOne               | Healthways    | Adds High-intensity interventions.  | \$77.5     |         | \$5.8  |           | 13.4x  |
| 3/1/2004   | Landacorp               | SHPS          | Adds population health management solutions.  | \$56.0     | \$27.4  | \$5.0  | 2.0x      | 11.2x  |
| 4/1/2005   | Miavita                 | Matria        | Online interactive wellness tools accessible by individuals   | -          | -       | -      | -         | -      |
| 5/27/2005  | ActiveHealth            | Aetna         | Adds clinically focused, health management and analytics.   | \$405.0    | \$60.0  | -      | 6.8x      | -      |
| 6/8/2005   | Health IQ Diagnostics   | Healthways    | Consumer driven online tools  | \$3.8      | -       | -      | -         | -      |
| 7/21/2005  | Airlogix                | Centrene      | Centrene is the leader in respiratory disease management.   | \$40.0     | -       | -      | -         | -      |
| 10/1/2005  | WinningHabits, Inc.     | Matria        | Corporate wellness programs   | -          | -       | -      | -         | -      |
| 1/16/2006  | Renaissance Health Care | Fresenius     | Renaissance is the leader in chronic kidney disease management  | -          | -       | -      | -         | -      |
| 5/3/2006   | CareSteps               | Healthways    | Care Management company with Kmart contract covering 120,000 employees; added predictive modeling   | \$13.4     | -       | -      | -         | -      |
| 10/11/2006 | Axia Health             | Healthways    | Adds full suite of health and wellness products targeting seniors and various health conditions (obesity, nicotine addiction).  | \$450.0    | \$98.0  | \$28.8 | 4.6x      | 15.6x  |
| 12/15/2006 | CorSolutions            | Matria        | Expands Matria's offerings to cover DM, wellness, productivity, behavioral health, physician connectivity, pharmacy management, women's health, and commercialized informatics. | \$445.0    | \$120.0 | \$38.0 | 3.7x      | 11.7x  |
| 4/3/2007   | Alere Medical           | TA Associates | DM industry expects an 18% compounded annual growth rate to \$1.9 billion of revenue by 2008, according to a Boston Consulting Group report.                                    | \$175.0    | -       | -      | -         | -      |

## 2. Quarterly M&A Overview – a high elevation overview of Q1 '07's deal activity

- ✚ **Continuing Incursion by Private Equity Firms.** Private equity firms continue to become active principals in the healthcare industry. As the industry consolidates and Wall Street demands that operating companies stay focused and justify acquisitions with greater rigor, there may be fewer strategic buyers available to acquire larger targets. Without the public reporting and compliance burdens, and the need to produce short-term results to please investors, private equity firms can be more opportunistic and long-term oriented. Further, they do not have core operations to which an acquisition must fit and do not start with a balance sheet of their own. Thus, they can be more flexible strategically and in terms of financing. Because of the massive flow of funds into private equity and other financial sponsors, these firms now have the wherewithal to complete enormous deals. This is demonstrated in CCMP's \$5.54b deal for Triad Hospitals, Blackstone's purchase of Cardinal's drug manufacturing business (\$3.3b), Welsh, Carson bid for United Surgical Partners (\$1.8b) and Onex's deal for Kodak's medical imaging and IT business (\$2.35b).
- ✚ **Strategic Player Focus.** The need to concentrate on core competencies and operations by even well-heeled strategic players is reflected in Medtronic's spin-off of Physio-Control.
- ✚ **Cardio and Ortho Consolidations.** The cardiovascular and orthopedics segments continue to be very active, tracking the high incidence of the diseases they address. In the quarter, Smith & Nephew's announce a \$889m purchase of Plus Orthopedics at almost 25x EBIT and J&J agreed to purchase Conor Medsystems for \$1.4b at a time when Conor's drug-eluding stent is not yet approved for sale in the U.S. (The deal follow's J&J's loss of Guidant to Boston Scientific).
- ✚ **Dynamic Trends in Diagnostics (and Healthcare IT):**

  - Moving diagnostics closer to the point-of-care, to speed up turn-around times, improve treatments and outcomes, and reduce overall costs: Beckman Coulter's \$308m purchase of Biosite; Quest Diagnostic's acquisition of Hemocure for \$420m (4.7x revenue); three Inverness purchases --(i) Instant Technologies, (ii) First Check Diagnostics and (iii) Promsan (also reflecting the rise in the consumer-empowering home-testing market).
  - Combating infectious disease: 3M's purchase of Acolyte Biomedical.
  - Growth in personalized medicine and molecular diagnostics: Illumina's \$600 million purchase of Solexa; and Lumitex's purchase of Tm Bioscience.
  - Connecting vitro diagnostics, diagnostic imaging and information technologies: Siemen's purchase of Bayer Diagnostics -- (\$1.96b). McKessons' purchase of Per Se also reflects the heightened importance of information technologies in diagnostics and treatment.

