FORM 8-K

Current report filing

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RENAL TREATMENT CENTERS INC /DE/

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15 (d) of the
Securities Exchange Act of 1934

August 23, 1996

Date of Report (Date of earliest event reported)

Renal Treatment Centers, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	1-14142	23-2518331
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)

1180 W. Swedesford Road, Building 2, Suite 300, Berwyn, PA 19312

(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code: 610-644-4796

ITEM 5. OTHER EVENTS

On July 23, 1996, Renal Treatment Centers, Inc. (the "Company") consummated its acquisition of two dialysis centers from Panama City Artificial Kidney Center, Inc. and North Florida Artificial Kidney Center, Inc. (collectively the "Group"). Both of the dialysis centers are located in Florida. The acquisition was structured as a merger of the acquired companies with and into a wholly-owned subsidiary of the Company. For accounting purposes, the acquisition of the Group has been treated as a pooling-of-interests. Accordingly, the accompanying supplemental consolidated selected financial data, management's discussion and analysis and supplemental consolidated financial statements and financial statement schedule as of December 31, 1993, 1994 and 1995 and for each of the three years in the period ended December 31, 1995 have been restated to give retroactive effect to the merger with the Group and include the combined operations of the Company and the Group for all periods presented.

Renal Treatment Centers, Inc. and Subsidiaries
Selected Supplemental Consolidated Financial Data

The selected supplemental consolidated financial data presented below as of December 31, 1994 and 1995, and for the years ended December 31, 1993, 1994 and 1995, have been derived from the Company's audited supplemental consolidated financial statements and should be read in conjunction with such audited supplemental consolidated financial statements and notes thereto, which are included herein. The selected supplemental consolidated financial data presented below as of December 31, 1991, 1992 and 1993, and for the years ended December 31, 1991 and 1992 have been derived from the Company's audited consolidated financial statements not included herein.

<TABLE>
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	Year Ended December 31,				
	1991	1992	1993	1994	1995
<S>	<C>	<C>	<C>	<C>	<C>

(dollars in thousands, except for per share data)					
Statement of Income Data:					
Net patient revenue	$36,651	$54,041	$73,043	$115,457	$164,568
Operating costs and expenses:					
Patient care costs	15,233	27,854	37,172	57,096	79,451
General and administrative	14,574	17,050	22,307	35,743	46,143
Depreciation and amortization	2,488	3,123	4,145	7,603	12,066
Merger expenses	0	0	0	0	2,088
Income from operations	4,356	6,014	9,419	15,015	24,820
Interest, net	1,796	1,433	1,536	648	2,557
Income before income taxes	2,560	4,581	7,883	14,367	22,263
Provision for income taxes	542	1,052	2,102	4,316	7,632
Net income	$2,018	$3,529	$5,781	$10,051	$14,631
Pro forma net income per common and common stock equivalent (1)			$0.36		
Pro forma weighted average shares used in computing net income per common and common stock equivalents (1)			16,063,639		
Primary net income per common and common stock equivalent				$0.47	$0.65
Weighted average common and common stock equivalents outstanding				21,161,243	22,412,733

(dollars in thousands)					
Balance Sheet Data:					
Working capital	$2,844	$3,960	$13,709	$27,947	$43,380
Intangible assets, net	1,043	16,892	28,934	79,238	86,341
Total assets	32,348	37,035	60,007	140,523	174,868
Total long-term debt, excluding current portion	13,639	12,389	18,070	28,744	42,576
Total liabilities	23,334	25,028	29,349	47,894	64,510
Cumulative redeemable preferred stock	8,545	9,528	0	0	0
Total stockholders' equity	$469	$2,478	$30,658	$92,628	$110,358
Other Data:					
Ratio of earnings to fixed charges (2)	1.82x	2.16x	4.19x	6.59x	5.74x

</TABLE>

(1) Pro forma net income is computed by adjusting net income to reflect the reduction in interest expense (net of tax effect) related to the payment of certain indebtedness with initial public offering proceeds. Pro forma net income per common share is computed based upon the weighted average number of shares of common stock and common stock equivalents and including the number of shares of common stock issued upon the conversion of preferred stock and exercise of common stock warrants, and 3,700,000 shares issued in connection with the Company's initial public offering as if such shares were issued or converted as of January 1, 1993. The proceeds from the issuance of 3,700,000 shares were utilized to redeem Series A preferred stock, pay Series B preferred stock dividends, and to pay down certain indebtedness.

(2) The ratios of earnings to fixed charges were calculated by dividing the sum of income before taxes and fixed charges by fixed charges. Fixed charges consist of interest expense, amortization of deferred debt issuance costs and the portion of rent expense deemed to be representative of an interest factor. Fixed charges for the years ended December 31, 1991 and 1992 also include the amount of pre-tax earnings required to cover preferred stock dividends.

Renal Treatment Centers, Inc. and Subsidiaries
Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The Group.

On July 23, 1996, Renal Treatment Centers, Inc. (the "Company") consummated its acquisition of two dialysis centers from Panama City Artificial Kidney Center, Inc. and North Florida Artificial Kidney Center, Inc. (collectively "the Group"). Both of the dialysis centers are located in Florida. The acquisition was structured as a merger of the acquired companies with and into a wholly-owned subsidiary of the Company. For accounting purposes, the acquisition of the Group has been treated as a pooling-of-interests. Accordingly, the accompanying supplemental consolidated financial statements, management's discussion and analysis, selected supplemental consolidated financial and operating data and supplemental consolidated quarterly data included in this discussion and analysis give retroactive effect to the merger with the Group and include the combined operations of the Company and the Group for all periods presented.

The Wichita Companies.
On July 25, 1995, with an effective date of August 1, 1995, the Company completed the merger of Wichita Dialysis Center, P.A., Southeast Kansas Dialysis Center, P.A., Garden City Dialysis Center, P.A. and Wichita Dialysis Center, East, P.A. (collectively "the Wichita Companies") with and into a wholly-owned subsidiary of the Company. The Wichita Companies operated four dialysis facilities in Kansas and owned a 50% interest in another dialysis facility in Kansas. For accounting purposes, the acquisition was treated as a pooling-of-interests. Accordingly, the accompanying supplemental consolidated financial statements, selected supplemental consolidated financial data and supplemental consolidated quarterly data included in this discussion and analysis give retroactive effect to the merger and include the combined operations of the Company and the Wichita Companies for all periods presented.

HCC Merger.
On March 6, 1995, the Company completed a series of merger transactions with Healthcare Corporation and its affiliates (collectively "HCC"). At the time of the mergers, HCC operated 13 dialysis facilities located in four states and the District of Columbia. For accounting purposes, the acquisition was treated as a pooling-of-interests. Accordingly, the accompanying supplemental consolidated financial statements, selected supplemental consolidated financial data and supplemental consolidated quarterly data included in this discussion and analysis give retroactive effect to the merger and include the combined operations of the Company and HCC for all periods presented.

Net Patient Revenue.
Net patient revenue is derived from two sources: (1) in-center dialysis and home dialysis services and supplies and (2) dialysis services provided to hospitalized patients pursuant to agreements with hospitals. The Company's in-center and home dialysis services are primarily paid for under the Medicare End Stage Renal Disease ("ESRD") program in accordance with rates established by the Healthcare Financing Administration ("HCFA"). Additional payments are provided by other third party payors, particularly during the first 18 months of treatment, generally at higher rates than the rates reimbursed by Medicare. Rates paid for services provided to hospitalized patients are negotiated with individual hospitals and are generally higher than the rates reimbursed by Medicare. Because dialysis is an ongoing, life-sustaining therapy used to treat a chronic condition, utilization of the Company's services is generally predictable. For the year ended December 31, 1995, each of the Company's chronic dialysis patients received an average of approximately 156 non-discretionary treatments. Average net revenue per treatment for the Company's in-center and home patients was approximately $204.16 for the year ended December 31, 1995, including ancillary items such as Erythropoietin ("EPO") and other drugs, as compared to $191.02 for the year ended December 31, 1994, an increase of 6.9%. For the year ended December 31, 1995, the Company's average net revenue per treatment for all patients, including patients treated pursuant to acute care agreements with hospitals, was approximately $206.69, as compared to $194.15 for the year ended December 31, 1994, an increase of 6.5%. Unless the patient moves to another dialysis facility, receives a kidney transplant or dies, the revenue generated per patient per year can be estimated with reasonable accuracy.

Medicare and Medicaid Reimbursement.
The Company derived approximately 73.0%, 73.0% and 69.0% of its net patient revenue from the Medicare and Medicaid programs in 1993, 1994 and 1995, respectively. The Company anticipates that it will continue to be substantially dependent upon revenue derived from Medicare. The reimbursement rate for ESRD services and ancillary items such as EPO are subject to change from time to time, and the Company's operations are subject to substantial governmental regulation.

Results of Operations
The following table sets forth, for the periods indicated, selected financial information expressed as a percentage of net patient revenue and the period-to-period percentage changes in such information.

<TABLE>
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	Percentage of Net Patient Revenue			Period-to-Period Percentage Change	
	Year ended December 31,			Year ended December 31,	
	1993	1994	1995	1994 v 1993	1995 v 1994
<S>	<C>	<C>	<C>	<C>	<C>
Net patient revenue	100.0%	100.0%	100.0%	58.1%	42.5%
Patient care costs	50.9%	49.5%	48.3%	53.6%	39.2%
General and administrative expense	28.4%	28.3%	25.1%	57.2%	26.9%
Provision for doubtful accounts	2.1%	2.7%	2.9%	101.3%	52.5%

Depreciation and amortization expense	5.7%	6.6%	7.3%	83.4%	58.7%
Merger expenses	-	-	1.3%	-	-
Income from operations	12.9%	13.0%	15.1%	59.4%	65.3%
Interest expense, net	2.1%	.6%	1.6%	(57.8)%	294.6%
Provision for income taxes	2.9%	3.7%	4.6%	105.3%	76.8%
Net income	7.9%	8.7%	8.9%	73.9%	45.6%

</TABLE>

Year ended December 31, 1995 Compared to Year Ended December 31, 1994

Net Patient Revenue.

