ALERE INC.
Form 10-Q
November 05, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

¨ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2013

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________ to ________

COMMISSION FILE NUMBER 001-16789

ALERE INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**04-3565120**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

51 SAWYER ROAD, SUITE 200

WALTHAM, MASSACHUSETTS 02453

(Address of principal executive offices)(Zip code)

(781) 647-3900

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes** x **No** ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). **Yes** x **No** ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). **Yes** ¨ **No** x

The number of shares outstanding of the registrant s common stock, par value of $0.001 per share, as of October 31, 2013 was 81,881,428.

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ALERE INC.

REPORT ON FORM 10-Q

For the Quarterly Period Ended September 30, 2013

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Readers can identify these statements by forward-looking words such as may, could, should, would, intend, will, expect, anticipate, believe, estimate, continue or similar words. A number of important factors could cause actual results of Alere Inc. and its subsidiaries to differ materially from those indicated by such forward-looking statements. These factors include, but are not limited to, the risk factors detailed in Part I, Item 1A, Risk Factors, of our Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 2012 and other risk factors identified herein or from time to time in our periodic filings with the Securities and Exchange Commission. Readers should carefully review these risk factors, and should not place undue reliance on our forward-looking statements. These forward-looking statements are based on information, plans and estimates at the date of this report. We undertake no obligation to update any forward-looking statements to reflect changes in underlying assumptions or factors, new information, future events or other changes.

Unless the context requires otherwise, references in this Quarterly Report on Form 10-Q to we, us and our refer to Alere Inc. and its subsidiaries.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ALERE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net product sales	$ 509,038	$ 459,813	$ 1,538,876	$ 1,399,025
Services revenue	240,660	226,415	705,127	652,704
Net product sales and services revenue	749,698	686,228	2,244,003	2,051,729
License and royalty revenue	4,184	5,188	13,113	11,333
Net revenue	753,882	691,416	2,257,116	2,063,062
Cost of net product sales	258,234	223,612	764,501	671,664
Cost of services revenue	124,993	120,131	369,961	331,550
Cost of net product sales and services revenue	383,227	343,743	1,134,462	1,003,214
Cost of license and royalty revenue	2,009	1,898	5,264	5,394
Cost of net revenue	385,236	345,641	1,139,726	1,008,608
Gross profit	368,646	345,775	1,117,390	1,054,454
Operating expenses:				
Research and development	40,498	40,562	122,452	120,009
Sales and marketing	159,587	160,644	475,465	478,544
General and administrative	142,377	105,837	418,396	347,757
Loss on disposition	5,885		5,885	
Operating income	20,299	38,732	95,192	108,144
Interest expense, including amortization of original issue discounts and deferred financing costs	(53,420)	(54,861)	(203,272)	(161,119)
Other income (expense), net	(8,869)	(1,072)	(8,276)	14,570
Loss before benefit for income taxes	(41,990)	(17,201)	(116,356)	(38,405)
Benefit for income taxes	(17,148)	(10,677)	(36,152)	(12,621)

Loss before equity earnings of unconsolidated entities, net of tax		(24,842)		(6,524)		(80,204)		(25,784)
Equity earnings of unconsolidated entities, net of tax		5,753		3,007		13,238		10,417
Net loss		(19,089)		(3,517)		(66,966)		(15,367)
Less: Net income attributable to non-controlling interests		359		286		601		137
Net loss attributable to Alere Inc. and Subsidiaries		(19,448)		(3,803)		(67,567)		(15,504)
Preferred stock dividends		(5,367)		(5,352)		(15,926)		(15,940)
Net loss available to common stockholders	$	(24,815)	$	(9,155)	$	(83,493)	$	(31,444)
Basic and diluted net loss per common share attributable to Alere Inc. and Subsidiaries:	$	(0.30)	$	(0.11)	$	(1.03)	$	(0.39)
Weighted-average shares basic and diluted		81,735		80,792		81,417		80,492

The accompanying notes are an integral part of these consolidated financial statements.

ALERE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited)

(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	**2012**	**2013**	**2012**
Net loss	$ (19,089)	$ (3,517)	$ (66,966)	$ (15,367)
Other comprehensive income (loss), before tax:				
Changes in cumulative translation adjustment	67,268	39,695	(42,515)	38,857
Unrealized gains on available for sale securities		141		931
Unrealized gains on hedging instruments	20	10	31	465
Minimum pension liability adjustment	(369)	(98)	335	(218)
Other comprehensive income (loss), before tax	66,919	39,748	(42,149)	40,035
Income tax benefit related to items of other comprehensive income (loss)		360		360
Other comprehensive income (loss), net of tax	66,919	39,388	(42,149)	39,675
Comprehensive income (loss)	47,830	35,871	(109,115)	24,308
Less: Comprehensive income attributable to non-controlling interests	359	286	601	137
Comprehensive income (loss) attributable to Alere Inc. and Subsidiaries	$ 47,471	$ 35,585	$ (109,716)	$ 24,171

The accompanying notes are an integral part of these consolidated financial statements.