### 3. Top Deals of Q1 '07 -- >\$100 in Transaction Value (announced or closed)

| Sector                         | Acquiring Party                            | Target  | TransValue (millions) | Private Equity |
|--------------------------------|--|---|-----------------------|----------------|
| Biopharmaceuticals             | Schering-Plough Corporation (SGP)          | Organon BioSciences N.V.  | \$14,400              |                |
| Biopharmaceuticals             | The Blackstone Group                       | The drug manufacturing business of Cardinal Health Inc.                             | \$3,300               | Yes            |
| Biopharmaceuticals             | Hospira, Inc. (NYSE: HSP)                  | Mayne Pharma Limited (ASX: MYP)   | \$2,000               |                |
| Biopharmaceuticals             | Meda AB                                    | 3M's (NYSE:MMM) European pharmaceutical business.                                   | \$860                 |                |
| Biopharmaceuticals             | Ikaria Inc.                                | INO Therapeutics  | \$670                 | Yes            |
| Biopharmaceuticals             | Forest Laboratories, Inc. (NYSE: FRX)      | Cerexa, Inc.  | \$494                 |                |
| Biopharmaceuticals             | Eisai Co. Ltd. (Tokyo)                     | Morphotek Inc.  | \$325                 |                |
| Biopharmaceuticals             | AstraZeneca PLC (NYSE: AZN)                | Arrow Therapeutics Ltd.   | \$150                 |                |
| Data Management/ Healthcare IT | McKesson Corp.                             | Per-Se Technologies   | \$1,800               |                |
| Diagnostics                    | Siemens AG                                 | The Bayer Diagnostic Unit of Bayer AG   | \$5,300               |                |
| Diagnostics                    | Beckman Coulter Inc. (BEC)                 | Biosite Inc. (BSTE)   | \$1,550               |                |
| Diagnostics                    | MDS Inc.                                   | Molecular Devices Corp.   | \$615                 |                |
| Diagnostics                    | Illumina, Inc. (NASDAQ: ILMN)              | Solexa, Inc. (NASDAQ: SLXA)   | \$600                 |                |
| Diagnostics                    | Cytc Corporation (Nasdaq: CYTC)            | Adeza Biomedical Corporation (Nasdaq: ADZA)   | \$452                 |                |
| Diagnostics                    | Quest Diagnostics Incorporated (NYSE: DGX) | HemoCue   | \$420                 |                |
| Diagnostics                    | Roche                                      | 454 Life Sciences   | \$155                 |                |
| Distribution                   | AmerisourceBergen Corporation (NYSE:ABC)   | Bellco Health   | \$235                 |                |
| Distribution                   | Owens & Minor (NYSE: OMI)                  | McKesson's Acute-Care Medical and Surgical Supply Distribution Business (NYSE: MCK) | \$169                 |                |
| Medical Devices                | Onex Corporation                           | The Healthcare Imaging Group of Eastman Kodak Company                               | \$2,350               | Yes            |
| Medical Devices                | Johnson & Johnson (JNJ)                    | Conor Medsystems Inc. (CONR)  | \$1,400               |                |
| Medical Devices                | Smith & Nephew Plc                         | Plus Orthopedics Holding AG   | \$889                 |                |
| Medical Devices                | Advanced Medical Optics, Inc. (NYSE: EYE)  | IntraLase Corp. (Nasdaq: ILSE)  | \$808                 |                |

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| Sector           | Acquiring Party                               | Target   | TransValue (millions) | Private Equity |
|------------------|---|--|-----------------------|----------------|
| Medical Devices  | Kyphon Inc. (NASDAQ: KYPH)                    | St. Francis Medical Technologies, Inc.   | \$525                 |                |
| Medical Devices  | China Medical Technologies (NASDAQ:CMED)      | The fluorescent in situ hybridization ("FISH") business of Supreme Well Investments Limited and Molecular Diagnostics Technologies Limited | \$137                 |                |
| Medical Services | CCMP Capital Advisors and GS Capital Partners | Triad Hospitals, Inc. (NYSE: TRI)  | \$6,400               | Yes            |
| Medical Services | Welsh, Carson, Anderson & Stowe               | United Surgical Partners International (NASDAQ:USPI)   | \$1,800               | Yes            |

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#### 4. M&A Deal-by-Deal Review -- Q1 '07

The information contained in the table below was derived from publicly available and other sources. Transaction and rationale information is inferential and not intended to be relied upon as pronouncements by the transaction participants or for any other reason. Transactions are pending or closed.