Net patient revenue for the year ended December 31, 1995 was $164,568,392 as compared to $115,456,744 for the same period in 1994, representing an increase of 42.5%. Of this increase, $6,178,946, or 12.6%, was attributable to the revenue generated from the operations of eight centers and certain acute care agreements acquired in three separate purchase transactions from March through December 1995; and $25,442,934, or 51.8%, was attributable to the revenue generated from the operations of various centers and acute care agreements acquired in six separate purchase transactions from June 1994 through December 1994. Of the approximately $17,490,000 remaining, approximately $13,016,000 was attributable to an increase in same-center treatments and approximately $4,474,000 was attributable to an increase in the average same-center revenue per treatment, which, in turn, was due to an increase in the administration of EPO and other ancillary revenue items and an improvement in the Company's payor mix.

Patient Care Costs.

Patient care costs increased 39.2% to $79,451,490 for the year ended December 31, 1995 from $57,095,740 for the same period in 1994. This increase was primarily attributable to the various centers acquired from June 1994 through October 1995. However, as a percentage of net patient revenue, patient care costs decreased to 48.3% for the year ended December 31, 1995 from 49.5% for the same period in 1994. This decrease was primarily related to the increase in net revenue per treatment while costs remained relatively constant on a per treatment basis.

General and Administrative Expense.

General and administrative expense for the year ended December 31, 1995 increased 26.9% to $41,381,899 from $32,621,992 for the same period in 1994. This increase was due to the acquisitions completed from June 1994 through October 1995. General and administrative expense as a percentage of net patient revenue decreased to 25.1% for the year ended December 31, 1995 as compared to 28.3% for the same period in 1994. This decrease was primarily due to the Company's ability to maintain certain costs by improved utilization of the Company's corporate office to support acquired facilities. In addition, this decrease was attributable to the increase in net revenue per treatment in 1995.

Provision for Doubtful Accounts.

Provision for doubtful accounts increased $1,639,661, or 52.5%, to $4,760,678 for the year ended December 31, 1995 from $3,121,017 for the same period in 1994. This increase was principally a result of the additional net patient revenue generated from acquisitions that occurred in 1995. As a percentage of net patient revenue, the provision for doubtful accounts increased to 2.9% for the year ended December 31, 1995 from 2.7% for the same period in 1994.

Depreciation and Amortization Expense.

Depreciation and amortization expense increased 58.7% to $12,066,461 for the year ended December 31, 1995 from $7,602,959 for the same period in 1994. As a percentage of net patient revenue, depreciation and amortization expense increased to 7.3% for the year ended December 31, 1995 from 6.6% for the same period in 1994. The increases were due to the acquisitions noted from June 1994 through December 1995 and $7.9 million of capital expenditures completed during 1995.

Merger Expenses.

Merger expenses represent expenses incurred in connection with the mergers with (i) HCC and (ii) the Wichita Companies which were completed on March 6, 1995 and August 1, 1995, respectively, and were accounted for under the pooling-of-interests method of accounting. These expenses included investment banking, legal, accounting and other fees and expenses.

Income from Operations.

Income from operations increased 65.3% to $24,820,322 for the year ended December 31, 1995 from $15,015,036 for the same period in 1994. The increase was due to the increase in net revenues from acquired businesses and same-center growth, which was greater than the increases in patient care costs, general and administrative expense and depreciation and amortization expense related to such acquired businesses.

Interest Expense, Net.

Interest expense (net) increased 294.6% to $2,557,449 for the year ended December 31, 1995 from $648,102 for the same period in 1994. The increase in interest expense (net) was attributable to the additional borrowings for the funding of acquisitions that were completed in 1994 and 1995 that remained outstanding throughout 1995. Interest expense (net) also increased as a result of the reduction in interest income from investments during 1995 as compared to 1994. This decrease in interest income from investments resulted from the decrease in the average value of investments held by the Company during 1995 when compared to 1994, as the Company used its investments to fund certain acquisitions in 1994. Interest expense in 1995 and 1994 is net of $156,150 and $555,515 of interest income, respectively.

Provision for Income Taxes.
Provision for income taxes increased to $7,632,069 for the year ended December 31, 1995 from $4,316,014 for the same period in 1994. For the year ended December 31, 1995, the Company's effective tax rate was 34.3% compared to an effective tax rate of 30.0% in the same period in 1994. The increase in the effective rate represents an overall increase in items not deductible for tax purposes and a decrease in income derived from S corporations in 1995 as compared to 1994. Refer to notes 2, 3, and 7 to the supplemental consolidated financial statements included herein.

Net Income.
Net income increased 45.6% to $14,630,804 for the year ended December 31, 1995 from $10,050,920 for the same period in 1994. The increase was due to each of the items discussed above.

Year Ended December 31, 1994 Compared to Year End December 31, 1993
Net Patient Revenue.
Net patient revenue for the year ended December 31, 1994 was $115,456,744 as compared to $73,043,034 for the same period in 1993, representing an increase of 58.1%. Of this increase, approximately $9,275,300, or 21.9%, was attributable to the revenue generated from the operations of eight centers and certain acute care agreements acquired in four separate purchase transactions from July through September, 1994; approximately $8,199,600, or 19.3%, was attributable to the revenue generated from the operations of four centers and certain acute care agreements acquired in June 1994; approximately $4,916,000, or 11.6%, was attributable to the revenue generated from the operations of four centers acquired in January 1994; and approximately $9,465,000, or 22.3%, was attributable to the revenue generated from the operations of various centers and acute care agreements acquired in three separate transactions from October 1993 through December 1993. Of the approximately $10,558,000 remaining, approximately $6,586,000 was attributable to an increase in same-center treatments and approximately $1,682,000 was attributable to an increase in the average same-center revenue per treatment which, in turn, was due to an increase in the administration of EPO and other ancillary revenue items. The remaining $2,290,000 related to revenue generated from certain de novo developments and additional acute care and management contracts entered into during 1994.

Patient Care Costs.
Patient care costs increased 53.6% to $57,095,740 for the year ended December 31, 1994 from $37,171,556 for the same period in 1993. This increase was primarily attributable to the various centers acquired from October 1993 through September 1994. However, as a percentage of net patient revenue, patient care costs decreased to 49.5% for the year ended December 31, 1994 from 50.9% for the same period in 1993.

General and Administrative Expense.
General and administrative expense increased 57.2% to $32,621,992 for the year ended December 31, 1994 from $20,756,081 for the same period in 1993. This increase was due to the acquisitions completed from October 1993 through September 1994. General and administrative expense decreased as a percentage of net patient revenue to 28.3% for the year ended December 31, 1994 as compared to 28.4% in 1993.

Provision for Doubtful Accounts.
Provision for doubtful accounts increased 101.3% to $3,121,017 the year ended December 31, 1994 from $1,550,691 for the same period in 1993. This increase was a result of the additional net patient revenue generated from the acquisitions that occurred in 1994.

Depreciation and Amortization Expense.
Depreciation and amortization expense increased 83.4% to $7,602,959 for the year ended December 31, 1994 from $4,145,390 for the same period in 1993. As a percentage of net patient revenue, depreciation and amortization expense increased to 6.6% for the year ended December 31, 1994 from 5.7% for the same period in 1993. The increases were due to the acquisitions noted from October 1993 through September 1994.

Income from Operations.
Income from operations increased 59.4% to $15,015,036 for the year ended December 31, 1994 from $9,419,316 for the same period in 1993. The increase was due to the increase in net revenues from acquired businesses and same-center growth, which was greater than the increases in patient care costs, general and

administrative expense and depreciation and amortization expense related to such acquired businesses.

Interest Expense, Net
Interest expense (net) decreased 57.8% to $648,102 for the year ended December 31, 1994 from $1,536,176 for the same period in 1993. The decrease in interest expense (net) was due to the Company's repayment of amounts outstanding under its acquisition revolving credit agreement after its completion of a stock offering in March 1994, from a reduced average amount outstanding under the term loan agreement, from a lower average interest rate when compared to 1993 and from interest income earned on funds invested as a result of the March 1994 stock offering. Interest expense in 1994 is net of approximately $555,515 of interest income from funds invested as a result of the March 1994 stock offering.

Provision for Income Taxes.
Provision for income taxes increased to $4,316,014 for the years ended December 31, 1994 from $2,102,198 for the same period in 1993. For the year ended December 31, 1994, the Company's effective tax rate was 30.0% compared to an effective tax rate of 26.7% in the same period in 1993. The increase in the effective rate represents an overall increase in items not deductible for tax purposes and a decrease in income derived from S corporation companies in 1994. Refer to Notes 2, 3 and 7 to the supplemental consolidated financial statements included herein.

Net Income.
Net income increased 73.9% to $10,050,920 for the year ended December 31, 1994 from $5,780,942 for the same period in 1993. The increase was due to each of the items discussed above.

Quarterly Results
The following table presents selected unaudited quarterly operating results for the Company for the eight quarters in the years ended December 31, 1994 and 1995. The Company believes that the following information includes all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation. Although the Company's revenues are not seasonal in nature, quarterly revenues and profitability may be affected by other factors, including quarterly variations in treatments performed, due to varying of operating days by quarter.