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ALERE INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(unaudited)

(in thousands, except par value)

	September 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 353,993	$ 328,346
Restricted cash	7,905	3,076
Marketable securities	820	904
Accounts receivable, net of allowances of $70,978 and $36,396 at September 30, 2013 and December 31, 2012, respectively	568,873	524,332
Inventories, net	370,448	337,121
Deferred tax assets	58,177	67,722
Prepaid expenses and other current assets	114,601	145,236
Total current assets	1,474,817	1,406,737
Property, plant and equipment, net	544,271	534,469
Goodwill	3,103,495	3,048,405
Other intangible assets with indefinite lives	58,953	36,451
Finite-lived intangible assets, net	1,747,538	1,834,225
Restricted cash non-current	29,045	
Deferred financing costs, net, and other non-current assets	86,489	108,857
Investments in unconsolidated entities	101,822	90,491
Deferred tax assets	8,189	8,293
Total assets	$ 7,154,619	$ 7,067,928
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	$ 25	$
Current portion of long-term debt	47,701	60,232
Current portion of capital lease obligations	6,533	6,684
Accounts payable	194,991	169,974
Accrued expenses and other current liabilities	447,228	411,919
Total current liabilities	696,478	648,809
Long-term liabilities:		
Long-term debt, net of current portion	3,790,532	3,628,675
Capital lease obligations, net of current portion	14,926	12,917
Deferred tax liabilities	352,859	428,188

Other long-term liabilities		209,683		166,635
Total long-term liabilities		4,368,000		4,236,415
Commitments and contingencies (Note 17)				
Stockholders equity:				
Series B preferred stock, $0.001 par value (liquidation preference: $709,763 at September 30, 2013 and December 31, 2012); Authorized: 2,300 shares; Issued: 2,065 shares at September 30, 2013 and December 31, 2012; Outstanding: 1,774 shares at September 30, 2013 and December 31, 2012		606,468		606,468
Common stock, $0.001 par value; Authorized: 200,000 shares; Issued: 89,533 shares at September 30, 2013 and 88,576 shares at December 31, 2012; Outstanding: 81,854 shares at September 30, 2013 and 80,897 shares at December 31, 2012		90		89
Additional paid-in capital		3,314,698		3,299,935
Accumulated deficit		(1,632,540)		(1,564,973)
Treasury stock, at cost, 7,679 shares at September 30, 2013 and December 31, 2012		(184,971)		(184,971)
Accumulated other comprehensive income (loss)		(18,275)		23,874
Total stockholders equity		2,085,470		2,180,422
Non-controlling interests		4,671		2,282
Total equity		2,090,141		2,182,704
Total liabilities and equity	$	7,154,619	$	7,067,928

The accompanying notes are an integral part of these consolidated financial statements.

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ALERE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)

	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Cash Flows from Operating Activities:		
Net loss	$ (66,966)	$ (15,367)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Non-cash interest expense, including amortization of original issue discounts and write-off of deferred financing costs	14,088	16,087
Depreciation and amortization	326,689	322,371
Non-cash charges for sale of inventories revalued at the date of acquisition	1,880	4,681
Non-cash stock-based compensation expense	14,462	11,868
Impairment of inventory	243	295
Impairment of long-lived assets	4,101	274
(Gain) loss on sale of fixed assets	1,849	(4,194)
Equity earnings of unconsolidated entities, net of tax	(13,238)	(10,417)
Deferred income taxes	(73,655)	(43,619)
Loss on extinguishment of debt	35,603	
Loss on disposition	5,885	
Bargain purchase gain	(5,707)	
Other non-cash items	6,674	5,736
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable, net	(57,310)	(8,261)
Inventories, net	(72,727)	(15,596)
Prepaid expenses and other current assets	(9,132)	4,171
Accounts payable	15,981	(16,743)
Accrued expenses and other current liabilities	37,242	24,116
Other non-current liabilities	(6,857)	(21,639)
Net cash provided by operating activities	159,105	253,763
Cash Flows from Investing Activities:		
(Increase) decrease in restricted cash	(33,881)	5,771
Purchases of property, plant and equipment	(90,908)	(97,309)
Proceeds from sale of property, plant and equipment	5,831	22,383
Cash received from disposition	32,000	
Cash paid for acquisitions, net of cash acquired	(166,196)	(384,780)
Cash received from sales of marketable securities		271
Cash received from (paid for) equity method investments	11,262	6,556
(Increase) decrease in other assets	19,244	(9,313)

Net cash used in investing activities	(222,648)	(456,421)
Cash Flows from Financing Activities:		
Cash paid for financing costs	(9,798)	(2,313)
Cash paid for contingent purchase price consideration	(27,496)	(16,248)
Proceeds from issuance of common stock, net of issuance costs	17,555	14,260
Proceeds from issuance of long-term debt	460,141	198,288
Payments on long-term debt	(455,157)	(42,553)
Net proceeds under revolving credit facilities	138,768	91,162
Borrowings from (payments on) short-term debt	25	(6,240)
Cash paid for dividends	(15,970)	(15,970)
Excess tax benefits on exercised stock options	434	277
Principal payments on capital lease obligations	(5,341)	(4,925)
Other	(18,953)	(2,811)
Net cash provided by financing activities	84,208	212,927
Foreign exchange effect on cash and cash equivalents	4,982	(7,188)
Net increase in cash and cash equivalents	25,647	3,081
Cash and cash equivalents, beginning of period	328,346	299,173
Cash and cash equivalents, end of period	$ 353,993	$ 302,254

The accompanying notes are an integral part of these consolidated financial statements.

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ALERE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(1) Basis of Presentation of Financial Information

The accompanying consolidated financial statements of Alere Inc. are unaudited. In the opinion of management, the unaudited consolidated financial statements contain all adjustments considered normal and recurring and necessary for their fair statement. Interim results are not necessarily indicative of results to be expected for the year. These interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these consolidated financial statements do not include all of the information and footnotes necessary for a complete presentation of financial position, results of operations, comprehensive income and cash flows. Our audited consolidated financial statements for the year ended December 31, 2012 included information and footnotes necessary for such presentation and were included in our Annual Report on Form 10-K, as amended, filed with the Securities and Exchange Commission, or SEC, on March 1, 2013. These unaudited consolidated financial statements should be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended December 31, 2012.

Certain reclassifications of prior period amounts have been made to conform to current period presentation. These reclassifications had no effect on net income or equity.

Certain amounts presented may not recalculate directly, due to rounding.

