

Alere Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2014	2013
Net product sales and services revenue	\$ 711,410	\$ 735,185
License and royalty revenue	5,212	4,064
Net revenue	716,622	739,249
Cost of net revenue	365,383	374,992
Gross profit	351,239	364,257
Gross margin	49%	49%
Operating expenses:		
Research and development	38,699	41,454
Selling, general and administrative	286,600	292,314
Total operating expenses	325,299	333,768
Operating income	25,940	30,489
Interest and other income (expense), net	(47,322)	(57,869)
Loss before benefit for income taxes	(21,382)	(27,380)
Benefit for income taxes	(9,917)	(36,871)
Income (loss) before equity earnings of unconsolidated entities, net of tax	(11,465)	9,491
Equity earnings of unconsolidated entities, net of tax	5,352	2,934
Net income (loss)	(6,113)	12,425
Less: Net income (loss) attributable to non-controlling interests	108	(25)
Net income (loss) attributable to Alere Inc. and Subsidiaries	(6,221)	12,450
Preferred stock dividends	(5,250)	(5,250)
Net income (loss) available to common stockholders	\$ (11,471)	\$ 7,200
Basic net income (loss) per common share	\$ (0.14)	\$ 0.09
Diluted net income (loss) per common share	\$ (0.14)	\$ 0.09
Weighted average shares - basic	82,387	81,199
Weighted average shares - diluted	82,387	81,300

Alere Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands)

	March 31, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 433,026	\$ 361,908
Restricted cash	4,222	6,373
Marketable securities	781	858
Accounts receivable, net	528,793	548,729
Inventories, net	371,136	364,185
Prepaid expenses and other current assets	183,145	190,361
Total current assets	1,521,103	1,472,414
PROPERTY, PLANT AND EQUIPMENT, NET	545,051	545,164
GOODWILL AND OTHER INTANGIBLE ASSETS, NET	4,763,226	4,835,004
RESTRICTED CASH - NON-CURRENT	28,856	29,370
DEFERRED FINANCING COSTS AND OTHER ASSETS, NET	177,950	178,862
Total assets	\$ 7,036,186	\$ 7,060,814
 LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portions of long-term debt and capital lease obligations	\$ 71,472	\$ 55,967
Other current liabilities	620,709	617,219
Total current liabilities	692,181	673,186
 LONG-TERM LIABILITIES:		
Long-term debt and capital lease obligations, net of current portions	3,760,886	3,787,195
Deferred tax liabilities	307,574	329,249
Other long-term liabilities	194,989	188,336
Total long-term liabilities	4,263,449	4,304,780
TOTAL EQUITY	2,080,556	2,082,848
Total liabilities and equity	\$ 7,036,186	\$ 7,060,814

Alere Inc. and Subsidiaries
Reconciliation to Non-GAAP Adjusted Operating Results
(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2014	2013
Reconciliation to Non-GAAP Adjusted Operating Income ⁽¹⁾		
Operating income	\$ 25,940	\$ 30,489
Adjustment related to acquired software license contracts	419	643
Amortization of acquisition-related intangible assets	66,473	75,867
Restructuring charges	7,215	3,892
Stock-based compensation expense	5,704	4,123
Compensation charges associated with acquisition-related contingent consideration obligations	422	690
Acquisition-related costs	321	896
Fair value adjustments to acquisition-related contingent consideration	4,550	11,018
Non-cash charge associated with acquired inventory	-	461
Costs associated with potential business dispositions	2,960	-
Non-GAAP adjusted operating income	\$ 114,004	\$ 128,079
	Three Months Ended March 31,	
	2014	2013
Reconciliation to Non-GAAP Adjusted Net Income ⁽¹⁾		
Net income (loss) available to common stockholders	\$ (11,471)	\$ 7,200
Adjustment related to acquired software license contracts	419	643
Amortization of acquisition-related intangible assets	66,491	75,989
Restructuring charges	7,340	3,947
Stock-based compensation expense	5,704	4,123
Compensation charges associated with acquisition-related contingent consideration obligations	422	690
Acquisition-related costs	321	896
Fair value adjustments to acquisition-related contingent consideration	4,550	11,018
Non-cash charge associated with acquired inventory	-	461
Costs associated with potential business dispositions	2,960	-
Interest expense recorded in connection with fees paid for certain debt modifications and the termination of our senior secured credit facility	364	952
Interest accretion associated with acquisition-related compensation charges	95	-
Expense associated with extinguishment of debt	-	163
Income tax effects on items above	(29,858)	(62,055)
Non-GAAP adjusted net income available to common stockholders	\$ 47,337	\$ 44,027
Net income (loss) per diluted common share	\$ (0.14)	\$ 0.09
Non-GAAP adjusted net income per diluted common share	\$ 0.55	\$ 0.53
Weighted average shares - diluted	82,387	81,300
Non-GAAP adjusted weighted average shares - diluted	97,346	94,977