<TABLE>
<CAPTION>

	1994				1995			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	(dollars in thousands, except for per share data)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net patient revenue	$22,138	$24,842	$32,315	$36,162	$37,749	$40,067	$41,996	$44,756
Operating costs and expenses	18,032	20,317	25,537	28,953	31,290	30,865	32,090	33,436
Depreciation and amortization expense	1,427	1,639	2,394	2,142	2,733	2,909	3,033	3,392
Income from operations	2,679	2,885	4,383	5,068	3,726	6,293	6,874	7,927
Net income	1,802	2,186	2,948	3,115	2,503	3,874	3,546	4,708
Net income available to common stockholders	1,802	2,186	2,948	3,115	2,578	3,946	3,614	4,776
Primary:								
Weighted average common and common stock equivalents outstanding	18,934	21,865	21,802	21,861	22,014	22,105	22,865	22,836
Net income per share	$0.10	$0.10	$0.14	$0.14	$0.11	$0.18	$0.16	$0.21
Fully diluted:								
Weighted average common and common stock equivalents outstanding	18,934	21,860	21,828	21,919	22,809	22,805	23,361	23,438
Net income per share	$0.10	$0.10	$0.14	$0.14	$0.11	$0.17	$0.15	$0.20

</TABLE>

Liquidity and Capital Resources
The Company requires capital for the acquisition of dialysis centers, for the expansion of operations of its existing dialysis centers including the replacement of equipment and addition of leasehold improvements, for the integration of new centers into its system of existing dialysis services and for meeting working capital requirements. Expenditures for acquisitions were approximately $16.9 million, $50.3 million and $11.6 million for the years ended December 31, 1993, 1994 and 1995, respectively. Capital expenditures were approximately $1,110,000, $5,198,000 and $7,899,000 for the years ended December

31, 1993, 1994 and 1995, respectively. The increase in capital expenditures during 1995 resulted from the expansion of various existing dialysis centers to support internal growth as well as the normal replacement of equipment. Cash from operations before investing and financing activities was approximately $2.8 million, $4.3 million and $12.6 million for the years ended December 31, 1993, 1994 and 1995, respectively. The principal sources of the Company's liquidity have been public sales of equity securities, bank lines of credit and operating cash flow.

Capital expenditures of approximately $14.0 million, primarily for equipment replacement and expansion of existing dialysis facilities, are planned in 1996. The Company expects that such capital expenditures will be funded with cash provided by operating activities and available lines of credit. The Company believes that capital resources available to it will be sufficient to meet the needs of its business, both on a short and long-term basis.

At December 31, 1995, the Company's loan and revolving credit agreement with a consortium of banks (the "Credit Agreement") provided for a total facility of approximately $75 million, of which $68.125 million was a revolving credit/term facility available to fund acquisitions and general working capital requirements of which $13.975 million and $33.675 million were outstanding at December 31, 1994 and 1995, respectively, and the remainder was a term loan payable in quarterly installments of which $6.875 million and $3.75 million were outstanding as of December 31, 1994 and 1995, respectively. The revolving credit/term facility converts into a term loan in September 1997 that is payable in 16 equal quarterly installments commencing December 1997 through September 2001. Borrowings under the Credit Agreement bore interest, at the Company's option, at either (1) the Agent bank's base rate, adjusted by the applicable margin, determined by the Company's ratio of senior debt to annualized cash flow, 8.5% at December 31, 1995, or (2) a one, two, three, or six-month period LIBOR rate, adjusted by the applicable margin for LIBOR-based loans. The weighted average interest rate of all loans outstanding at December 31, 1994 and 1995 was 7.36% and 7.32%, respectively. The loans were collateralized by the pledge of all stock of the Company's subsidiaries, a lien on all of the Company's assets and the assignment of various acquisition, acute care, physician director and other agreements. Refer to Note 6 to supplemental consolidated financial statements.

The Company has historically expended the majority of its capital resources to implement its growth strategy and the Company intends to pursue a strategy of growth through the acquisition and development of dialysis facilities. Management estimates that the development of a new center, depending on its size, requires approximately $500,000 to $1,000,000 in construction costs and to purchase certain furniture and equipment (leasing certain of the assets can decrease costs) and approximately $75,000 to $150,000 in working capital. Acquisition of a dialysis center with an existing patient base typically requires more capital investment, but each investment varies based on relative size and other factors. No assurance can be given that the Company will be successful in implementing its growth strategy or that adequate sources of capital will be available on terms acceptable to the Company to pursue its growth strategy in the future.

Impact of Inflation

A substantial portion of the Company's revenue is subject to reimbursement rates which are regulated by the federal government and do not automatically adjust for inflation. These reimbursement rates are adjusted periodically based on certain factors, including legislation, executive and congressional budget reduction and control processes, inflation and costs incurred in rendering the services, but in the past have had little relationship to the actual cost of doing business.

The Company can increase the amounts it bills only for those services provided by its dialysis business that are not subject to the Medicare composite rate. Increased operating costs that are subject to inflation, such as labor and supply costs, without a compensating increase in reimbursement rates, may adversely affect the Company's earnings in the future.

New Accounting Pronouncements

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to Be Disposed of" ("SFAS 121"). SFAS 121 will be effective for the year ending December 31, 1996 and establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles and goodwill related to those assets to be held and used and for long-lived assets and certain identifiable intangibles to be disposed of. SFAS 121 requires that such assets and intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management does not expect the adoption of SFAS 121 to have a significant impact on the Company's results of operations, financial condition or liquidity.

In October 1995, the Financial Accounting Standards Board issued Statement of

Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation ("SFAS 123"). SFAS 123 encourages, but does not require, an alternative method of accounting for employee stock compensation plans from the method currently prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"). The new accounting standard will have no impact on the Company's net income or financial position, as the Company intends to continue to utilize the accounting guidance set forth in APB No. 25.

ITEM 7. (A) FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE:

Renal Treatment Centers, Inc. and Subsidiaries
Index to Supplemental Consolidated Financial Statements
and Financial Statement Schedule

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholder
Healthcare Corporation and Affiliates
Nashville, Tennessee

We have audited the combined balance sheet of Healthcare Corporation and Affiliates (the "Company") as of December 31, 1994, and the related combined statements of income, stockholder's equity and cash flows for the years ended December 31, 1993 and 1994. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such combined financial statements (not presented separately herein) present fairly, in all material respects, the financial position of the Company as of December 31, 1994, and the results of its operations and its cash flows for each of the years ended December 31, 1993 and 1994 in conformity with generally accepted accounting principles.

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Nashville, Tennessee
March 31, 1995

Independent Accountants' Report

The Shareholders
Wichita Dialysis Group
Wichita, Kansas

We have audited the accompanying combined balance sheets of WICHITA DIALYSIS GROUP as of December 31, 1993 and 1994, and the related combined statements of operations, changes in stockholders' equity and cash flows for each of the two years in the period ended December 31, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of WICHITA DIALYSIS GROUP as of December 31, 1993 and 1994 and the results of its operations and its cash flows for each of the two years in the period ended December 31, 1994, in conformity with generally accepted accounting principles.

/s/ Baird, Kurtz & Dobson

July 14, 1995, except for Note 9 as to which the date is July 24, 1995 Wichita, Kansas

Renal Treatment Centers, Inc. and Subsidiaries
SUPPLEMENTAL CONSOLIDATED BALANCE SHEETS
December 31, 1994 and 1995

<TABLE>
<CAPTION>

	1994	1995
<S>	<C>	<C>
Assets		
Current assets:		
Cash	$ 2,782,781	$ 8,231,421
Investments	2,661,944	0
Accounts receivable, net of allowance for doubtful accounts of $2,306,556 in 1994 and $3,503,744 in 1995	37,072,319	51,996,618
Inventories	2,581,992	2,869,019
Deferred taxes	569,153	819,835
Prepaid expenses and other current assets	1,430,081	1,396,893
Total current assets	47,098,270	65,313,786
Property and equipment (net of accumulated depreciation of $6,910,646 in 1994 and $10,746,557 in 1995)	13,660,938	21,442,421
Intangibles (net of accumulated amortization of $14,171,384 in 1994 and $22,263,385 in 1995)	79,238,387	86,341,433
Deferred taxes, non-current	493,793	1,749,754
Other assets	31,227	20,842

Total assets	$140,522,615	$174,868,236

Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 4,781,230	$ 4,766,262
Accounts payable	6,687,797	4,495,087
Accrued compensation	2,645,175	2,790,121
Accrued expenses	4,362,716	6,576,600
Accrued income taxes	471,692	2,218,692
Accrued interest	202,103	1,087,415
Total current liabilities	19,150,713	21,934,177
Long-term debt, net	28,743,609	42,576,100
Stockholders' equity:		
Preferred stock, $.01 par value, 5,000,000 shares authorized: none issued		
Common stock, $.01 par value, 45,000,000 shares authorized: issued and outstanding 21,449,029 and 22,209,689 shares in 1994 and 1995, respectively	214,490	222,097
Additional paid-in capital	78,319,626	83,257,068
Retained earnings	14,141,396	27,272,870
	92,675,512	110,752,035
Less treasury stock, 4,342 shares in 1994 and 37,202 shares in 1995, at cost	(47,219)	(394,076)
Total stockholders' equity	92,628,293	110,357,959
Total liabilities and stockholders' equity	$140,522,615	$174,868,236

</TABLE>

See accompanying notes to supplemental consolidated financial statements.

Renal Treatment Centers, Inc. and Subsidiaries
SUPPLEMENTAL CONSOLIDATED STATEMENTS OF INCOME
for the years ended December 31, 1993, 1994 and 1995

<TABLE>
<CAPTION>

<S>	1993 <C>	1994 <C>	1995 <C>
Net patient revenue	$73,043,034	$115,456,744	$164,568,392
Patient care costs	37,171,556	57,095,740	79,451,490
Operating profit	35,871,478	58,361,004	85,116,902
General and administrative	20,756,081	32,621,992	41,381,899
Provision for doubtful accounts	1,550,691	3,121,017	4,760,678
Depreciation and amortization	4,145,390	7,602,959	12,066,461
Merger expenses	-	-	2,087,542
Income from operations	9,419,316	15,015,036	24,820,322
Interest expense, net of interest income of $12,892, $555,515 and $156,150 in 1993 1994 and 1995, respectively	1,536,176	648,102	2,557,449
Income before income taxes	7,883,140	14,366,934	22,262,873
Provision for income taxes	2,102,198	4,316,014	7,632,069
Net income	$ 5,780,942	$ 10,050,920	$ 14,630,804
Pro forma per share data (unaudited):			
Pro forma net income per common and common stock equivalent	$0.36		
Pro forma weighted average shares used in computing net income per common and common stock equivalent	16,063,639		
Primary per share data:			
Net income per common and common			

stock equivalent	$0.47	$0.65
Weighted average common and common stock equivalents	21,161,243	22,412,733

</TABLE>

See accompanying notes to supplemental consolidated financial statements.