| Sector             | Acquiring Party   | Transferring Party   | Comments/Rationale   | Date      |
|--------------------|---|--|--|-----------|
| Biopharmaceuticals | <b>AstraZeneca PLC (NYSE: AZN)</b> , a major pharmaceutical company.  | <b>Arrow Therapeutics Ltd.</b> , a privately owned UK biotechnology company, focused on the discovery and development of anti-viral therapies.             | Strengthens AstraZeneca's portfolio of promising anti-infective treatments. Deal Value -- \$150m.  | 2/1/2007  |
| Biopharmaceuticals | <b>Eisai Co. Ltd. (Tokyo)</b> , a Japanese drug maker.  | <b>Morphotek Inc.</b> , a privately held US biopharmaceutical company developing monoclonal antibodies for oncology, inflammatory and infectious diseases. | Morphotek adds two cancer drugs in early trials. Transaction value -- \$325m.  | 3/22/2007 |
| Biopharmaceuticals | <b>Forest Laboratories, Inc. (NYSE: FRX)</b> , a US-based pharmaceutical company.   | <b>Cerexa, Inc.</b> , a privately-held biopharmaceutical company.  | Forest obtains development and marketing rights worldwide excluding Japan to Ceftaroline, a novel antibiotic in Phase 3 clinical trials, an antibiotic in preclinical development and an option to a third early-stage antibiotic. Deal Value -- \$493.6m plus \$100m in potential milestone payments.   | 1/11/2007 |
| Biopharmaceuticals | <b>Hospira, Inc. (NYSE: HSP)</b> , a specialty pharmaceutical and medication delivery company selling primarily to hospitals.           | <b>Mayne Pharma Limited (ASX: MYP)</b> , an Australian-based specialty generic injectable pharmaceuticals company.   | Doubles Hospira's international sales and vastly upgrades its fledgling international distribution network. About 75% of Mayne's \$600m in annual sales are outside the U.S., with half its sales coming from Europe. Also bolsters Hospira's generic injectable drug business, which accounted for about one-third of its sales and is among its most profitable segments. Deal value ~ \$2.0b. | 2/2/2007  |
| Biopharmaceuticals | <b>Ikaria Inc.</b> , a leader in gaseous drugs including inhaled nitric oxide for treatment of hypoxic respiratory failure in newborns. | <b>INO Therapeutics</b> , a specialty pharmaceutical company,  | The transaction, valued at ~ \$670m, will create a leadership position in therapeutic gases and critical care medicine. Financed by New Mountain Capital, ARCH Venture   | 2/22/2007 |

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| Sector                          | Acquiring Party  | Transferring Party  | Comments/Rationale  | Date      |
|---------------------------------|--|---|---|-----------|
|                                 |  |   | Partners, and Venrock Associates. INO Therapeutics is being acquired from The Linde Group, which will retain an equity position in the new entity. INO's sales are ~\$160m(4.18x).  |           |
| Biopharmaceuticals              | <b>Meda AB</b> , a leading European specialty pharma company.  | 3M's (NYSE:MMM) European pharmaceutical business.   | Fortifies Meda as a leading European specialty pharmaceutical company. Deal value \$860m (10x EBITDA). 3m sold its Asian pharmaceutical operations to Ironbridge Capital and Archer Capital and its US, Canada and Latin America operations to Graceway Pharmaceuticals LLC.  | 1/5/2007  |
| Biopharmaceuticals              | <b>Schering-Plough Corporation (SGP)</b> , a leading science-based health care company with leading prescription, consumer and animal health products. | <b>Organon BioSciences N.V.</b> , the human and animal health care businesses of Akzo Nobel N.V.  | Builds on Schering-Plough's growing strength in primary care, giving it immediate access to central nervous system (CNS) and women's health care products. Also enhances its position in human and animal biologic products, including the potential to develop human vaccines. Deal value -- \$14.4b, on sales of \$5.0b (2.9x).                         | 3/12/2007 |
| Biopharmaceuticals              | <b>The Blackstone Group</b> , a prominent private equity firm.   | <b>The drug manufacturing business of Cardinal Health Inc.</b> , a leading provider of products and services supporting the health-care industry. | The strong market position of Cardinal's Pharmaceutical Technologies and Services unit in contract manufacturing, drug development, and packaging and printing services provides a new platform for Blackstone's growing presence within health-care. Transaction value -- \$3.3b, on sales of \$1.8b (1.8x). Operating earnings were ~ \$304.7m (10.8x). | 1/25/2007 |
| Data Management/ Health-care IT | <b>Haemonetics Corporation (NYSE:HAE)</b> , a manufacturer and marketer of automated blood processing systems.   | <b>Information Data Management, Inc.</b> , a leading developer of software for blood collection agencies.   | The acquisition will enable Haemonetics to deliver an information management infrastructure to support blood collection and processing. Deal value -- \$9m on sales of \$6m (1.5x).   | 2/1/2007  |