(2) Cash and Cash Equivalents

We consider all highly-liquid cash investments with original maturities of three months or less at the date of acquisition to be cash equivalents. At September 30, 2013, our cash equivalents consisted of money market funds.

(3) Restricted Cash

As of September 30, 2013, we had a total of $36.9 million in restricted cash, of which $29.0 million was classified as non-current on our consolidated balance sheet. The $29.0 million secures a foreign bank loan arrangement that we entered into during the three months ended September 30, 2013 and will remain on deposit for a two-year period under the current terms of the loan arrangement.

(4) Inventories

Inventories are stated at the lower of cost (first in, first out) or market and are comprised of the following (in thousands):

	September 30, 2013	December 31, 2012
Raw materials	$ 115,441	$ 99,498
Work-in-process	83,571	89,895

Finished goods	171,436	147,728
	$ 370,448	$ 337,121

(5) Stock-based Compensation

We recorded stock-based compensation expense in our consolidated statements of operations for the three and nine months ended September 30, 2013 and 2012, respectively, as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Cost of net revenue	$ 287	$ 269	$ 797	$ 801
Research and development	1,111	752	2,641	2,379
Sales and marketing	975	751	2,597	2,581
General and administrative	3,289	1,854	8,427	6,107
	5,662	3,626	14,462	11,868
Benefit for income taxes	(1,511)	(536)	(2,869)	(1,951)
	$ 4,151	$ 3,090	$ 11,593	$ 9,917

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(6) Net Loss per Common Share

The following table sets forth the computation of basic and diluted net loss per common share for the periods presented (in thousands, except per share data):

	Three Months Ended September 30, 2013	2012	Nine Months Ended September 30, 2013	2012
Numerator:				
Net loss	$ (19,089)	$ (3,517)	$ (66,966)	$ (15,367)
Preferred stock dividends	(5,367)	(5,352)	(15,926)	(15,940)
Less: Net income attributable to non-controlling interest	359	286	601	137
Net loss available to common stockholders	$ (24,815)	$ (9,155)	$ (83,493)	$ (31,444)
Denominator:				
Weighted-average common shares outstanding basic and diluted	81,735	80,792	81,417	80,492
Basic and diluted net loss per common share attributable to Alere Inc. and Subsidiaries	$ (0.30)	$ (0.11)	$ (1.03)	$ (0.39)

The following potential dilutive securities were not included in the calculation of diluted net loss per common share because the inclusion thereof would be antidilutive (in thousands):

	Three Months Ended September 30, 2013	2012	Nine Months Ended September 30, 2013	2012
Denominator:				
Options to purchase shares of common stock	10,239	9,730	10,239	9,730
Warrants	4	4	4	4
Conversion shares related to 3% convertible senior subordinated notes	3,411	3,411	3,411	3,411
Conversion shares related to subordinated convertible promissory notes	27	27	27	27
Conversion shares related to Series B convertible preferred stock	10,239	10,239	10,239	10,239
Total number of antidilutive potentially issuable shares of common stock excluded from diluted common shares outstanding	23,920	23,411	23,920	23,411

(7) Stockholders Equity and Non-controlling Interests

(a) Preferred Stock

For the three and nine months ended September 30, 2013, Series B preferred stock dividends amounted to $5.3 million and $15.9 million, respectively, and for the three and nine months ended September 30, 2012, Series B preferred stock dividends amounted to $5.4 million and $15.9 million, respectively, which reduced earnings available to common stockholders for purposes of calculating net loss per common share for each of the respective periods. As of September 30, 2013, $5.3 million of Series B preferred stock dividends was accrued. As of October 15, 2013, payments have been made covering all dividend periods through September 30, 2013.

The Series B preferred stock dividends for the three and nine months ended September 30, 2013 and 2012 were paid in cash.

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(b) Changes in Stockholders Equity and Non-controlling Interests

A summary of the changes in stockholders equity and non-controlling interests comprising total equity for the nine months ended September 30, 2013 and 2012 is provided below (in thousands):

	Nine Months Ended September 30,					
	2013			2012		
	Total Stockholders Equity	Non-controlling Interests	Total Equity	Total Stockholders Equity	Non-controlling Interests	Total Equity
Equity, beginning of period	$ 2,180,422	$ 2,282	$ 2,182,704	$ 2,229,234	$ 2,340	$ 2,231,574
Exercise of common stock options, warrants and shares issued under employee stock purchase plan	17,555		17,555	14,261		14,261
Issuance of common stock for settlement of an acquisition-related contingent consideration obligation				1,243		1,243
Preferred stock dividends	(15,970)		(15,970)	(15,970)		(15,970)
Stock-based compensation related to grants of common stock options	14,462		14,462	11,868		11,868
Excess tax benefits on exercised stock options	(1,283)		(1,283)	(437)		(437)
Non-controlling interest from acquisition		1,788	1,788			
Purchase of subsidiary shares from non-controlling interests				(35,079)		(35,079)
Dividend relating to non-controlling interest					(236)	(236)
Net income (loss)	(67,567)	601	(66,966)	(15,504)	200	(15,304)
Total other comprehensive income (loss)	(42,149)		(42,149)	39,675		39,675
Equity, end of period	$ 2,085,470	$ 4,671	$ 2,090,141	$ 2,229,291	$ 2,304	$ 2,231,595

(8) Business Combinations

Acquisitions are accounted for using the acquisition method and the acquired companies results have been included in the accompanying consolidated financial statements from their respective dates of acquisition. During the three and nine months ended September 30, 2013, we expensed acquisition-related costs of $0.5 million and $1.8 million, respectively, in general and administrative expense. During the three and nine months ended September 30, 2012, we expensed acquisition-related costs of $0.8 million and $6.1 million, respectively, in general and administrative expense.