⁽¹⁾ In calculating "non-GAAP adjusted operating income" and "non-GAAP adjusted net income", the Company excludes (i) certain non-cash charges, including amortization expense and stock-based compensation expense, (ii) non-recurring charges and income, and (iii) certain other charges and income that have a significant positive or negative impact on results yet do not occur on a consistent or regular basis in its business. In determining whether a particular item meets one of these criteria, management considers facts and circumstances that it believes are relevant. Management believes that excluding such charges and income from operating income and net income or loss allows investors and management to evaluate and compare the Company's operating results from continuing operations from period to period in a meaningful and consistent manner. Due to the frequency of their occurrence in its business, the Company does not adjust operating income or net income or loss for the costs associated with litigation, including payments made or received through settlements. It should be noted that "non-GAAP adjusted operating income" and "non-GAAP adjusted net income" are not standard financial measurements under accounting principles generally accepted in the United States of America ("GAAP") and should not be considered as an alternative to operating income and net income or loss or cash flow from operating activities, as a measure of liquidity or as an indicator of operating performance or any measure of performance derived in accordance with GAAP. In addition, all companies do not calculate non-GAAP financial measures in the same manner and, accordingly, "non-GAAP adjusted operating income" and "non-GAAP adjusted net income" presented in this press release may not be comparable to similar measures used by other companies.

Alere Inc. and Subsidiaries
Selected Consolidated Revenues by Business Area ⁽¹⁾
(in thousands)

Professional Diagnostics Segment	Q1 2014	Q1 2013	% Change Q1 14 v. Q1 13
Infectious disease	\$ 164,030	\$ 189,844	-14%
Toxicology	151,897	149,049	2%
Cardiology	121,633	114,933	6%
Diabetes	50,721	50,083	1%
Other ⁽¹⁾	73,052	74,719	-2%
Professional diagnostics net product sales and services revenue ⁽¹⁾	561,333	578,628	-3%
License and royalty revenue	5,212	3,864	35%
Professional diagnostics net revenue	\$ 566,545	\$ 582,492	-3%
Health Information Solutions Segment	Q1 2014	Q1 2013	% Change Q1 14 v. Q1 13
Condition and case management	\$ 49,319	\$ 54,126	-9%
Wellness	24,950	26,300	-5%
Women's & children's health	22,215	29,080	-24%
Patient self-testing services	27,184	24,701	10%
Health information solutions net revenue	\$ 123,668	\$ 134,207	-8%

⁽¹⁾ Revenues are presented in accordance with generally accepted accounting principles and exclude an adjustment of \$0.4 million and \$0.6 million related to acquired software license contracts which were not recognized during the three months ended March 31, 2014 and 2013, respectively, due to business combination accounting rules.

Alere Inc. and Subsidiaries
Reconciliation of Operating Income (Loss) to Non-GAAP Adjusted Operating Income (Loss)
(in thousands)