| Sector                          | Acquiring Party   | Transferring Party   | Comments/Rationale   | Date      |
|---------------------------------|---|--|--|-----------|
| Data Management/ Health-care IT | <b>Huron Consulting Group Inc. (HURN)</b> , a provider of financial and operational consulting services.  | <b>Wellspring Partners LTD</b> , a management consulting firm specializing in integrated performance improvement services for hospitals and health systems.                              | Huron and Wellspring will provide a wider complement of consulting services to community hospitals, academic medical centers and other healthcare facilities. Deal value -- \$65m on sales of \$55m.   | 1/4/2007  |
| Data Management/ Health-care IT | <b>McKesson Corp.</b> , a Fortune 16 healthcare services and information technology.  | <b>Per-Se Technologies</b> , a leading provider of financial and administrative healthcare solutions for hospitals, physicians and retail pharmacies.                                    | With the acquisition, McKesson estimates that the number of transaction-processing services for physicians and hospitals will more than double, to approximately 560 million transactions annually, representing an estimated \$300 billion in billed charges. Deal value ~ \$1.8b, on revenue and EBITDA of \$486.3m (3.7x) and \$88.16m (20.4x), respectively. | 1/7/2007  |
| Dental                          | <b>DTI Dental Technologies, Inc.</b> , a large dental laboratory (400 employees at 16 labs ) and a portfolio company of Healthpoint Capital.  | <b>MicroDental Laboratories, Inc.</b> , a leading cosmetic dentistry laboratory (500 employees) and formerly a portfolio company of Riverside Partners.                                  | The combination permits the two companies to avail of many synergies, share technology, and enhance continuing education to their technicians and service levels to their clients. Healthpoint is building up its dental platform. Terms not disclosed.  | 3/12/2007 |
| Diagnostics                     | <b>3M</b> , a global leader in major markets including consumer and office; display and graphics; electronics and telecommunications; safety, security and protection services; health care; industrial and transportation. | <b>Acolyte Biomedica Ltd.</b> , a UK based, manufacturer of an automated microbial detection platform that aids in the rapid detection, diagnosis, and treatment of infectious diseases. | Builds on 3M's R&D in medical diagnostics and is a natural extension of its core infection prevention business. 3M will be able to provide customers around the world with rapid microbial diagnostics to improve hospital laboratory efficiency. Terms not disclosed.   | 2/15/2007 |
| Diagnostics                     | <b>Beckman Coulter Inc. (BEC)</b> , a developer of products that automate complex biomedical tests.   | <b>Biosite Inc. (BSTE)</b> , a biomedical company specializing in point-of-care immunoassay diagnostic tests.  | A leading immunoassay product line that complements Beckman Coulter's positions in U.S. chemistry and hematology. Combines Beckman's centralized lab instrument systems with Biosite's near-patient tests. Deal value -- \$1.55b on sales of \$308.6m (5x) and EBITDA of \$84.3m (18.4x).  | 3/25/2007 |

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| Sector     | Acquiring Party  | Transferring Party  | Comments/Rationale  | Date      |
|------------|--|---|---|-----------|
| Diagnosics | <b>Cepheid (NYSE: CPHD)</b> , molecular diagnostics company that develops, manufactures, and markets fully-integrated systems for genetic analysis in the clinical, industrial and bio-threat markets.                     | <b>Sangtec Molecular Diagnostics AB</b> , based in Sweden, develops and manufactures PCR based molecular diagnostics products.  | Gives Cepheid a product line for potential use in managing infections of immunocompromised patients. Deal value -- \$27m on revenue of \$8m (3.37x)   | 2/15/2007 |
| Diagnosics | <b>Cytec Corporation (CYTC)</b> , a leading provider of surgical and diagnostic products targeting women's health and cancer diagnostics.  | <b>Adiana, Inc.</b> , a privately-held company that has developed a novel, non-incisional alternative to tubal ligation for permanent contraception for women.                                    | Synergizes with Cytec's existing products directed at OBGYNs. Cytec estimates the market opportunity for the product in the United States to be in excess of \$1 billion. Deal value -- \$60m.  | 2/28/2007 |
| Diagnosics | <b>Cytec Corporation (Nasdaq: CYTC)</b> , a leading provider of surgical and diagnostic products targeting women's health and cancer diagnostics.  | <b>Adeza Biomedical Corporation (Nasdaq: ADZA)</b> , the maker of The Fetal Fibronectin Test, used by OBGYN's to identify women at risk of pre-term birth.  | Complements Cytec's lines and leverages its worldwide sales force that includes a U.S. OBGYN sales force of approximately 200 people, a U.S. laboratory sales force of approximately 50 people, and an international commercial operations team of approximately 150 people. Deal value ~ \$452m, on sales of about \$50m (9x). | 2/12/2007 |
| Diagnosics | <b>Illumina, Inc. (NASDAQ: ILMN)</b> , a developer of tools for the large-scale analysis of genetic variation and function.  | <b>Solexa, Inc. (NASDAQ: SLXA)</b> , a U.K. based developer of genetic analysis systems for use in whole genome sequencing, targeted resequencing, digital gene expression and microRNA analysis. | Creates the only company with genome-scale technology for genotyping, gene expression and sequencing, the three cornerstones of modern genetic analysis. Leverages Illumina's global sales and support infrastructure. Stock-for-stock merger valued at ~ \$600m.   | 1/26/2007 |
| Diagnosics | <b>Inverness Medical Innovations, Inc. (AMEX: IMA)</b> , a leading manufacturer of rapid diagnostic products for the consumer and professional markets, with a focus on women's health, cardiology and infectious disease. | <b>Instant Technologies, Inc.</b> , a leading supplier of on-site rapid test devices that include drug and alcohol testing, women's health and clinical diagnostics.                              | For \$43.7m, Inverness buys 75% of Instant Technologies, the largest single distributor for Inverness' drugs of abuse testing products. There are provisions for the buyout of the remaining 25%. Instant Technologies' revenues are \$23.0m.   | 3/14/2007 |