Renal Treatment Centers, Inc. and Subsidiaries
SUPPLEMENTAL CONSOLIDATED OF STOCKHOLDERS' EQUITY
for the years ended December 31, 1993, 1994 and 1995

<TABLE>
<CAPTION>

	COMMON STOCK		Additional Paid-in	Retained	TREASURY STOCK		
	Shares	Amount	Capital	Earnings	Shares	Amount	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1992	5,470,519	$ 54,705	$ 466,081	$ 2,167,284	-	-	$ 2,688,070
Mandatory redeemable Series B and mandatory redeemable Series A preferred stock dividends for the year ended December 31, 1993				(335,939)			(335,939)
Issuance of common stock in Initial Public Offering	5,251,500	52,515	24,703,996				24,756,511
Exercise of common stock warrants and subsequent retirement of shares delivered as payment of exercise price of common stock warrants	556,750	5,568	(2,783)	(2,784)			-
Conversion of mandatory redeemable Series B preferred stock and warrants to common stock	4,849,284	48,493	(24,247)				24,246
Dividend distribution				(2,045,927)			(2,045,927)
Net income				5,780,942			5,780,942
Balance, December 31, 1993	16,128,053	161,281	25,143,047	5,563,576	-	-	30,867,904
Issuance of common stock in Stock Offering	4,789,000	47,890	51,053,601				51,101,491
Exercise of common stock options	356,760	3,568	312,230				315,798
Issuance of common stock in connection with purchase of businesses	175,216	1,752	1,810,748				1,812,500
Acquisition of treasury stock					(4,342)	$ (47,219)	(47,219)
Dividend distribution				(1,473,100)			(1,473,100)
Net income				10,050,920			10,050,920
Balance, December 31, 1994	21,449,029	214,491	78,319,626	14,141,396	(4,342)	(47,219)	92,628,294
Exercise of common stock options	458,016	4,580	1,297,692				1,302,272
Issuance of common stock in connection with purchase of businesses	302,644	3,026	3,639,750				3,642,776
Acquisition of treasury stock					(32,860)	(346,857)	(346,857)
Dividend distribution				(1,499,331)			(1,499,331)
Net income				14,630,805			14,630,805
Balance at December 31, 1995	22,209,689	$222,097	$83,257,068	$27,272,870	(37,202)	$(394,076)	$110,357,959

</TABLE>

See accompanying notes to supplemental consolidated financial statements.

Renal Treatment Centers, Inc. and Subsidiaries
SUPPLEMENTAL CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended December 31, 1993, 1994 and 1995

<TABLE>
<CAPTION>

	1993	1994	1995
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	$ 5,780,942	$ 10,050,920	$ 14,630,804
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,195,523	7,701,587	12,131,465
Deferred income taxes	(565,695)	(497,251)	(1,506,643)

Provision for doubtful accounts	1,550,691	3,121,017	4,760,678
Loss (gain) on sale of equipment	19,435	(2,974)	-
Equity in (earnings) losses from affiliate	43,162	(96,312)	(266,592)
Changes in operating assets and liabilities, net of effects of companies acquired:			
Accounts receivable	(8,910,472)	(19,065,267)	(19,444,635)
Inventories	(382,316)	(260,546)	(117,157)
Prepaid expenses and other current assets	(32,030)	(506,876)	99,673
Accounts payable and accrued expenses	940,771	4,365,037	585,345
Accrued income taxes	175,333	(475,071)	1,747,000
Net cash provided by operating activities	2,815,344	4,334,264	12,619,938
Cash flows from investing activities:			
Capital expenditures	(1,110,478)	(5,198,350)	(7,899,143)
Purchase of businesses, net of cash acquired	(16,883,773)	(50,323,267)	(11,646,992)
Purchase of investments	(6,315,000)	(38,500,000)	-
Sale of investments	3,564,360	38,588,696	2,661,944
Other	(291,082)	(1,214,875)	(1,904,962)
Net cash used in investing activities	(21,035,973)	(56,647,796)	(18,789,153)
Cash flows from financing activities:			
Proceeds from long-term debt borrowings	17,931,004	18,045,175	19,621,000
Repayments of debt	(13,378,542)	(14,032,771)	(7,355,102)
Redemption of preferred stock	(9,114,020)	-	-
Payment of Series A and Series B mandatory redeemable preferred stock dividends	(476,249)	-	-
Proceeds from issuance of common stock	24,506,760	51,612,289	1,302,272
Payment of S Corporation dividend	-	-	(1,277,000)
Payment of dividend distribution	(2,045,927)	(1,473,295)	(222,331)
Increase in financing fees	(163,732)	(282,609)	-
Payments on capital lease obligations	(162,718)	(13,846)	(450,984)
Other	6,521	581,195	-
Net cash provided by financing activities	17,103,097	54,436,138	11,617,855
Net increase (decrease) in cash and cash equivalents	(1,117,532)	2,122,606	5,448,640
Cash and cash equivalents at beginning of period	1,777,707	660,175	2,782,781
Cash and cash equivalents at end of period	$ 660,175	$ 2,782,781	$ 8,231,421

</TABLE>

See accompanying notes to supplemental consolidated financial statements.

Renal Treatment Centers, Inc. and Subsidiaries
NOTES TO SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

Renal Treatment Centers, Inc. (the "Company") was incorporated in Delaware on August 11, 1988 for the purpose of providing dialysis treatments for End Stage Renal Disease ("ESRD") patients in an outpatient environment or in the patient's home. Additionally, the Company has acquired or entered into inpatient dialysis service agreements with hospitals to provide dialysis treatments on an inpatient basis.

For the years ended December 31, 1993, 1994 and 1995, approximately 73%, 73% and 69%, respectively, of the Company's net patient revenue was received from Medicare and Medicaid and other state administered programs. Accordingly, the Company's operations and cash flows are dependent upon the rate and manner of payment for patient services from third party payors and, in particular, federal and state administered programs.

2. Summary of Significant Accounting Policies

Basis of Presentation:

The supplemental consolidated financial statements of the Company have been prepared to give retroactive effect to the acquisition of Panama City Artificial Kidney Center, Inc. and North Florida Artificial Kidney Center, Inc. (collectively "The Group") on July 23, 1996, which has been accounted for using the pooling-of-interests method of accounting.

Certain amounts included in the accompanying supplemental consolidated financial statements and related footnotes reflect the use of estimates based on assumptions made by management. Actual amounts could differ from these estimates.

Certain amounts in the 1994 financial statements have been reclassified to conform to the current year presentation.

Principles of Consolidation:
The supplemental consolidated financial statements have been prepared in accordance with generally accepted accounting principles and include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Patient Revenue and Allowances:
Patient revenue is recorded at established rates on the accrual basis in the period during which the service is provided. Appropriate allowances to give recognition to third-party arrangements are also recorded on the accrual basis. Payments to the Company under Medicare and Medicaid and other state administered programs are based upon a predetermined specific fee per treatment.

The Company does not believe there are any significant credit risks associated with receivables from Medicare and Medicaid and other state administered programs. The allowance for doubtful accounts consists of management's estimate of amounts that may prove uncollectible from secondary insurers or patients.

Patient Care Costs:
Patient care costs include medical supplies, including Erythropoietin ("EPO") supplies, and direct patient salaries and benefits.

Inventories:
Inventories are stated at the lower of cost (determined using the first-in, first-out method) or market and consist of dialysis supplies.

Property and Equipment and Depreciation and Amortization:
Property and equipment are stated at cost or respective fair market value at the time of acquisition. Equipment under capital lease is stated at the lower of the fair market value or net present value of the minimum lease payments at inception of the lease. Depreciation and amortization are provided by the straight-line method over the estimated useful lives of the related assets or lease terms for leasehold improvements and equipment under capital lease. The estimated useful life is five to seven years for furniture, fixtures and equipment, 39 years for the buildings, and five to ten years for leasehold improvements. Costs of maintenance and repairs are charged to expense as incurred. Sales and retirements of depreciable assets are recorded by removing the related cost and accumulated depreciation from the accounts. Gains and losses on sales and retirements of assets are reflected in results of operations.

2. Summary of Significant Accounting Policies (continued):
Intangibles:
Goodwill:
Goodwill arising from acquisitions is being amortized on a straight-line basis principally over 25 years.

Patient Lists:
Patient lists, arising from the purchase of renal dialysis facilities, are stated at cost. Amortization is provided by the straight-line method over eight years.

Non-compete Agreements:
Non-compete agreements, arising from acquisitions, are being amortized on a straight-line basis over periods from three to 11 years.

Other Intangibles:
Other intangibles consist of inpatient dialysis service agreements, deferred financing costs and organization costs and are stated at cost. Amortization is provided on a straight-line basis over five to 11 years.

Management evaluates the recoverability of intangible assets using certain financial indicators, such as historical and future ability to generate income from operations. The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to Be Disposed of" ("SFAS 121"). SFAS 121 will be effective for the year ending December 31, 1996 and establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles and goodwill related to those assets to be held and used and for long-lived assets and certain identifiable intangibles to be disposed of. SFAS 121 requires that such assets and intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management does not expect the adoption of SFAS 121 to have a significant impact on the Company's results of operations, financial condition or liquidity.