For the Three Months Ended March 31, 2014

Operating Segment	Health				Total
	Professional Diagnostics	Information Solutions	Consumer Diagnostics	Corporate	
Net revenue	\$ 566,545	\$ 123,668	\$ 26,409	\$ -	\$ 716,622
Adjustment related to acquired software license contracts (1)	419	-	-	-	419
Non-GAAP adjusted net revenue	<u>\$ 566,964</u>	<u>\$ 123,668</u>	<u>\$ 26,409</u>	<u>\$ -</u>	<u>\$ 717,041</u>
Operating income (loss)	\$ 51,326	\$ (6,720)	\$ 2,248	\$ (20,914)	\$ 25,940
Adjustment related to acquired software license contracts (1)	419	-	-	-	419
Amortization of acquisition-related intangible assets	57,285	8,899	289	-	66,473
Restructuring charges	4,303	2,817	-	95	7,215
Stock-based compensation expense	-	-	-	5,704	5,704
Compensation charges associated with acquisition-related contingent consideration obligations	422	-	-	-	422
Acquisition-related costs	-	-	-	321	321
Fair value adjustments to acquisition-related contingent consideration	5,461	(1,011)	-	100	4,550
Costs associated with potential business dispositions	2,960	-	-	-	2,960
Non-GAAP adjusted operating income (loss)	<u>\$ 122,176</u>	<u>\$ 3,985</u>	<u>\$ 2,537</u>	<u>\$ (14,694)</u>	<u>\$ 114,004</u>
Non-GAAP adjusted operating income (loss) as % of Non-GAAP adjusted net revenue	<u>21.5%</u>	<u>3.2%</u>	<u>9.6%</u>		<u>15.9%</u>

(1) Estimated revenue related to acquired software license contracts that was not recognized during the first quarter of 2014 due to business combination accounting rules.

For the Three Months Ended March 31, 2013

Operating Segment	Health				Total
	Professional Diagnostics	Information Solutions	Consumer Diagnostics	Corporate	
Net revenue	\$ 582,492	\$ 134,207	\$ 22,550	\$ -	\$ 739,249
Adjustment related to acquired software license contracts (1)	643	-	-	-	643
Non-GAAP adjusted net revenue	<u>\$ 583,135</u>	<u>\$ 134,207</u>	<u>\$ 22,550</u>	<u>\$ -</u>	<u>\$ 739,892</u>
Operating income (loss)	\$ 59,840	\$ (13,893)	\$ 2,280	\$ (17,738)	\$ 30,489
Adjustment related to acquired software license contracts (1)	643	-	-	-	643
Amortization of acquisition-related intangible assets	64,293	11,038	536	-	75,867
Restructuring charges	1,389	2,503	-	-	3,892
Stock-based compensation expense	-	-	-	4,123	4,123
Compensation charges associated with acquisition-related contingent consideration obligations	690	-	-	-	690
Non-cash charge associated with acquired inventory	461	-	-	-	461
Acquisition-related costs	-	-	-	896	896
Fair value adjustments to acquisition-related contingent consideration	7,063	3,355	-	600	11,018
Non-GAAP adjusted operating income (loss)	<u>\$ 134,379</u>	<u>\$ 3,003</u>	<u>\$ 2,816</u>	<u>\$ (12,119)</u>	<u>\$ 128,079</u>
Non-GAAP adjusted operating income (loss) as % of Non-GAAP adjusted net revenue	<u>23.0%</u>	<u>2.2%</u>	<u>12.5%</u>		<u>17.3%</u>

(1) Estimated revenue related to acquired software license contracts that was not recognized during the first quarter of 2013 due to business combination accounting rules.

Comments:

In calculating "adjusted operating income (loss)" in the schedule presented above, the Company excludes from operating income (loss) (i) certain non-cash charges, including amortization expense and stock-based compensation expense, (ii) non-recurring charges and income, and (iii) certain other charges and income that have a significant positive or negative impact on results yet do not occur on a consistent or regular basis in its business. In determining whether a particular item meets one of these criteria, management considers facts and circumstances that it believes are relevant. Management believes that excluding such charges and income from operating income (loss) allows investors and management to evaluate and compare the Company's operating results from continuing operations from period to period in a meaningful and consistent manner. Due to the frequency of their occurrence in its business, the Company does not adjust operating income (loss) for the costs associated with litigation, including payments made or received through settlements. It should be noted that "adjusted operating income (loss)" is not a standard financial measurement under accounting principles generally accepted in the United States of America ("GAAP") and should not be considered as an alternative to operating income (loss) as an indicator of operating performance or any measure of performance derived in accordance with GAAP. In addition, all companies do not calculate non-GAAP financial measures in the same manner and, accordingly, "adjusted operating income (loss)" presented in this schedule may not be comparable to similar measures used by other companies.