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| Sector      | Acquiring Party  | Transferring Party   | Comments/Rationale  | Date      |
|-------------|--|--|---|-----------|
| Diagnostics | <b>Inverness Medical Innovations, Inc. (AMEX: IMA)</b> , a leading manufacturer of rapid diagnostic products for the consumer and professional markets, with a focus on women's health, cardiology and infectious disease. | <b>First Check Diagnostics LLC</b> , a market leader of home testing for drugs of abuse.   | First Check's tests can be conducted at home to detect drug abuse of substances such as marijuana, cocaine, methamphetamine, opiates and alcohol. The company also makes tests for cholesterol and colon cancer screening. Provides consumer-empowering tools for Inverness. Deal value -- \$25m on sales of \$11m (2.27x).   | 1/28/2007 |
| Diagnostics | <b>Inverness Medical Innovations, Inc. (AMEX: IMA)</b> , a leading manufacturer of rapid diagnostic products for the consumer and professional markets, with a focus on women's health, cardiology and infectious disease. | <b>Promesan S.r.l.</b> , a distributor of point-of-care diagnostic testing products to the Italian marketplace.  | Marks Inverness' first direct presence in Italy and provides it with an established Italian commercial and distribution network for its professional diagnostic products. Deal value -- \$4.4m on sales of \$4.5m (1.0x).   | 2/1/2007  |
| Diagnostics | <b>Luminex Corporation (NASDAQ: LMNX)</b> , a developer of proprietary biological testing technologies.  | <b>Tm Bioscience Corporation (TSX: TMC)</b> , a Toronto-based diagnostics company developing a suite of DNA-based tests for genetic disorders, drug metabolism and infectious diseases | Furtheres Luminex's goal to be a leader in the fast growing molecular diagnostics market. Tm has proprietary technologies that improve the speed, accuracy, flexibility, and cost of DNA-based genetic tests. Tm's cystic fibrosis test is the first multiplexed human disease genotyping test to be cleared by the FDA for diagnostic use in the U.S. Deal value ~ US\$44. Tm's revenue is about US\$14m (3.1x). | 3/2/2007  |
| Diagnostics | <b>MDS Inc.</b> , a Canadian health-services company.  | <b>Molecular Devices Corp.</b> , a provider of high-performance measurement tools for high-content screening, cellular analysis and biochemical testing.                               | Strengthen MDS' position as one of the top global providers of life sciences solutions, with high content screening, cellular and biochemical testing for leading drug discovery and life sciences laboratories in pharmaceutical, biotechnology, academic and government institutions. Deal value -- \$615m, on sales of \$185.3 (3.3x) and \$38.0 of EBITDA (16.2x). MDS expects costs savings of \$10-12m.     | 3/28/2007 |

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| Sector       | Acquiring Party  | Transferring Party   | Comments/Rationale  | Date      |
|--------------|--|--|---|-----------|
| Diagnostics  | <b>PerkinElmer, Inc. (NYSE: PKI)</b> , a leader in producer of diagnostic and photonics products.      | <b>The Thermal Analysis product line of UK-based Triton Technology Ltd.</b> , a diagnostic products manufacturer.  | Provides a leading thermal analysis tool that combines ease-of-use and flexibility with powerful performance. Terms not disclosed.  | 1/2/2007  |
| Diagnostics  | <b>Quest Diagnostics Incorporated (NYSE: DGX)</b> , a leading provider of diagnostic testing services. | <b>HemoCue</b> , a Sweden-based manufacturer of point-of-care testing products and technology.   | Puts Quest into the growing near patient testing market and leverage HemoCue's international presence. HemoCue's hand-held systems are used in physicians' offices, blood banks, hospitals, diabetes clinics, and public health clinics for anemia screening. The measurement of hemoglobin is important for patients being treated by transfusion, or undergoing dialysis or chemotherapy, where instant test results can lead to immediate treatment decisions. HemoCue was owned by private equity firm EQT II B.V. Deal Value -- \$420m on revenue of \$90m (4.7x). | 2/5/2007  |
| Diagnostics  | <b>Roche</b> , leading research-focused pharmaceutical and diagnostics company.                        | <b>454 Life Sciences</b> , a majority-owned subsidiary of CuraGen Corporation, who develops and commercializes novel instrumentation for high-throughput DNA sequencing. | Gives Roche Diagnostics access to 454's sequencing products and in-vitro diagnostic applications. Deal value -- \$155m.   | 3/29/2007 |
| Diagnostics  | <b>Siemens AG</b> , a Germany-based engineering products conglomerate.                                 | <b>The Bayer Diagnostic Unit of Bayer AG</b> , a major pharmaceutical and consumer products manufacturer, also based in Germany.   | This \$5.3b acquisition, the second major purchase by Siemens' healthcare unit in two months, will make Siemens the world's second largest player in immunodiagnostics. Combines imaging diagnostics, laboratory diagnostics and clinical IT under one roof. Siemens previously agreed to buy U.S. in-vitro diagnostics specialist Diagnostic Products Corp. which makes body fluid analyzers, for \$1.86b.   | 3/2/2007  |
| Distribution | <b>AmerisourceBergen Corporation (NYSE:ABC)</b> , a large pharmaceutical services company.             | <b>Bellco Health</b> , a major pharmaceutical distributor in New York City, mostly serving independent retail pharmacies.  | Brings a strong position in the Metro New York City area, the largest US independent retail pharmacy market, plus nationwide sales of dialysis products and services.   | 3/28/2007 |