Income Taxes:
The Company and its subsidiaries file a consolidated federal tax return and separate company state tax returns. Income taxes are provided under the liability method in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109). Under the liability

method, deferred income taxes are recognized for the tax consequences of differences between amounts reported for financial reporting and income tax purposes by applying enacted statutory tax rates applicable to future years to such differences. Deferred taxes result from temporary differences in the market value of assets acquired in business combinations accounted for as purchases and their tax bases. Under SFAS No. 109, the effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

Federal (and state, where applicable) income taxes for the Group prior to their acquisition by the Company were payable personally by the stockholders of the Group pursuant to S corporation elections under the Internal Revenue Code.

Prepaid Expenses and Other Current Assets:
Prepaid expenses consist of prepaid insurance, rent, real estate taxes and other current assets.

Accrued Expenses:
Accrued expenses consist principally of uninvoiced inventory and other miscellaneous accruals.

Estimated Medical Professional Liability Claims:
The Company is insured for medical professional liability claims through a commercial insurance policy. It is the Company's policy that provision for estimated premium adjustments to medical professional liability costs be made for asserted and unasserted claims and based upon the Company's experience. Provision for such professional liability claims includes estimates of the ultimate costs of such claims. To date, the Company's experience with such claims has not been significant. Accordingly, no such provision has been made.

Cash Equivalents:
For the purpose of reporting cash flows, the Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The cash of the Company is principally held by one financial institution.

2. Summary of Significant Accounting Policies (continued):
Investments:
Investments were comprised of investments in municipal bonds and a fixed income mutual fund which primarily invests in short-term bank deposits and U.S. government and government agency securities. Investment income is recognized when earned and realized gains and losses are recognized on a trade date basis, computed based on original cost. The fair market value of these investments approximates cost. All investments were held by one financial institution.

Historical Net Income Per Common and Common Stock Equivalent:
Net income per common and common stock equivalent on a historical basis, both primary and fully diluted, are as follows:

<TABLE>
<CAPTION>

<S>	1993 <C>	1994 <C>	1995 <C>
Primary:			
Net income per common and common stock equivalent	$0.49	$0.47	$0.65
Weighted average common and common stock equivalents outstanding	11,072,783	21,161,243	22,412,733
Fully diluted:			
Net income per common and common stock equivalent	$0.39	$0.47	$0.64
Weighted average common and common stock equivalents outstanding	13,921,957	21,215,273	23,401,085

</TABLE>

Primary earnings per share for 1993 are computed by dividing net income, reduced by preferred dividends, by the weighted average number of shares of common stock and common stock equivalents outstanding during the period. Primary earnings per share for 1994 and 1995 are computed by dividing net income by the weighted average number of shares of common stock and common stock equivalents outstanding during the period.

Fully diluted earnings per share for 1993 assumes the conversion of Series B preferred stock and the exercise and conversion of Series B preferred stock warrants into common stock as of January 1, 1993. Fully diluted earnings per share for 1994 are computed by dividing net income by the weighted average number of shares of common stock and common stock equivalents outstanding during the period. Fully diluted earnings per share for 1995 are computed by dividing net income, increased by the tax effected interest on an earn-out note, by the weighted average number of shares of common stock and common stock equivalents outstanding during the period. Fully diluted earnings per share also reflect additional dilution related to stock options due to the use of the market price at the end of the period, when higher than the average price for the period.

3. Business Acquisitions:

Merger with the Group:

On July 23, 1996, the Company acquired the Group. The facilities acquired are located in Florida and serviced a total of approximately 200 patients as of the acquisition date. The transaction was accounted for under the pooling-of-interests method of accounting. In the transaction, the Company issued 482,377 shares of its common stock in exchange for all the outstanding stock of the Group. The acquisition was structured as a merger of the Group into a subsidiary of the Company.

Merger with The Wichita Companies:

On July 25, 1995, with an effective date of August 1, 1995, the Company acquired Wichita Dialysis Center, P.A., Southeast Kansas Dialysis Center, P.E., Garden City Dialysis Center, P.A. and Wichita Dialysis Center, East, P.A. (the "Wichita Companies"). All of the facilities acquired are located in Kansas and serviced approximately 355 patients as of the acquisition date. The transaction was accounted for under the pooling-of-interests method of accounting. In the transaction, the Company issued 1,558,920 shares of its common stock in exchange for all the outstanding stock of the Wichita Companies. The acquisition was structured as a merger of the Wichita Companies into a subsidiary of the Company.

Merger with HCC:

On March 6, 1995, the Company completed its acquisition of Healthcare Corporation and its affiliates (collectively, "HCC"). The facilities acquired from HCC are located in Missouri, Illinois, North Carolina, Florida and Washington, D.C. and serviced approximately 720 patients as of the acquisition date. The transaction was accounted for under the pooling-of-interests method of accounting. In the transaction, the Company issued 2,292,222 shares of its common stock in exchange for all the outstanding stock of HCC. The acquisition was structured as a merger of HCC into several subsidiaries of the Company.

3. Business Acquisitions (continued):

The supplemental consolidated financial statements give retroactive effect to the mergers with the Group, the Wichita Companies and HCC and include the combined operations of the Company, the Group, the Wichita Companies, and HCC for all periods presented. The following is a summary of the separate and combined results of operations for periods prior to the mergers (dollars in thousands):

<TABLE>
<CAPTION>

<S>	Renal Treatment Centers, Inc. (Prior to Mergers) <C>	Acquired Companies <C>	Combined <C>
For the year ended December 31,			
1995			
Net patient revenue	$150,467	$14,101	$164,568
Income from operations	23,319	1,501	24,820
Net income	13,238	1,392	14,630
*Includes HCC for the two months ended February 28, 1995, the Wichita Companies for the seven months ended July 31, 1995 and the Group for the year ended December 31, 1995.			
1994			
Net patient revenue	$86,520	$28,937	$115,457
Income from operations	12,343	2,672	15,015
Net income	7,558	2,493	10,051
1993			
Net patient revenue	$46,956	$26,087	$73,043
Income from operations	7,050	2,369	9,419
Net income	3,738	2,043	5,781

</TABLE>

The acquisitions described below have been accounted for under the purchase method. The results of these acquisitions have been included in the results of operations from the applicable acquisition dates. The purchase price of the acquisitions has been principally allocated to fixed assets, patient lists, non-compete agreements and goodwill. The excess of the purchase price over the fair value of net assets was approximately $49,347,454 and is being amortized on a straight-line basis over 25 years.

1993 Acquisitions:
During 1993, the Company acquired nine dialysis centers, one dialysis service agreement and certain acute care contracts in Pennsylvania, New Jersey, Delaware and California for approximately $16,794,000 in cash and the assumption of certain liabilities of approximately $231,000. The acquisitions included substantially all of the non-current assets and the assumption of certain liabilities and capital leases of the centers.

1994 and 1995 Acquisitions:
During 1994, the Company acquired seventeen dialysis centers, including several acute care contracts, in Oklahoma, Colorado, Wyoming, New Jersey, Virginia, Pennsylvania and Texas for approximately $50,300,000 in cash, 175,216 shares of unregistered common stock, valued at approximately $1,812,500 at the respective dates of acquisition, and the assumption of approximately $1,200,000 of liabilities. The acquisitions included substantially all of the non-current assets, certain current assets and the assumption of various liabilities and capital lease obligations of the centers. Additionally, certain purchase agreements included provisions whereby additional purchase price may be required if the centers attain certain financial results during a specified period. Refer to note 6 to supplemental consolidated financial statements for discussion of a note issued in connection with an acquisition.

During 1995, the Company acquired nine dialysis centers, including several acute care contracts, in Indiana, Ohio, Texas, Florida and Nebraska for approximately $11,600,000 in cash, 302,644 shares of unregistered common stock, valued at approximately $3,639,750 at the respective dates of acquisition, and the assumption of approximately $118,000 of liabilities. The acquisitions included substantially all of the non-current assets, certain current assets and the assumption of certain liabilities and capital leases of the centers.

3. Business Acquisitions (continued):
The following unaudited pro forma information combines the supplemental consolidated results of operations of the Company and the companies acquired in the acquisitions that were accounted for under the purchase method during 1994 and 1995 as if they had occurred on January 1, 1994:

<TABLE>
<CAPTION>

	(Unaudited) 1994	1995
<S>	<C>	<C>
Net patient revenue	$122,431,000	$167,761,000
Income from operations	15,683,000	25,239,000
Net income	10,686,000	15,038,000
Net income per share	$0.50	$0.67

</TABLE>

The pro forma results do not necessarily represent results which would have occurred if these acquisitions had taken place at the beginning of each period, nor are they indicative of the results of future combined operations.

4. Property and Equipment:
A summary of property and equipment and related accumulated depreciation as of December 31, 1994 and 1995 is as follows:

<TABLE>
<CAPTION>

	1994	1995
<S>	<C>	<C>
Furniture, fixtures and equipment	$14,662,983	$20,775,057
Leasehold improvements	4,102,011	7,427,458
Capital leases	1,013,752	3,161,693
Building	692,772	724,704
Land	100,066	100,066
	20,571,584	32,188,978
Less accumulated depreciation	6,910,646	10,746,557
	$13,660,938	$21,442,421

</TABLE>

Capital leases primarily consist of dialysis equipment. Depreciation expense was $1,395,230, $2,152,110 and $3,846,294 for the years ended December 31, 1993, 1994 and 1995, respectively.