Reference should also be made to the Company's financial results contained in our earnings press release respective to the periods presented in this schedule, which include a more detailed discussion of the adjustments to the GAAP operating results presented above.

Alere Inc. and Subsidiaries
Reconciliations to Non-GAAP Adjusted P&L Categories
(in thousands)

	<u>Three Months Ended March 31, 2014</u>	<u>Three Months Ended March 31, 2013</u>
Net revenue	\$ 716,622	\$ 739,249
Adjustment related to acquired software license contracts	419	643
Non-GAAP adjusted net revenue	<u>\$ 717,041</u>	<u>\$ 739,892</u>
Cost of net revenue	\$ 365,383	\$ 374,992
Less adjustments:		
Amortization of acquisition-related intangible assets	(16,636)	(19,170)
Restructuring charges	(875)	(623)
Stock-based compensation expense	(287)	(232)
Non-cash charge associated with acquired inventory	-	(461)
Non-GAAP adjusted cost of net revenue	<u>\$ 347,585</u>	<u>\$ 354,506</u>
Non-GAAP adjusted gross profit	<u>\$ 369,456</u>	<u>\$ 385,386</u>
	<u>Three Months Ended March 31, 2014</u>	<u>Three Months Ended March 31, 2013</u>
Research and development	\$ 38,699	\$ 41,454
Less adjustments:		
Amortization of acquisition-related intangible assets	(1,165)	(1,282)
Stock-based compensation expense	(1,191)	(747)
Non-GAAP adjusted research and development	<u>\$ 36,343</u>	<u>\$ 39,425</u>
	<u>Three Months Ended March 31, 2014</u>	<u>Three Months Ended March 31, 2013</u>
Selling, general and administrative	\$ 286,600	\$ 292,314
Less adjustments:		
Amortization of acquisition-related intangible assets	(48,672)	(55,415)
Restructuring charges	(6,340)	(3,269)
Stock-based compensation expense	(4,226)	(3,144)
Compensation charges associated with acquisition-related contingent consideration obligations	(422)	(690)
Acquisition-related costs	(321)	(896)
Fair value adjustments to acquisition-related contingent consideration	(4,550)	(11,018)
Costs associated with potential business dispositions	(2,960)	-
Non-GAAP adjusted selling, general and administrative	<u>\$ 219,109</u>	<u>\$ 217,882</u>
	<u>Three Months Ended March 31, 2014</u>	<u>Three Months Ended March 31, 2013</u>
Interest and other income (expense), net	\$ (47,322)	\$ (57,869)
Less adjustments:		
Restructuring charges	125	55
Interest expense recorded in connection with fees paid for certain debt modifications and the termination of our senior secured credit facility	364	952
Interest accretion associated with acquisition-related compensation charges	95	-
Expense associated with extinguishment of debt	-	163
Non-GAAP adjusted interest and other income (expense), net	<u>\$ (46,738)</u>	<u>\$ (56,699)</u>
	<u>Three Months Ended March 31, 2014</u>	<u>Three Months Ended March 31, 2013</u>
Benefit for income taxes	\$ (9,917)	\$ (36,871)
Add: Income tax effects on Non-GAAP adjustments	29,887	62,061
Non-GAAP adjusted provision for income taxes	<u>\$ 19,970</u>	<u>\$ 25,190</u>
	<u>Three Months Ended March 31, 2014</u>	<u>Three Months Ended March 31, 2013</u>
Equity earnings of unconsolidated entities, net of tax	\$ 5,352	\$ 2,934
Less adjustments:		
Amortization of acquisition-related intangible assets	148	151
Income tax effects on items above	-	-
Non-GAAP adjusted equity earnings of unconsolidated entities, net of tax	<u>\$ 5,500</u>	<u>\$ 3,085</u>

Alere Inc. and Subsidiaries
Reconciliations of Gross Profit/Margin to Non-GAAP Adjusted Gross Profit/Margin
(in thousands)