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| Sector          | Acquiring Party   | Transferring Party  | Comments/Rationale  | Date      |
|-----------------|---|---|---|-----------|
|                 |   |   | Deal price ~ \$235m on revenue of about \$2.0b (0.1x).  |           |
| Distribution    | <b>Owens &amp; Minor (NYSE: OMI)</b> , a major distributor of medical and surgical supplies.  | <b>McKesson's Acute-Care Medical and Surgical Supply Distribution Business (NYSE: MCK)</b> , a business unit of McKesson Corporation, a healthcare services and information technology company. | Strategic fit for OMI -- acquires an expanded customer base and sales team and key acute-care employees from McKesson. Deal value ~ \$170m. McKesson unit's sales expected to be \$800 (0.2x).  | 3/28/2007 |
| Medical Devices | <b>Advanced Medical Optics, Inc. (NYSE: EYE)</b> , a global ophthalmic surgical and eye care products company.  | <b>WaveFront Sciences, Inc.</b> , a provider of proprietary wavefront diagnostic systems for refractive surgery and medical research.   | Expands AMO's portfolio of laser technologies and strengthens its pipeline of new wavefront-guided diagnostic innovations. Deal value -- \$14m with \$6m of contingent payments.  | 1/16/2007 |
| Medical Devices | <b>Advanced Medical Optics, Inc. (NYSE: EYE)</b> , a global ophthalmic surgical and eye care products company.  | <b>IntraLase Corp. (Nasdaq: ILSE)</b> , a manufacturer of a leading laser technology for refractive and corneal surgery.  | Establishes EYE as a global refractive technology leader, with a suite of corneal and lens-based products addressing refractive vision needs. Optimizes cross-selling opportunities. Deal value -- \$808m on sales of \$131.93m (6.1x) and EBITDA of \$21.3m (37.9x).     | 1/30/2007 |
| Medical Devices | <b>Allergan, Inc. (NYSE:AGN)</b> , a specialty pharmaceutical company focused on ophthalmology, neurosciences, dermatology, aesthetics and other specialty markets. | <b>EndoArt SA</b> , a Swiss manufacturer in the field of telemetrically-controlled (or remote-controlled) implants used in the treatment of morbid obesity and other conditions.                | The acquisition builds upon Allergan's existing obesity intervention product portfolio. Deal value -- \$97m.  | 2/22/2007 |
| Medical Devices | <b>Boston Scientific Corp. (BSX)</b> , a manufacturer of medical device products for interventional medical specialties.  | <b>EndoTex Interventional Systems Inc</b> , a development-stage company focused on treating carotid artery disease, a major cause of stroke.  | The acquisition follows the FDA approval of BSX's NexStent Carotid Stent System and FilterWire EZ Embolic Protection System used for less-invasive carotid artery stenting procedures in which tiny wire mesh tubes are inserted to clear blockages. Terms not disclosed. | 1/4/2007  |

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| Sector          | Acquiring Party  | Transferring Party  | Comments/Rationale   | Date      |
|-----------------|--|---|--|-----------|
| Medical Devices | <b>Candela Corporation (CLZR)</b> , a manufacturer of lasers other advanced technologies for aesthetic and other medical conditions.   | <b>Inolase, LTD</b> , an Israel-based manufacturer of vacuum driven technology that enhances laser and light-based devices.   | Leverages Candela's distribution channels in offering a new technology that has been shown to reduce the pain associated with laser and light-based treatments. Deal value -- \$16.5m plus earnouts.   | 3/8/2007  |
| Medical Devices | <b>CardioNet, Inc.</b> , a leading provider of ambulatory wireless mobile cardiac outpatient monitoring solutions.   | <b>PDSHeart, Inc.</b> , a cardiac event monitoring company.   | Creates the largest U.S outpatient cardiac monitoring company, with expanded distribution channels, wider breadth of services and greater technical expertise. Terms not disclosed.  | 3/12/2007 |
| Medical Devices | <b>China Medical Technologies (NASDQ:CMED)</b> , a China-based medical device company that manufactures high intensity focused ultrasound products and advanced in-vitro diagnostic systems. | The fluorescent in situ hybridization ("FISH") business of Supreme Well Investments Limited and Molecular Diagnostics Technologies Limited                                  | FISH is a type of hybridization in which a DNA probe is labeled with fluorescent dye so that it can be seen with a microscope. China Medical intends to develop and commercialize the FISH technology in China for the diagnosis of prenatal and postnatal disorders as well as various cancers through laboratory evaluation and analysis of bodily fluids and tissues. Deal value -- \$136m with up to additional \$40m based on milestones. | 3/6/2007  |
| Medical Devices | <b>Cooper Companies, Inc. (NYSE:COO)</b> , a manufacturer of contact lens and, through its CooperSurgical unit, women's health products.   | <b>Wallach Surgical Devices, Inc.</b> , a manufacturer of gynecological devices used primarily in practitioners' offices.   | Wallach was a principal competitor. Adds manufacturing capabilities and expands CooperSurgical's reach into the general practitioner market (in addition to the OB-GYN market), which Wallach has carefully cultivated. Some competing lines (and distribution channels) may have to be harmonized. Wallach's revenue is about \$10m. Terms not disclosed.   | 2/14/2007 |
| Medical Devices | <b>Elekta (STO:EKTab)</b> , a Swedish-based manufacturer of advanced radiation therapy, comprehensive cancer management and non-invasive treatment of brain disorders.                       | <b>3D Line Medical Systems S.r.l.</b> , an Italy-based supplier of hardware and software for linear accelerator-based stereotactic radiosurgery and dynamic IMRT treatment. | Adds a product portfolio of advanced equipment and treatment planning software systems for performing radiation therapy with greater precision and dose distribution. Deal value -- \$13.3m on sales of \$8m (1.6x).   | 3/26/2007 |