Our business acquisitions have historically been made at prices above the fair value of the assets acquired and liabilities assumed, resulting in goodwill, based on our expectations of synergies and other benefits of combining the businesses. These synergies and benefits include elimination of redundant facilities, functions and staffing; use of our existing commercial infrastructure to expand sales of the products of the acquired businesses; and use of the commercial infrastructure of the acquired businesses to expand product sales in a cost-efficient manner.

Net assets acquired are recorded at their fair value and are subject to adjustment upon finalization of the fair value analysis. We are not aware of any information that indicates the final fair value analysis will differ materially from the preliminary estimates. The estimated useful lives of the individual categories of intangible assets were based on the nature of the applicable intangible asset and the expected future cash flows to be derived from the intangible asset. Amortization of intangible assets with finite lives is recognized over the shorter of the respective lives of the agreement or the period of time the intangible assets are expected to contribute to future cash flows. We amortize our finite-lived intangible assets based on patterns on which the respective economic benefits are expected to be realized.

(a) Acquisitions in 2013

(i) Epocal

On February 1, 2013, we acquired Epocal, Inc., or Epocal, located in Ottawa, Canada, a provider of technologies that support blood gas and electrolyte testing at the point of care. The preliminary aggregate purchase price was approximately $248.5 million, which consisted of $173.5 million in cash and a contingent consideration obligation with an aggregate acquisition date fair value of $75.0 million. The operating results of Epocal are included in our professional diagnostics reporting unit and business segment. The amount allocated to goodwill from this acquisition is not deductible for tax purposes.

(ii) *Other acquisitions in 2013*

During the nine months ended September 30, 2013, we acquired the following businesses for a preliminary aggregate purchase price of $47.7 million, which included cash payments totaling $35.8 million, contingent consideration obligations with an aggregate acquisition date fair value of $1.3 million, deferred purchase price consideration with an acquisition date fair value of $0.6 million and an $8.0 million bargain purchase gain.

certain assets of PT Mega Medika Mandiri, or Mega Medika, located in South Jakarta, Indonesia, a distributor of infectious disease products to the Indonesian marketplace as well as materials for vaccines to a pharmaceutical customer (Acquired January 2013)

Discount Diabetic, LLC, or Discount Diabetic, located in Phoenix, Arizona, a provider of blood glucose monitoring products, including diabetes testing systems and test strips and other products (Acquired April 2013)

the Medicare fee-for-service assets of Liberty Medical, or the Liberty business, located in Port St. Lucie, Florida, a leading mail order provider of diabetes testing supplies serving the needs of both Type 1 and Type 2 diabetic patients (Acquired April 2013)

51% share in Cardio Selfcare B.V., subsequently renamed Alere Health Services B.V., or Alere Health Services, located in Ede, the Netherlands, a developer of innovative software for the healthcare industry that develops and licenses software and sells medical devices to enable patients to perform medical self-care, including thrombosis self-care (Acquired May 2013)

74.9% interest in Pantech Proprietary Limited, or Pantech, located in Durban, South Africa, a supplier of rapid diagnostic test kits, including HIV, malaria, syphilis, drugs of abuse, 10 parameter urine sticks, glucometers and glucose sticks (Acquired July 2013)

The operating results of Mega Medika, Discount Diabetic, the Liberty business, Alere Health Services, and Pantech are included in our professional diagnostics reporting unit and business segment.

Our consolidated statement of operations for the three and nine months ended September 30, 2013 included revenue totaling approximately $26.6 million and $59.5 million, respectively, related to these businesses. Goodwill has been recognized in the Mega Medika, Alere Health Services and Pantech acquisitions and amounted to approximately $1.6 million. The goodwill related to the Mega Medika acquisition is deductible for tax purposes.

With respect to our acquisition of the Liberty business, the purchase price of the acquisition has been allocated to the net tangible and intangible assets acquired, with the excess of the fair value of assets acquired over the purchase price recorded as a bargain purchase gain. The $8.0 million bargain purchase gain has been recorded in other income (expense), net in our consolidated statement of operations and is not recognized for tax purposes. The bargain purchase gain resulted from our operating cost structure which we believe will allow us to operate this business more cost effectively than the sellers.

A summary of the preliminary fair values of the net assets acquired for the acquisitions consummated in 2013 is as follows (in thousands):

	Epocal	**Other**	**Total**
Current assets[1]	$ 12,089	$ 12,968	$ 25,057
Property, plant and equipment	1,267	1,669	2,936
Goodwill	99,449	1,629	101,078

Intangible assets	164,400	42,920	207,320
Other non-current assets	17,610	29	17,639
Total assets acquired	294,815	59,215	354,030
Current liabilities	2,627	5,398	8,025
Non-current liabilities	43,727	6,202	49,929
Total liabilities assumed	46,354	11,600	57,954
Net assets acquired	248,461	47,615	296,076
Less:			
Contingent consideration	75,000	1,264	76,264
Non-controlling interest		1,774	1,774
Bargain purchase gain		8,023	8,023
Deferred purchase price consideration		768	768
Cash paid	$ 173,461	$ 35,786	$ 209,247

(1) Includes approximately $3.3 million of acquired cash.

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The following are the intangible assets acquired and their respective fair values and weighted-average useful lives (dollars in thousands):

	Epocal	Other	Total	Weighted-average Useful Life
Core technology and patents	$ 119,700	$	$ 119,700	20.0 years
Software		804	804	10.0 years
Trademarks and trade names	20,500	10	20,510	19.2 years
Customer relationships		36,290	36,290	11.4 years
Other		5,816	5,816	3.0 years
In-process research and development	24,200		24,200	N/A
Total intangible assets	$ 164,400	$ 42,920	$ 207,320	

(b) Acquisitions in 2012

During 2012, we acquired the following businesses for a preliminary aggregate purchase price of $494.5 million, which included cash payments totaling $418.9 million and contingent consideration obligations with aggregate acquisition date fair values of $75.6 million.