Alere Consolidated	<u>Three Months Ended March 31, 2013</u>	<u>Three Months Ended December 31, 2013</u>	<u>Three Months Ended March 31, 2014</u>
Net revenue	\$ 739,249	\$ 772,326	\$ 716,622
Adjustment related to acquired software license contracts	643	470	419
Non-GAAP adjusted net revenue	<u>739,892</u>	<u>772,796</u>	<u>717,041</u>
Cost of net revenue	374,992	387,977	365,383
Less adjustments:			
Amortization of acquisition-related intangible assets	19,170	17,656	16,636
Stock-based compensation expense	232	329	287
Non-cash charge associated with acquired inventory	461	624	-
Restructuring charges	623	2,957	875
Non-GAAP adjusted cost of net revenue	<u>354,506</u>	<u>366,411</u>	<u>347,585</u>
Non-GAAP adjusted gross profit/margin	<u>\$ 385,386</u> <u>52.1%</u>	<u>\$ 406,385</u> <u>52.6%</u>	<u>\$ 369,456</u> <u>51.5%</u>
Professional Diagnostics Segment	<u>Three Months Ended March 31, 2013</u>	<u>Three Months Ended December 31, 2013</u>	<u>Three Months Ended March 31, 2014</u>
Net product sales and services revenue	\$ 578,628	\$ 600,667	\$ 561,333
Adjustment related to acquired software license contracts	643	470	419
Non-GAAP adjusted net product sales and services revenue	<u>579,271</u>	<u>601,137</u>	<u>561,752</u>
Cost of net revenue	278,453	292,183	273,542
Less adjustments:			
Amortization of acquisition-related intangible assets	17,399	16,005	15,136
Stock-based compensation expense	232	329	287
Non-cash charge associated with acquired inventory	461	624	-
Restructuring charges	199	2,253	833
Non-GAAP adjusted cost of net revenue	<u>260,162</u>	<u>272,972</u>	<u>257,286</u>
Non-GAAP adjusted gross profit/margin	<u>\$ 319,109</u> <u>55.1%</u>	<u>\$ 328,165</u> <u>54.6%</u>	<u>\$ 304,466</u> <u>54.2%</u>
Health Information Solutions Segment	<u>Three Months Ended March 31, 2013</u>	<u>Three Months Ended December 31, 2013</u>	<u>Three Months Ended March 31, 2014</u>
Net product sales and services revenue	<u>\$ 134,207</u>	<u>\$ 130,012</u>	<u>\$ 123,668</u>
Cost of net revenue	76,857	70,780	68,714
Less adjustments:			
Amortization of acquisition-related intangible assets	1,482	1,440	1,413
Restructuring charges	424	704	42
Non-GAAP adjusted cost of net revenue	<u>74,951</u>	<u>68,636</u>	<u>67,259</u>
Non-GAAP adjusted gross profit/margin	<u>\$ 59,256</u> <u>44.2%</u>	<u>\$ 61,376</u> <u>47.2%</u>	<u>\$ 56,409</u> <u>45.6%</u>

Alere Inc. and Subsidiaries
Reconciliation of Net Loss to Non-GAAP EBITDA
(in thousands)

	Three Months Ended March 31, 2014
Net loss ⁽¹⁾	\$ (6,113)
Adjustment related to acquired software license contracts	419
Income tax benefit	(9,917)
Depreciation and amortization	98,234
Interest, net	51,659
Non-cash stock-based compensation expense	5,704
Non-cash fair value adjustments to acquisition-related contingent consideration	4,550
 Non-GAAP EBITDA	 \$ 144,536

⁽¹⁾ Net loss for the three months ended March 31, 2014 includes non-interest related restructuring charges of \$7.2 million, \$0.3 million of acquisition-related costs and \$3.0 million of costs associated with potential business dispositions which have not been added back for purposes of computing Non-GAAP EBITDA.

Reconciliation of Cash Flow from Operating Activities to Free Cash Flow

(in thousands)

	Three Months Ended March 31, 2014	
Cash flow from operating activities (GAAP)	\$	105,908
Capital expenditures		(27,540)
Free cash flow	\$	<u>78,368</u>