5. Intangible Assets:

Intangible assets consists of goodwill and other identifiable intangibles. A summary of intangible assets and related accumulated amortization as of December 31, 1994 and 1995 is as follows:

	1994	1995
Goodwill	$49,734,578	$59,605,978
Patient lists	30,714,917	33,572,193
Non-compete agreements	8,825,483	10,048,195
Other intangibles	4,134,793	5,111,860
	93,409,771	108,338,226
Less accumulated amortization	14,171,384	22,263,385
	$79,238,387	$86,074,841

Intangible assets principally arose from acquisitions. Amortization expense was $2,750,160, $5,450,849 and $8,220,167 for the years ended December 31, 1993, 1994 and 1995, respectively.

6. Long-Term Debt:

Long-term debt as of December 31, 1994 and 1995 consists of:	1994	1995
Term loan payable in quarterly installments of $625,000 through June 1997	$6,875,000	$3,750,000
Revolving credit/term facility payable in 16 equal quarterly installments from December 1997 through September 2001	13,975,000	33,675,000
Note, 6 1/2% payable to The Dialysis Centers Limited Liability Company in four annual installments of variable amounts commencing on June 1, 1995	7,500,000	6,627,690
Bank term loan payable in quarterly installments of $25,000	325,000	-
Bank revolving line of credit payable in 20 equal quarterly installments commencing in May 1995	2,899,685	-
Term loans payable in monthly installments of $15,912	1,338,270	1,041,576
Other	157,500	-
Capital lease obligations	562,712	2,185,233
Unamortized debt discount	(108,326)	(43,322)
	33,524,841	47,236,177
Less current portion	(4,781,232)	(4,660,077)
	$28,743,609	$42,576,100

On April 21, 1994, the Company amended its term loan and revolving credit agreement (the "Credit Agreement") to add a LIBOR interest rate option, change the note rate, extend the revolving loan conversion date and make certain other modifications.

On November 3, 1994, the Company amended and restated its Credit Agreement and increased the amount the Company can borrow under the Credit Agreement to $75,000,000. The Company must pay an annual commitment fee on the average daily unutilized commitment in the amount of .25% - .35%, determined by the Company's ratio of senior debt to annualized cash flow (the "Applicable Margin"). Borrowings under the Credit Agreement are subject to interest at the Company's option, at either (1) the Agent bank's base rate, adjusted by the Applicable Margin, payable quarterly, or (2) one, two, three, or six-month period LIBOR rate, adjusted by the Applicable Margin, payable at contract termination. The weighted average interest rate was 7.36% and 7.32% at December 31, 1994 and 1995, respectively.

The Credit Agreement also provides for the issuance of letters of credit up to $5,000,000 provided that the aggregate of all outstanding letters of credit plus the outstanding aggregate principal amount of all revolving credit/term loans does not exceed the lesser of the total revolving credit/term commitment or the patient borrowing base, as defined in the Credit Agreement, at such time. As of

December 31, 1994 and 1995, there were $1,062,500 face amount and no letters of credit outstanding, respectively.

The loans are collateralized by all stock of the Company's subsidiaries, a lien on all of the Company's assets and the assignment of certain agreements. The Credit Agreement limits additional indebtedness, acquisitions, investments and dividends and requires the Company to comply with certain other covenants and maintain certain financial ratios. The dividend distributions presented in the Supplemental Consolidated Statement of Stockholders' Equity (Deficit) in 1993, 1994 and 1995 were paid to the former stockholders of HCC, the Wichita Companies and the Group and were not subject to the Credit Agreement limitation on dividend payments.

In June 1994, pursuant to a business acquisition, the Company entered into an agreement to pay the Seller $7,500,000 in annual installments commencing June 1995 through June 1998. Interest on the unpaid principal amount of the note accrues at an annual rate of 6.50%, payable in arrears each June 1 from 1995 through 1998. The note allows the Seller to convert the note into that number of shares of common stock of the Company which shall be equal to the quotient of the outstanding unpaid principal amount of the note divided by the average daily closing sale price of the stock during December, 1994 ($20.685 per share, convertible into 362,582 shares of common stock at December 31, 1994). The fair value of the Company's 6.50% Note was approximately $5,966,400 at December 31, 1995. The carrying amount of all other long-term debt approximates its fair value.

The bank term loan and bank revolving line of credit are the result of an agreement entered into by the Company with a bank (the "HCC Agreement"). The HCC Agreement provided for a $500,000 term loan, a $2,900,000 revolving line of credit available for working capital and a $2,100,000 converting line of credit available to the Company for future expansion. Subsequent to the consummation of the merger with HCC as described in Notes 2 and 3 to the supplemental consolidated financial statements, the Company refinanced through the Credit Agreement all of the indebtedness related to the HCC Agreement.

6. Long-Term Debt (continued):
The term loans are the result of four separate agreements (the "Group Agreements") entered into by the Company with two banks. The Group Agreements provided for a total of $1,350,000 in term loans and a $350,000 revolving line of credit. Subsequent to the consummation of the merger with the Group as described in Notes 2 and 3 to the supplemental consolidated financial statements, the Company paid off all of the indebtedness related to the Group Agreements.

Maturities of long-term debt outstanding, excluding capital leases, as of December 31, 1995 for each of the next five years, is as follows:

<TABLE>
<CAPTION>

Year	
<S>	<C>
1996	$4,093,262
1997	5,686,874
1998	11,497,361
1999	9,083,957
2000	8,418,750

</TABLE>

7. Income Taxes:
The provision for income taxes for the years December 31, 1993, 1994 and 1995 consists of the following:

<TABLE>
<CAPTION>

	1993	1994	1995
<S>	<C>	<C>	<C>
Current:			
Federal	$2,294,388	$4,327,339	$ 8,330,951
State and local	373,505	485,926	807,761
	2,667,893	4,813,265	9,138,712
Deferred:			
Federal	(486,498)	(447,584)	(1,372,961)
State and local	(79,197)	(49,667)	(133,682)
	(565,695)	(497,251)	(1,506,643)

	$2,102,198	$4,316,014	$ 7,632,069

</TABLE>

The tax effects of temporary differences which comprise the net deferred tax asset are as follows:

<TABLE>
<CAPTION>

	December 31, 1994	1995
<S>	<C>	<C>
Deferred tax debits:		
Allowance for doubtful accounts	$535,341	$780,978
Intangibles, principally patient lists	609,674	2,926,430
Property and equipment	189,959	178,417
Other	33,811	38,857
	1,368,785	3,924,682
Deferred tax credits:		
Goodwill	(305,839)	(1,355,093)
	(305,839)	(1,355,093)
Net deferred tax asset	$1,062,946	$2,569,589

</TABLE>

7. Income Taxes (continued):
The following is a reconciliation of the statutory federal income tax rates to the effective rates as a percentage of income before provision for income taxes as reported in the financial statements for the years ended December 31, 1993, 1994 and 1995:

<TABLE>
<CAPTION>

	1993	1994	1995
<S>	<C>	<C>	<C>
U.S. federal income tax rate	34.0%	34.2%	35.0%
State income taxes, net of federal income tax benefit	2.2%	2.4%	2.4%
Non-tax effected items, principally intangibles	1.2%	0.8%	1.8%
Federal and state income tax benefit from S corporation status of HCC, the Wichita Companies and the Group	(9.3%)	(6.4%)	(3.5%)
Other	(1.4%)	(1.0%)	(1.4%)
Effective income tax rate	26.7%	30.0%	34.3%

</TABLE>

8. Benefit and Compensation Plans:
The Company has a defined contribution savings plan covering substantially all employees. The Company's contributions under the plan were approximately $209,064, $388,497, and $462,004 for the years ended 1993, 1994 and 1995, respectively.

In September 1990, the Company established a stock plan, pursuant to which incentive stock options and non-qualified stock options may be issued to employees and others through the year 2000. Incentive stock options may be granted at an exercise price not less than the fair market value of the Company's common stock. Non-qualified stock options may be granted at an exercise price not less than the lower of the book value of the Company's common stock or 50% of the fair market value per share of common stock. Accordingly, compensation expense for the difference between the fair market value and the exercise price for non-qualified stock options issued is recorded over the vesting period of such options.

In 1993 and 1995, the stock plan was amended to increase the number of shares available for grant to 1,837,000 and 2,437,000 shares, respectively. In addition, the Company established an option plan for outside directors pursuant to which non-qualified stock options to purchase up to 60,000 shares may be issued to non-employee directors of the Company. These options may be granted at an exercise price not less than the fair market value of the Company's common stock.

On February 3, 1994, the Company granted 170,000 incentive stock options to certain officers and employees of the Company. These options were granted at an exercise price not less than fair market value of the Company's common stock on the date of grant. These options vest over the next one to three years.

On May 17, 1995, the Company granted 416,000 incentive stock options to certain officers and employees of the Company. These options were granted at an exercise price not less than fair market value of the Company's common stock on the date of the grant. These options vest over the next one to four years. Certain options totalling 305,000 vest upon the earlier of attainment of predetermined earnings per share targets or nine to ten years.

Approximately $80,000, $50,000, and $50,000 was recorded as compensation expense during 1993, 1994, and 1995, respectively, in connection with incentive and non-qualified options to officers of the Company, which have been amortized over the remaining vesting period. Certain options outstanding at December 31, 1995, which are issued to certain officers of the Company, become fully vested upon certain sales of assets, mergers and consolidations involving the Company, as set forth in the respective stock option agreements. The remaining options outstanding at December 31, 1995, which are issued to certain officers and employees of the Company, become fully vested upon certain sales of assets, mergers and consolidations involving the Company, at the option of the Stock Plan Committee.