Reatrol Comercializacao De Produtos De Saude, LDA, subsequently renamed Alere Lda, located in Vila Nova de Gaia, Portugal, a distributor of products for drugs of abuse testing (Acquired January 2012)

Kullgren Holding AB, or Kullgren, located in Gensta, Sweden, a company that manufactures and distributes high-quality intimacy and pharmaceutical products (Acquired February 2012)

Wellogic ME FZ-LLC, or Wellogic UAE, located in Dubai, United Arab Emirates, a company that provides development services to Alere Wellogic, LLC, which acquired the assets of Method Factory, Inc. (d/b/a Wellogic), or Wellogic, in December 2011 (Acquired February 2012)

certain assets, primarily including customer and patient lists, of AmMed Direct LLC, or AmMed, located near Nashville, Tennessee, a privately-owned mail-order provider of home-diabetes testing products and supplies (Acquired March 2012)

eScreen, Inc., or eScreen, headquartered in Overland Park, Kansas, a technology-enabled provider of employment drug screening solutions for hiring and maintaining healthier and more efficient workforces (Acquired April 2012)

MedApps Holding Company, Inc., or MedApps, headquartered in Scottsdale, Arizona, a developer of innovative remote health monitoring solutions that deliver efficient cost-effective connectivity between patient, care provider and electronic medical records (Acquired July 2012)

Amedica Biotech, Inc., or Amedica, located in Hayward, California, a company focused on the development and manufacture of in vitro diagnostic tests (Acquired July 2012)

DiagnosisOne, Inc., or DiagnosisOne, located in Lowell, Massachusetts, a software company that provides clinical analytics technology and data-driven content to hospitals, physician groups, insurers and governments (Acquired July 2012)

Seelen Care Laege-og & Hospitalsartikler ApS, or Seelen, located in Holstebro, Denmark, a distributor of consumables, instruments and equipment to doctors, specialists and physiotherapists (Acquired August 2012)

certain assets of Diagnostik Nord, or Diagnostik, located in Schwerin, Germany, a company focused on the sale of drug screening and in vitro diagnostic medical devices and a provider of diagnostic solutions (Acquired September 2012)

Healthcare Connections Limited, or HCC, located in Buckinghamshire, United Kingdom, an occupational health provider specializing in employment medical programs, preventative health schemes and drug and alcohol sample collection services (Acquired November 2012)

the diagnostic division of Medial spol. s.r.o., subsequently renamed Alere s.r.o., located in Prague, Czech Republic, a distributor of laboratory diagnostic devices, devices operating in the point-of-care testing regime, diagnostic kits and tests for biochemistry, hematology, and microbiology (Acquired November 2012)

certain assets of Quantum Diagnostics, or Quantum Australia, located in Australia, an on-line medical supply company that provides a range of affordable drug and alcohol tests for personal, business and professional medical use (Acquired November 2012)

certain assets of NationsHealth, Inc. (now named Convey Health Solutions, Inc.) and certain assets of its subsidiary United States Pharmaceutical Group, LLC (now d/b/a Convey Health Solutions), or, collectively, NationsHealth, headquartered in Sunrise, Florida, a privately-owned mail-order provider of diabetes home-testing products and supplies, and a share acquisition of NationsHealth s subsidiary in the Philippines, or NationsHealth Philippines (Acquired December 2012)

Branan Medical Corporation, or Branan, headquartered in Irvine, California, a manufacturer of drugs of abuse testing products (Acquired December 2012)

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The operating results of Alere Lda, AmMed, eScreen, MedApps, Amedica, Seelen, Diagnostik, HCC, Alere s.r.o., Quantum Australia, NationsHealth and Branan are included in our professional diagnostics reporting unit and business segment. The operating results of Wellogic UAE and DiagnosisOne are included in our health information solutions reporting unit and business segment. The operating results of Kullgren are included in our consumer diagnostics reporting unit and business segment.

Our consolidated statement of operations for the three and nine months ended September 30, 2012 included revenue totaling approximately $14.4 million and $26.3 million, respectively, related to the businesses that were acquired during that period. Goodwill has been recognized in all of these acquisitions and amounted to approximately $239.3 million. Goodwill related to the acquisitions of AmMed, Diagnostik and the U.S.-based assets of NationsHealth, which totaled $8.2 million, is deductible for tax purposes. The goodwill related to the remaining 2012 acquisitions is not deductible for tax purposes.

A summary of the preliminary fair values of the net assets acquired for the acquisitions consummated in 2012 is as follows (in thousands):

Current assets[1]	$ 47,228
Property, plant and equipment	9,029
Goodwill	240,576
Intangible assets	325,223
Other non-current assets	17,261
Total assets acquired	639,317
Current liabilities	28,214
Non-current liabilities	116,580
Total liabilities assumed	144,794
Net assets acquired	494,523
Less:	
Contingent consideration	75,620
Cash paid	$ 418,903

(1) Includes approximately $3.8 million of acquired cash.