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| Sector          | Acquiring Party  | Transferring Party  | Comments/Rationale   | Date      |
|-----------------|--|---|--|-----------|
| Medical Devices | <b>Greatbatch, Inc. (NYSE: GB)</b> , a manufacturer of critical components used in implantable medical devices and other technically demanding applications. | <b>BIOMEC, Inc.</b> , a technical and engineering medical device development company.   | The acquisition expands Greatbatch's ability to provide device design and engineering services to its customers, while adding new technologies that may be integrated into more complex device subsystems. Transaction value -- \$11.4m plus contingent payments.  | 3/19/2007 |
| Medical Devices | <b>Integra LifeSciences Holdings Corp. (NASDAQ:IART)</b> , a manufacturer of neuro and plastic surgical products.  | <b>LXU Healthcare Inc.</b> , a leading manufacturer of fiber optic headlight systems for the medical industry through its Luxtec brand. | Luxtec's headlight systems are used by over 50,000 surgeons worldwide and provides the Jarit sales organization (part of Integra) with increased exposure and growth opportunities in the hospital and ambulatory surgery center market, including various key surgical specialties. Approximately 40% of Luxtec products are used by cardiovascular surgeons, 20% by general surgeons, 10% by neurosurgeons and 7% each by ENT and orthopedic surgeons. Transaction Value -- \$30m, on LXU revenue of \$49.4m(0.6x) and EBITDA off \$2.6m (11.6x).  | 3/23/2007 |
| Medical Devices | <b>Johnson &amp; Johnson (JNJ)</b> , a large diversified medical device and consumer products company.   | <b>Conor Medsystems Inc. (CONR)</b> , a maker of drug eluting stents.   | After losing to Boston Scientific on the Guidant deal, Conor provides immediate muscle to J&J's drug-eluting stent pipeline, but the Conor stent is now sold outside the U.S. with only investigational device clearance in the U.S. The stent employs a unique reservoir drug-delivery technology, enabling site-specific drug delivery as well as the potential for delivery of multiple therapeutic agents that may be useful in the treatment of cardiovascular, peripheral vascular and neurovascular diseases. Deal value ~ \$1.4b. Conor's revenue is \$28m and, because of R&D, has an operating loss. | 2/5/2007  |

| Sector          | Acquiring Party  | Transferring Party  | Comments/Rationale   | Date      |
|-----------------|--|---|--|-----------|
| Medical Devices | <b>Kyphon Inc. (NASDAQ: KYPH)</b> , a developer of medical devices designed to restore spinal function and diagnose low back pain using minimally invasive technologies. | <b>St. Francis Medical Technologies, Inc.</b> , a developer of the first FDA-approved inter-spinous process device for treating lumbar spinal stenosis. | Broadens Kyphon's focus in minimally invasive spine solutions, adding to its existing balloon kyphoplasty technologies for repairing vertebral compression fracture. Deal value -- \$525m plus additional revenue-based contingent payments of up to \$200m.   | 1/19/2007 |
| Medical Devices | <b>MIV Therapeutics Inc. (OTCBB: MIVT; FWB: MIV)</b> , a developer of advanced bio-compatible polymer-free drug-eluting stents and advanced drug delivery systems.       | <b>Biosync Scientific</b> , an India-based designer and developer of innovative interventional cardiology products, including cardiovascular stents.    | The Biosync Scientific acquisition is the latest step in MIVT's strategic plan to become a world leader in the \$8 billion plus interventional cardiology market. Terms not disclosed.   | 2/21/2007 |
| Medical Devices | <b>NuVasive, Inc. (Nasdaq: NUVA)</b> , a manufacturer of spinal products for minimally disruptive surgical treatments.   | <b>Radius Medical, LLC</b> , a manufacturer of bone graft material (biologics) and collagen technology.   | Provides NuVasive with a platform for the potential development of more powerful biologic products and sales growth via its exclusive sales force. Deal value -- \$16m, plus a contingent \$2m. (Product line sales of \$3m -- 5.3x).  | 1/25/2007 |
| Medical Devices | <b>Onex Corporation</b> , a Canadian-based private equity firm.  | <b>The Healthcare Imaging Group of Eastman Kodak Company</b> , leading provider of medical imaging and healthcare information technology solutions.     | Onex acquires a major new platform in digital x-ray systems, molecular imaging systems and x-ray film, as well as dental imaging products, software and services. Permits a greater focus on this business than Kodak was willing to apply, due to declining margins and Kodak's need to reduce debt. Deal value -- \$2.35b on sales of about \$2.54b. Onex's equity investment is \$475m. if Onex realizes an IRR > 25%, Kodak will receive a payment of 25% of the excess return up to \$200m. | 1/22/2007 |
| Medical Devices | <b>Physio-Control, Inc.</b> , a leading manufacturer of external defibrillation products.  | <b>Medtronic, Inc. (NYSE:MDT)</b> , a major manufacturer of cardiovascular and other medical devices.   | In this spin-off, Physio-Control, acquired by Medtronic in 1998, will be better able to pursue its core defibrillator business, which is no longer considered central to Medtronic. Physio-Control's sales are ~ \$450m.   | 1/27/2007 |