8. Benefit and Compensation Plans (continued):

The following is a summary of option transactions and exercise prices:

<TABLE>
<CAPTION>

<S>	Number of Shares <C>	Price Per Share <C>
Outstanding at December 31, 1993	1,490,032	$0.005 - $9.625
Granted	188,000	$11.25
Exercised	(356,762)	$0.005 - $5.25
Cancelled	(20,000)	$11.25
Outstanding at December 31, 1994	1,301,270	$0.055 - $11.25
Granted	416,000	$11.50
Exercised	(458,016)	$0.005 - $11.25
Outstanding at December 31, 1995	1,259,254	$5.25 - $11.50
Exercisable at December 31, 1995	338,824	

</TABLE>

9. Capital Stock:

On January 30, 1996, the Board of Directors of the Company declared a dividend on the Company's common stock of one share of common stock for each share outstanding, thereby effecting a 2-for-1 stock split. The dividend shares were issued on March 14, 1996 to stockholders of record as of February 29, 1996. Additionally, on February 29, 1996, the Company amended its capital structure to increase the Company's authorized capital to 45,000,000 shares of $0.01 par value common stock and 5,000,000 shares of $.01 par value Series Preferred Stock. All references in the financial statements to outstanding and authorized common shares, average number of shares outstanding and related prices, per share amounts and stock plan data have been restated to reflect the split effected by the stock dividend.

10. Leasing Arrangements:

The Company leases certain of its operating facilities, corporate office and furniture and equipment under non-cancelable leases for terms ranging from four to ten years with certain renewal options. Certain of these facilities are leased by the Company from medical directors.

Future minimum lease payments are as follows:

<TABLE>
<CAPTION>

<S>	Capital Leases <C>	Third-party Operating Leases <C>	Operating Leases with Medical Directors <C>
1996	$868,765	$4,230,897	$1,015,613
1997	609,862	3,433,229	1,015,613
1998	608,653	2,890,264	766,303
1999	421,666	2,591,912	722,874

2000 and thereafter	-	8,100,724	3,117,466
Total minimum lease payments	$2,508,946	$21,247,026	$6,637,869
Less amount representing interest	323,714		
Present value of net minimum payments under capital leases	2,185,232		
Less current portion	566,815		
	$1,618,417		

</TABLE>

Rent expense paid to third parties under operating leases was $2,216,260, $3,270,066 and $4,921,026 for the years ended December 31, 1993, 1994 and 1995, respectively. Rent expense paid to medical directors under facility operating leases was $545,608, $832,454 and $1,030,208 for the years ended December 31, 1993, 1994 and 1995 respectively.

11. Mandatory Redeemable Preferred Stock:
On July 29, 1993, the Company redeemed all the Series A preferred stock outstanding at a redemption price of $1,000 per share. In addition, on July 29, 1993, the holders of 257 shares of Series B preferred stock converted their shares into 4,545,932 shares of Common stock. The Company paid in full all accrued and unpaid dividends of $476,249 on the Series A and B preferred stock on the redemption and conversion date.

11. Mandatory Redeemable Preferred Stock (continued):
Dividends on preferred stock were set aside from funds legally available for payment quarterly on the last day of each November, February, May and August which commenced November 30, 1989. Dividends on preferred stock were payable at an annual dividend rate per share of 6% for the period October 1, 1992 through September 30, 1995.

On July 29, 1993, the holders of Series B preferred stock warrants also exercised their rights to purchase 17.1466 shares of the Company's Series B preferred stock, exercisable at $1,000 per share. Each share was then converted into 17,689.72 shares of common stock.

12. Commitments and Contingencies:
The Company has entered into long-term compensation agreements with the physician directors of each dialysis facility. The agreements range from one to ten years with certain agreements containing one to ten year options to renew. The agreements provide for a total annual base compensation as follows:

<TABLE>
<CAPTION>

Year	Physician Director Base Compensation
<S>	<C>
1995	$6,270,287
1996	5,462,190
1997	5,204,504
1998	4,066,557
1999 and thereafter	12,958,132
Total minimum payments	$33,961,670

</TABLE>

Certain of these agreements provide for incentive compensation based on pre-tax operating profit.

The Company has employment agreements with four officers. These agreements provide for total annual compensation of $756,000 and provide that in the event any payment or benefit received by any of them in connection with a change of control is deemed an "excess parachute payment" under the Internal Revenue Code, the Company shall pay the officer a cash bonus equal to any additional tax liability imposed upon him as a result.

The Company is a party to certain legal actions arising in the ordinary course of business. The Company believes it has adequate legal defenses and/or insurance coverage for these actions and that the ultimate outcome of these actions will not have a material adverse impact on the Company's results of operations, financial condition or liquidity.

13. Supplemental Cash Flow Information:
Supplemental disclosure of cash flow information for the years ended December 31, 1993, 1994 and 1995 is as follows:

<TABLE>

<CAPTION>

	1993	1994	1995
Cash paid for:			
Interest	$1,473,220	$1,090,192	$2,177,255
Income taxes	$2,012,701	$4,857,551	$5,680,430
Non-cash investing and financing activities:			
Capital lease obligations entered into	$ 326,863	$ 542,032	$2,081,699
Conversion of Series B preferred stock and Series B warrants to common stock	$ 274,147	$ -	$ -
Issuance of common stock in connection with purchases of businesses	$ -	$1,812,500	$3,639,750
Earnout note issued in connection with purchase of business	$ -	$7,364,100	$ -
Acquisition of treasury stock in connection with payroll taxes resulting from exercise of stock options.	$ -	$ 47,219	$ 346,857

</TABLE>

Renal Treatment Centers, Inc. and Subsidiaries
CONDENSED SUPPLEMENTAL CONSOLIDATED BALANCE SHEET

<TABLE>
<CAPTION>

	December 31, 1995	(Unaudited) June 30, 1996
Assets		
Current assets:		
Cash	$ 8,231,421	$ 621,444
Investments	-	45,963,081
Accounts receivable, less allowance for doubtful accounts of $3,503,744 in 1995 and $5,743,830 in 1996	51,996,618	63,386,631
Inventories	2,869,019	3,838,980
Deferred taxes	819,835	1,412,519
Prepaid expenses and other current assets	1,396,893	1,219,708
Total current assets	65,313,786	116,442,363
Property and equipment, net of accumulated depreciation of $10,746,557 in 1995 and $16,249,094 in 1996	21,442,421	31,733,870
Intangibles, net of accumulated amortization of $22,263,385 in 1995 and $26,925,574 in 1996	86,341,433	121,718,883
Deferred taxes, non-current	1,749,754	1,749,754
Other assets	20,842	15,649
Total assets	$174,868,236	$271,660,519
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	$4,766,262	$3,336,451
Accounts payable	4,495,087	6,305,145
Accrued compensation	2,790,121	2,694,379
Accrued expenses	6,576,600	3,170,103
Accrued income taxes	2,218,692	320,024
Accrued interest	1,087,415	399,015
Total current liabilities	21,934,177	16,225,117
Long-term debt, net	42,576,100	131,592,265
Stockholders' equity:		
Preferred stock, $.01 par value, 5,000,000		

shares authorized; none issued		
Common stock, $.01 par value, 45,000,000 shares authorized; issued and outstanding 22,209,689 and 24,255,969 shares in 1995 and 1996, respectively	222,097	242,559
Additional paid-in capital	83,257,068	85,480,900
Retained earnings	27,272,870	38,513,754
	110,752,035	124,237,213
Less treasury stock, 37,202 shares in 1995 and 1996	(394,076)	(394,076)
Total stockholders' equity	110,357,959	123,843,137
Total liabilities and stockholders' equity	$174,868,236	$271,660,519

</TABLE>

See accompanying notes to condensed supplemental consolidated financial statements

Renal Treatment Centers, Inc. and Subsidiaries
CONDENSED SUPPLEMENTAL CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

<TABLE>
<CAPTION>

	Three Months Ended June 30, 1996	Three Months Ended June 30, 1995	Six Months Ended June 30, 1996	Six Months Ended June 30, 1995
<S>	<C>	<C>	<C>	<C>
Net patient revenue	$55,583,123	$40,066,785	$106,132,950	$77,816,039
Patient care costs	26,997,151	19,645,417	51,482,378	38,216,941
Operating profit	28,585,972	20,421,368	54,650,572	39,599,098
General and administrative expense	13,479,366	10,069,871	26,632,717	20,330,847
Provision for doubtful accounts	1,737,321	986,919	3,308,507	2,020,088
Depreciation and amortization	4,072,917	2,908,536	7,645,118	5,641,524
Merger expenses	-	-	1,708,247	1,587,542
Income from operations	9,296,368	6,456,042	15,355,983	10,019,097
Interest expense, net	856,313	651,621	1,553,433	1,310,325
Income before income taxes	8,440,055	5,804,421	13,802,550	8,708,772
Provision for income taxes	3,009,329	1,767,248	4,999,536	2,332,211
Net income	$ 5,430,726	$ 4,037,173	$ 8,803,014	$ 6,376,561
Net income per common and common stock equivalent	$ 0.22	$ 0.18	$ 0.36	$ 0.29
Weighted average number of common and common stock equivalents outstanding	25,828,734	22,105,059	15,284,349	22,057,653

</TABLE>

See accompanying notes to condensed supplemental consolidated financial statements

Renal Treatment Centers, Inc. and Subsidiaries
CONDENSED SUPPLEMENTAL CONSOLIDATED STATEMENTS OF CASH FLOWS
for the six months ended June 30, 1995 and 1996
(Unaudited)