The following are the intangible assets acquired and their respective fair values and weighted-average useful lives (dollars in thousands):

	Amount	Weighted-average Useful Life

Core technology and patents	$ 148,103	18.7 years
Trademarks and trade names	19,390	18.3 years
Customer relationships	136,485	18.1 years
Non-competition agreements	1,118	5.1 years
Other	15,227	9.2 years
In-process research and development	4,900	N/A
Total intangible assets	$ 325,223	

(9) Restructuring Plans

The following table sets forth aggregate restructuring charges recorded in our consolidated statements of operations for the three and nine months ended September 30, 2013 and 2012 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
Statement of Operations Caption	**2013**	**2012**	**2013**	**2012**
Cost of net revenue	$ 3,556	$ 1,080	$ 4,908	$ 2,069
Research and development	1,100		1,745	638
Sales and marketing	218	927	1,476	1,954
General and administrative	2,820	1,232	11,501	5,471
Total operating expenses	7,694	3,239	19,630	10,132
Interest expense, including amortization of original issue discounts and deferred financing costs	111	48	228	158
Total charges	$ 7,805	$ 3,287	$ 19,858	$ 10,290

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(a) 2013 Restructuring Plans

In 2013, management developed cost reduction efforts within our professional diagnostics business segment, including businesses in our United States, Europe and Asia Pacific regions. Additionally, management is continuing to improve efficiencies within our health information solutions business segment, including winding down a small portion of this business, which resulted in charges associated with the impairment of related fixed and intangible assets. The following table summarizes the restructuring activities related to our 2013 restructuring plans for the three and nine months ended September 30, 2013 (in thousands):

	Three Months Ended September 30, 2013		
	Professional Diagnostics	Health Information Solutions	Total
Severance-related costs	$ 3,876	$ 1,340	$ 5,216
Facility and transition costs	1,107	327	1,434
Other exit costs		2	2
Cash charges	4,983	1,669	6,652
Fixed asset and inventory impairments	470		470
Other non-cash charges		(20)	(20)
Total charges	$ 5,453	$ 1,649	$ 7,102

	Nine Months Ended September 30, 2013		
	Professional Diagnostics	Health Information Solutions	Total
Severance-related costs	$ 5,960	$ 1,398	$ 7,358
Facility and transition costs	1,457	568	2,025
Other exit costs		2	2
Cash charges	7,417	1,968	9,385
Fixed asset and inventory impairments	470	170	640
Intangible asset impairments		2,596	2,596
Other non-cash charges		(20)	(20)
Total charges	$ 7,887	$ 4,714	$ 12,601

We anticipate incurring approximately $1.1 million and $0.3 million in additional costs under our 2013 restructuring plans related to our professional diagnostics business and health information solutions business segments, respectively, in the United States and Europe and may develop additional plans over the remainder of 2013. As of September 30, 2013, $4.7 million in severance and facility exit costs arising under our 2013 restructuring plans remain unpaid.

(b) 2012 Restructuring Plans

In 2012, management developed cost reduction plans within our professional diagnostics business segment, including the integration of our businesses in Brazil, Europe and the United States. Additionally, management developed new plans to continue our efforts to reduce costs within our health information solutions business segment, including the termination of certain projects, which resulted in charges for the impairment of related fixed and intangible assets. The following table summarizes the restructuring activities related to our 2012 restructuring plans for the three and nine months ended September 30, 2013 and 2012 and since inception (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,		Since
Professional Diagnostics	**2013**	**2012**	**2013**	**2012**	**Inception**
Severance-related costs[1]	$ (614)	$ 691	$ (526)	$ 3,009	$ 4,206
Facility and transition costs			82		201
Cash charges	(614)	691	(444)	3,009	4,407
Fixed asset impairments		55		55	304
Total charges	$ (614)	$ 746	$ (444)	$ 3,064	$ 4,711

(1) Severance-related costs for the three and nine months ended September 30, 2013 includes the reversal of an amount previously accrued which relates to a settlement resulting from a labor dispute.

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Health Information Solutions	Three Months Ended September 30, 2013	2012	Nine Months Ended September 30, 2013	2012	Since Inception
Severance-related costs	$ 14	$ 516	$ 2,362	$ 1,735	$ 5,407
Facility and transition costs		465	4,271	590	5,505
Other exit costs	82	5	134	5	149
Cash charges	96	986	6,767	2,330	11,061
Fixed asset and inventory impairments			75		2,764
Intangible asset impairments					2,988
Other non-cash charges			(953)		(984)
Total charges	$ 96	$ 986	$ 5,889	$ 2,330	$ 15,829

We anticipate incurring approximately $0.5 million in additional transition and other facility costs under these plans related primarily to our health information solutions business segment through 2014. As of September 30, 2013, $3.8 million in severance and facility exit costs under these plans remain unpaid.

(c) 2011, 2010 and 2008 Restructuring Plans

In 2011, management executed a company-wide cost reduction plan which impacted our corporate and other business segment, as well as the health information solutions and professional diagnostics business segments. Management also developed plans within our professional diagnostics business segment to consolidate operating activities among certain of our U.S., European and Asia Pacific subsidiaries, including transferring the manufacturing of our Panbio products from Australia to our Standard Diagnostics facility in South Korea and eliminating redundant costs among our newly-acquired Axis-Shield subsidiaries. Additionally, within our health information solutions business segment, management executed plans to further reduce costs and improve efficiencies, as well as cease operations at our GeneCare Medical Genetics Center, Inc., or GeneCare, facility in Chapel Hill, North Carolina and transfer the majority of our Quality Assured Services, Inc. operation in Orlando, Florida to our facility in Livermore, California.

In 2010, management developed several plans to reduce costs and improve efficiencies within our health information solutions and professional diagnostics business segments. Additionally in 2008, management developed and initiated plans to transition the business of Cholestech to our San Diego, California facility.