| Sector          | Acquiring Party   | Transferring Party  | Comments/Rationale  | Date      |
|-----------------|---|---|---|-----------|
| Medical Devices | <b>Smith &amp; Nephew Plc</b> , a major manufacturer of knee and shoulder implants.   | <b>Plus Orthopedics Holding AG</b> , Swedish based supplier of cementless hip prosthesis in Europe.   | Increases S&N's share of the global orthopedic reconstruction market to around 12% (4th largest mfr of hips and knees) and doubles its share of the European orthopedic reconstruction market. The Plus products are highly synergistic, leveraging the combined sales force in Europe and Asia and cost opportunities from increased manufacturing leverage and capacity utilization (est. \$40m in cost synergies and \$45m in revenue synergies). Deal value -- \$889m on sales of \$300m (2.96x) and EBIT of \$36m (24.7x). | 3/12/2007 |
| Medical Devices | <b>Tornier Inc.</b> , a France-base manufacturer of orthopedic extremity products.  | <b>Nexa Orthopedics, Inc.</b> , a manufacturer of extremity implant products.   | Represents a significant expansion of Tornier's product portfolio for surgeons performing procedures on the extremities, and expands its technology base with new implantable device materials and coatings. Nexa was a portfolio company of Healthpoint Capital. Terms not disclosed.  | 2/12/2007 |
| Medical Devices | <b>Varian Medical Systems, Inc.</b> , (NYSE: VAR), a manufacturer of medical products for treating cancer and other medical conditions with radiotherapy, brachytherapy, and radiosurgery.        | <b>ACCEL Instruments GmbH (Germany)</b> , a privately-held supplier of instruments and proton therapy systems for cancer treatment and scientific research instruments. | Proton therapy capabilities supplement Varian's radiotherapy systems. Deal value -- \$30m on \$30m of sales.  | 1/28/2007 |
| Medical Devices | <b>Wright Medical Group Inc.</b> (NASDAQ: WMGI), a global orthopedic medical device company specializing in the design, manufacture, and marketing of reconstructive joint devices and biologics. | <b>the foot and ankle reconstruction business of Darco International Inc.</b> , a leading provider of surgical, trauma and wound care solutions.                        | Adds to Wright's position in foot and ankle surgery sector and complements its existing lower extremity lines. Also avails of Wright's distribution system and strengthens its presence in Germany, where the majority of Darco's \$6m in sales is derived. Deal value -- \$17m (2.8x).   | 3/6/2007  |
| Medical Devices | <b>Zimmer Holdings, Inc.</b> (NYSE:ZMH ), a leading orthopedic products manufacturer.   | <b>Endius</b> , a manufacturer of minimally invasive spine surgery products.  | Endius' implants and techniques to treat spine disease complement Zimmer's orthopedic lines. Terms undisclosed, but deal is subject of Hart-Scott (\$50m threshold).  | 2/12/2007 |

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|------------------|---|--|--|-----------|
| Medical Services | <b>CCMP Capital Advisors and GS Capital Partners</b> , financial sponsors.  | <b>Triad Hospitals, Inc. (NYSE: TRI)</b> , an owner and manager of 54 hospitals and 17 ambulatory surgery centers primarily in the southern, midwestern, and western United States.            | After reviewing its strategic options, Triad decides to go private in a \$6.4b deal. CCMP is leading private equity firm originating from JPMorgan Partners and GS is associated with Goldman Sachs. TRI's revenue is \$5.54b (1.1x) and EBITDA \$724.2m (8.2x). | 2/5/2007  |
| Medical Services | <b>Welsh, Carson, Anderson &amp; Stowe</b> , a large private equity firm focused in information & business services, healthcare and communications. | <b>United Surgical Partners International (NASDAQ:USPI)</b> , founded in 1998 with Welch Carson, a manager of ambulatory surgery centers in the U.S. and private surgical hospitals in Europe. | Going private considered more opportune for growth and value creation. As of December 31, 2006, USPI operated 131 surgery centers and 10 private surgical hospitals. Deal value ~ \$1.8b on sales of \$578.8m (3.1x) and EBITDA of \$206.3 (8.7x).               | 1/9/2007  |
| OTC/Consumer     | <b>The Perrigo Company (PRGO;TASE)</b> , a leading manufacturer of OTC pharmaceutical and nutritional products for the store brand market.          | <b>Qualis, Inc.</b> , a privately-owned manufacturer of store brand pediculicide products.   | Purchased products include store brand OTC product formulations that compare to Rid® and Nix®, adding to Perrigo's consumer healthcare business. Deal value -- \$12m on expected sales of \$10m (1.2x).  | 3/7/2007  |
| OTC/Consumer     | <b>Whitestone Corporation</b> , manufacturer of a comprehensive line of industry-leading incontinence care products.                                | <b>Humanicare International</b> , a supplier of adult incontinence products, including protective underwear, absorbent pads, liners, and odor eliminators.                                     | Together, Whitestone and Humanicare will be a leading provider of products for the adult incontinence care markets. Whitestone is a portfolio company of Capricorn Investors. Terms not disclosed.   | 1/23/2007 |