<TABLE>
<CAPTION>

	June 30, 1996	June 30, 1995
<S>	<C>	<C>

Cash flows from operating activities:		
Net income	$8,803,014	$6,376,561
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,666,084	5,668,009
Provision for doubtful accounts	3,308,507	2,020,088
Changes in operating assets and liabilities, net of effects of companies acquired:		
Accounts receivable	(11,355,559)	(8,263,686)
Inventories	(673,916)	474,846
Prepaid expenses and other current assets	239,556	176,555
Accounts payable and accrued expenses	(5,722,617)	(439,306)
Accrued income taxes	(1,898,668)	(298,908)
Net cash (used in) provided by operating activities	366,401	5,714,159
Cash flows from investing activities:		
Capital expenditures	(6,188,493)	(3,553,324)
Purchase of businesses, net of cash acquired	(37,030,623)	(5,144,291)
Sale of investments	9,347,962	2,661,944
Purchase of investments	(55,311,043)	-
Other	(979,804)	(1,356,734)
Net cash used in investing activities	(90,162,001)	(7,392,405)
Cash flows from financing activities:		
Issuance of 5 5/8% convertible subordinated notes	125,000,000	-
Proceeds from long-term debt borrowings	30,500,000	9,000,000
Repayments of debt	(70,420,804)	(6,369,894)
Net borrowings under line of credit	(50,000)	(19,001)
Proceeds from issuance of common stock	2,137,012	623,329
Payment of dividends	(658,500)	(1,082,331)
Debt issuance costs	(3,750,000)	-
Payments on capital lease obligations	(1,535,784)	(313,312)
Cash portion of consideration received for common stock	$963,699	-
Net cash provided by financing activities	82,185,623	1,838,791
Net increase (decrease) in cash and cash equivalents	(7,609,977)	160,545
Cash and cash equivalents at beginning of period	8,231,421	2,782,781
Cash and cash equivalents at end of period	621,444	$ 2,943,326

</TABLE>

See accompanying notes to supplemental consolidated financial statements

Renal Treatment Centers, Inc. and Subsidiaries

Notes to Condensed Supplemental Consolidated Financial Statements
(Unaudited)

1. BASIS OF PRESENTATION:

The accompanying unaudited condensed supplemental consolidated financial statements have been prepared by the Company in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 1996 are not necessarily indicative of the results that may be expected for the year ending December 31, 1996. The interim supplemental consolidated financial statements should be read in conjunction with the supplemental consolidated financial statements and footnotes thereto included herein.

The condensed supplemental consolidated financial statements of Renal Treatment Centers, Inc. ("the Company") have been prepared to give retroactive effect to the acquisition of Panama City Artificial Kidney Center, Inc. and North Florida Artificial Kidney Center, Inc. (collectively "the Group") on July 23, 1996 which has been accounted for using the pooling-of-interests method of accounting.

2. COMMITMENTS AND CONTINGENCIES:

The Company is a party to certain legal actions arising in the ordinary course of business. The Company believes it has adequate legal defenses and/or insurance coverage for these actions and that the ultimate outcome of these actions will not have a material adverse impact on the Company's results of operations, financial condition or liquidity.

3. SIGNIFICANT EVENTS:

On February 20, 1996, the Company acquired Intercontinental Medical Services, Inc. ("IMS"), which operated four dialysis facilities in Hawaii. The transaction was accounted for as a pooling of interests. Accordingly, the Company's financial statements include the results of IMS as of January 1, 1996. In total, 1,047,464 shares of the Company's common stock were exchanged for all outstanding shares of IMS.

On February 29, 1996, the Company acquired Midwest Dialysis Units and its affiliates (collectively "MDU"), which operated 11 dialysis facilities in Oklahoma. The transaction was accounted for as a pooling of interests. Accordingly, the Company's financial statements include the results of MDU as of January 1, 1996. In total 767,168 shares of the Company's common stock were exchanged for all outstanding shares of MDU.

Prior year financial statements have not been restated to reflect these transactions because the impact on the Company's financial statements of such transactions is not material.

On May 29, 1996, with an effective date of May 31, 1996, the Company acquired substantially all of the assets of Kidney Center of Delaware County, Ltd. ("KCDC") and Kidney Center of Chester County, Ltd. ("KCCC"). These two outpatient dialysis centers, located in the Philadelphia, Pennsylvania area, provide care to approximately 400 patients and perform acute treatments at nine area hospitals.

On June 5, 1996 the Company amended its Credit Agreement with a consortium of banks to increase the amount available under the line of credit from $68,125,000 to $100,000,000 and to make certain other changes to the terms of the Credit Agreement, including amendments to certain covenants, the amortization schedule, the interest rates and the events of default.

On June 12, 1996 the Company issued $125,000,000 of 5 5/8% Convertible Subordinated Notes due 2006. The Company is using the proceeds of the offering for the repayment of indebtedness, acquisitions, development of additional dialysis centers, capital expenditures and general corporate purposes.

Renal Treatment Centers, Inc. and Subsidiaries

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS
for the years ended December 31, 1995, 1994 and 1993

<TABLE>
<CAPTION>

Description	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions	Balance at End of Year
<S>	<C>	<C>	<C>	<C>
Year ended December 31, 1995:				
Allowance for doubtful receivables	$2,306,556	$4,760,678	$3,563,490/(1)/	$3,503,744
Year ended December 31, 1994:				
Allowance for doubtful receivables	$1,123,211	$3,121,017	$1,937,672/(1)/	$2,306,556
Year ended December 31, 1993:				
Allowance for doubtful receivables	$803,204	$1,550,691	$1,230,684/(1)/	$1,123,211

</TABLE>

(1) Amounts represent writeoffs of uncollectible receivables, of net recoveries.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

<TABLE>
<CAPTION>

(c) Exhibits	Description
<S>	<C>
11.1	Computation of Primary and Fully Diluted Earnings Per Share
23.1	Consent of Coopers & Lybrand, L.L.P.
23.2	Consent of Deloitte & Touche, L.L.P.
23.3	Consent of Baird, Kurtz & Dobson
27	Financial Data Schedule

</TABLE>

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RENAL TREATMENT CENTERS, INC.

Date: August 23, 1996

By:/s/Frederick C. Jansen

Frederick C. Jansen
Executive Vice President and
Chief Financial Officer

Date: August 23, 1996

By:/s/Ronald H. Rodgers, Jr.

Ronald H. Rodgers, Jr.
Vice President - Finance
(Principal Accounting Officer)

Exhibit Index

<TABLE>
<CAPTION>

Exhibits	Description	Pages
<S>	<C>	<C>
11.1	Computation of Primary and Fully Diluted Earnings Per Share	14-15
23.1	Consent of Coopers & Lybrand, L.L.P.	16
23.2	Consent of Deloitte & Touche, L.L.P.	17
23.3	Consent of Baird, Kurtz & Dobson	18
27	Financial Data Schedule	19

</TABLE>

Exhibit 11.1 (a)

Renal Treatment Centers, Inc. and Subsidiaries
COMPUTATION OF PRIMARY AND FULLY DILUTED EARNINGS PER SHARE
for the year ended December 31, 1994

<TABLE>
<CAPTION>

<S>	Primary 1994 <C>	Fully Diluted 1994 <C>
Net income	$10,050,920	$10,050,920
Weighted average number of shares outstanding during year	20,589,003	20,589,003
Weighted average number of maximum shares subject to exercise under outstanding stock options	1,396,022	1,396,022
	21,985,025	21,985,025
Less treasury shares assumed purchased with proceeds from assumed exercise of outstanding common stock options	823,782	769,752
Weighted average number of common and common stock equivalents outstanding	21,161,243	21,215,273
Net income per common and common stock equivalent	$0.47	$0.47

</TABLE>

Exhibit 11.1 (b)

Renal Treatment Centers, Inc. and Subsidiaries
COMPUTATION OF PRIMARY AND FULLY DILUTED EARNINGS PER SHARE
for the year ended December 31, 1995

	Primary 1995	Fully Diluted 1995
Net income	$14,630,804	$14,630,804
Add back interest on note, tax effected		$ 283,136
Net income available to common stockholders	$14,630,804	$14,913,940
Weighted average number of shares outstanding	21,868,067	21,868,067
Weighted average number of maximum shares subject to exercise under outstanding stock options	1,444,812	1,444,812
Weighted average shares assumed issued upon conversion of note	-	682,402
	23,312,879	23,995,281
Less treasury shares assumed purchased with proceeds from assumed exercise of outstanding common stock options	900,146	594,196
Weighted average number of common and common stock equivalents outstanding	22,412,733	23,401,085
Net income per common and common stock equivalent	$0.65	$0.64

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Renal Treatment Centers, Inc. and Subsidiaries (the "Company") on Forms S-8 (File Nos. 33-85750 and 33-94262) and Forms S-3 (File Nos. 33-88418, 33-93060, 33-96828 and 333-3716) of our report dated March 20, 1996 except for the combination described in Note 2, for which the date is August 19, 1996, on our audits of the consolidated financial statements and the financial statement schedule of the Company as of December 31, 1995 and 1994 and for the years ended December 31, 1995, 1994 and 1993, which includes reference to information audited by other auditors for which the dates of their reports are July 14, 1995 and March 31, 1995, respectively, which reports are included in this Form 8-K

/s/Coopers & Lybrand, L.L.P.

Coopers & Lybrand L.L.P.

600 Lee Road
Wayne, Pennsylvania
August 22, 1996

Exhibit 23.2

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in the Registration Statements of Renal Treatment Centers, Inc. and subsidiaries on Form S-8 (Nos. 33-85750 and 33-94262) and Form S-3 (Nos. 33-88418, 33-93060, 33-96828 and 333-3716) of our report dated March 31, 1995, on our audits of the combined financial statements of Healthcare Corporation and Affiliates as of December 31, 1994, and for the two years in the period ended December 31, 1994, appearing in the Annual Report on Form 10-K of Renal Treatment Centers, Inc. and subsidiaries for the year ended December 31, 1995.

/s/Deloitte & Touche LLP

Deloitte & Touche LLP

Nashville, Tennessee
August 20, 1996

Exhibit 23.3

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in the registration statements of Renal Treatment Centers, Inc. on Form S-3 (File Nos. 33-88418, 33-93060, 33-96828, 333-3716) and S-8 (File Nos. 33-85750, 33-94262) of our report dated July 14, 1995, except for Note 9 as to which the date is July 24, 1995, relating to the financial statements of the Wichita Dialysis Group, which report is included in the Form 8-K.

/s/Baird, Kurtz & Dobson

Baird, Kurtz & Dobson

Wichita, Kansas
August 23, 1996

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