The following table summarizes the restructuring activities related to our 2011, 2010 and 2008 restructuring plans for the three and nine months ended September 30, 2013 and 2012 and since inception (in thousands):

Professional Diagnostics	Three Months Ended September 30, 2013	2012	Nine Months Ended September 30, 2013	2012	Since Inception
Severance-related costs	$ 46	$ 639	$ 242	$ 2,914	$ 19,955
Facility and transition costs	112	464	442	1,348	7,669
Other exit costs	14	16	45	52	743
Cash charges	172	1,119	729	4,314	28,367
Fixed asset and inventory impairments	350	290	350	424	6,724

Intangible asset impairments	686		686		686
Total charges	$ 1,208	$ 1,409	$ 1,765	$ 4,738	$ 35,777

Health Information Solutions	Three Months Ended September 30, 2013	2012	Nine Months Ended September 30, 2013	2012	Since Inception
Severance-related costs	$	$	$	$	$ 6,901
Facility and transition costs		114		(59)	8,010
Other exit costs	13	27	47	101	559
Cash charges	13	141	47	42	15,470
Fixed asset and inventory impairments				85	1,114
Intangible asset impairments					2,935
Other non-cash charges					761
Total charges	$ 13	$ 141	$ 47	$ 127	$ 20,280

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Corporate and Other	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012	Since Inception
Severance-related costs	$	$ 5	$	$ 31	$ 1,219
Cash charges		5		31	1,219
Fixed asset and inventory impairments					3
Total charges	$	$ 5	$	$ 31	$ 1,222

We anticipate incurring approximately $0.5 million in additional costs under these plans related primarily to our professional diagnostics business segment. A majority of these additional costs relate to the transfer of the Panbio product manufacturing to Korea and are for severance and facility exit costs. We do not anticipate incurring significant additional costs under these plans related to our health information solutions business segment. As of September 30, 2013, $2.2 million in cash charges remain unpaid, primarily related to severance and facility lease obligations.

(d) Restructuring Reserves

The following table summarizes our restructuring reserves related to the plans described above, of which $8.7 million is included in accrued expenses and other current liabilities and $2.0 million is included in other long-term liabilities on our accompanying consolidated balance sheets (in thousands):

	Severance-related Costs	Facility and Transition Costs	Other Exit Costs	Total
Balance, December 31, 2012	$ 3,167	$ 2,429	$ 622	$ 6,218
Cash charges	9,436	6,820	228	16,484
Payments	(7,515)	(4,149)	(227)	(11,891)
Currency adjustments	(72)	5		(67)
Balance, September 30, 2013	$ 5,016	$ 5,105	$ 623	$ 10,744

(10) Long-term Debt

We had the following long-term debt balances outstanding (in thousands):

	September 30, 2013	December 31, 2012
A term loans(1)(2)	$ 843,750	$ 878,438
B term loans(1)	906,500	913,438
Incremental B-1 term loans(1)	245,625	247,500
Incremental B-2 term loans(1)	195,470	196,739
Revolving line of credit(1)	170,000	22,500
7.25% Senior notes	450,000	450,000

7.875% Senior notes		1,809
9% Senior subordinated notes		392,933
8.625% Senior subordinated notes	400,000	400,000
6.5% Senior subordinated notes	425,000	
3% Convertible senior subordinated notes	150,000	150,000
Other lines of credit	150	31,957
Other	51,738	3,593
	3,838,233	3,688,907
Less: Current portion	(47,701)	(60,232)
	$ 3,790,532	$ 3,628,675

(1) Incurred under our secured credit facility.

(2) Includes A term loans and Delayed Draw term loans under our secured credit facility.

In connection with our significant long-term debt issuances, we recorded interest expense, including amortization and write-offs of deferred financing costs and original issue discounts, in our accompanying consolidated statements of operations for the three and nine months ended September 30, 2013 and 2012, respectively, as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Secured credit facility (1)	$ 25,809	$ 27,474	$ 78,741	$ 77,422
7.25% Senior notes	8,535		25,371	
7.875% Senior notes (2)		5,763	137	17,276
9% Senior subordinated notes (3)		10,373	54,043	31,090
8.625% Senior subordinated notes	9,273	9,274	27,820	27,823
6.5% Senior subordinated notes	7,172		10,185	
3% Senior subordinated convertible notes	1,246	1,246	3,738	3,738
	$ 52,035	$ 54,130	$ 200,035	$ 157,349

(1) Includes A term loans, including the Delayed-Draw term loans; B term loans; Incremental B-1 term loans; Incremental B-2 term loans; and revolving line of credit loans. For the three and nine months ended September 30, 2013, the amounts include $0.4 million and $2.2 million, respectively, related to the amortization of fees paid for certain debt modifications. For the three and nine months ended September 30, 2012, the amount includes $1.3 million and $4.0 million, respectively, related to the amortization of fees paid for certain debt modifications.

(2) For the nine months ended September 30, 2013, this amount includes an approximate $0.2 million loss recorded in connection with the repurchase of our 7.875% senior notes.

(3) An approximate $35.6 million loss in connection with the repurchase of our 9% senior subordinated notes has been included in the nine-month period ended September 30, 2013. Included in the $35.6 million is $19.0 million related to tender offer consideration and call premium which has been classified within cash flow from financing activities in our consolidated statement of cash flows.

(a) Secured Credit Facility

The following summarizes the material terms of our secured credit facility that have changed significantly since December 31, 2012. All other terms of our secured credit facility as described in our Annual Report on Form 10-K, as amended, for the year ended December 31, 2012, but omitted below, have not changed since that date.

On March 22, 2013, we and certain of our subsidiaries entered into a fourth amendment to the credit agreement that governs our secured credit facility, or the credit agreement. The fourth amendment provides for 50 basis point reductions in the interest rate margins applicable to the B term loans, the Incremental B-1 term loans and the Incremental B-2 term loans and certain other changes. Under the terms of the credit agreement as amended by the fourth amendment, the B term loans, the Incremental B-1 term loans and the Incremental B-2 term loans bear interest at a rate per annum of, at our option, either (i) the Base Rate, as defined in the credit agreement, plus an applicable margin, which varies between 2.00% and 2.75% depending on our consolidated secured leverage ratio, or (ii) the Eurodollar Rate, as defined in the credit agreement, plus an applicable margin, which varies between 3.00% and 3.75% depending on our consolidated secured leverage ratio. Interest on B term loans, Incremental B-1 term loans and

Incremental B-2 term loans based on the Eurodollar Rate is subject to a 1.00% floor with respect to the base Eurodollar Rate.

(b) 6.5% Senior Subordinated Notes

On May 24, 2013, we sold a total of $425.0 million aggregate principal amount of 6.5% senior subordinated notes due 2020, or the 6.5% senior subordinated notes, in a private placement to initial purchasers, who agreed to resell the notes only to qualified institutional buyers and to persons outside the United States. We sold the 6.5% senior subordinated notes at an initial offering price of 100%. Net proceeds from this offering amounted to $417.7 million, which were net of the underwriters commissions and offering expenses totaling approximately $7.3 million.

The 6.5% senior subordinated notes were issued under a supplemental indenture dated May 24, 2013, or the 6.5% Indenture. The 6.5% senior subordinated notes accrue interest at the rate of 6.5% per annum. Interest on the 6.5% senior subordinated notes is payable semi-annually on June 15 and December 15, beginning on December 15, 2013. The 6.5% senior subordinated notes mature on June 15, 2020, unless earlier redeemed.

We may, at our option, redeem the 6.5% senior subordinated notes, in whole or part, at any time (which may be more than once) on or after June 15, 2016, by paying the principal amount of the notes being redeemed plus a declining premium, plus accrued and unpaid interest to (but excluding) the redemption date. The premium declines from 3.250% during the twelve months on and after June 15, 2016 to 1.625% during the twelve months on and after June 15, 2017 to zero on and after June 15, 2018. In addition, we may, at our option, at any time (which may be more than once) before May 24, 2015, redeem up to 10% of the aggregate principal amount of the 6.5% senior subordinated notes in each of the two twelve-month periods preceding May 24, 2015 at a redemption price of 103% of the principal amount thereof plus accrued and unpaid interest to (but excluding) the redemption date. In addition, at any time (which may be more than once) prior to June 15, 2016, we may, at our option, redeem up to 35% of the aggregate principal amount of the 6.5% senior subordinated notes with money that we raise in certain equity offerings, so long as (i) we pay 106.5% of the principal amount of the notes being redeemed, plus accrued and unpaid interest to (but excluding) the redemption date; (ii) we redeem the 6.5% senior subordinated notes within 90 days of completing such equity offering; and (iii) at least 65% of the aggregate principal amount of the 6.5% senior subordinated notes remains outstanding afterwards. In addition, at any time (which may be more than once) prior to June 15, 2016, we may, at our option, redeem some or all of the 6.5% senior subordinated notes by paying the principal amount of the 6.5% senior subordinated notes being redeemed plus a make-whole premium, plus accrued and unpaid interest to (but excluding) the redemption date.

If a change of control occurs, subject to specified conditions, we must give holders of the 6.5% senior subordinated notes an opportunity to sell their notes to us at a purchase price of 101% of the principal amount of the notes, plus accrued and unpaid interest to (but excluding) the date of the purchase.

If we or our subsidiaries engage in asset sales, we or they generally must either invest the net cash proceeds from such sales in our or their businesses within a specified period of time, repay senior indebtedness or make an offer to purchase a principal amount of the 6.5% senior subordinated notes equal to the excess net cash proceeds, subject to certain exceptions. The purchase price of the 6.5% senior subordinated notes would be 100% of their principal amount, plus accrued and unpaid interest.

The 6.5% Indenture provides that we and our subsidiaries must comply with various customary covenants. These covenants limit our ability, and the ability of our subsidiaries, to, among other things, incur additional debt; pay dividends on our or their capital stock or redeem, repurchase or retire our or their capital stock or subordinated debt; make certain investments; create liens on assets; transfer or sell assets; engage in transactions with our or their affiliates; create restrictions on the ability of our or their subsidiaries to pay dividends or make loans, asset transfers or other payments to us and our subsidiaries; issue capital stock of subsidiaries; engage in any business, other than our or their existing businesses and related businesses; enter into sale and leaseback transactions; incur layered indebtedness; and consolidate or merge with any person (other than certain affiliates) or transfer all or substantially all of our assets or the aggregate assets of us and our subsidiaries. These covenants are subject to certain important exceptions and qualifications, which are set forth in the 6.5% Indenture. At any time the 6.5% senior subordinated notes are rated investment grade, certain covenants will be suspended with respect to them.

The 6.5% Indenture contains customary events of default entitling the trustee or the holders of the 6.5% senior subordinated notes to declare all amounts owed pursuant to the 6.5% senior subordinated notes immediately payable if any such event of default occurs.

The 6.5% senior subordinated notes are our senior subordinated unsecured obligations, are subordinated in right of payment to all of our existing and future senior debt, including our borrowings under our secured credit facility and our 7.25% senior notes, and are equal in right of payment with our 8.625% senior subordinated notes and our 3% convertible senior subordinated notes. Our obligations under the 6.5% senior subordinated notes and the 6.5% Indenture are fully and unconditionally guaranteed, jointly and severally, on a senior subordinated unsecured basis by certain of our domestic subsidiaries, and the obligations of such domestic subsidiaries under their guarantees are subordinated in right of payment to all of their existing and future senior debt. See Note 21 for guarantor financial information.

(c) 9% Senior Subordinated Notes

On May 24, 2013, we used $200.6 million of the net proceeds of our sale of the 6.5% senior subordinated notes to purchase $190.6 million outstanding principal amount of our 9% senior subordinated notes due 2016, or the 9% senior subordinated notes, pursuant to our tender offer for these notes. The purchased 9% senior subordinated notes represented approximately 47.7% of the total then-outstanding principal amount of the 9% senior subordinated notes.

On June 24, 2013, we redeemed the remaining $209.4 million outstanding principal amount of the 9% senior subordinated notes pursuant to our optional redemption right under the indenture under which the 9% senior subordinated notes were issued, and we subsequently terminated this indenture.

(11) Derivative Financial Instruments

We may manage our economic and transaction exposure to certain market-based risks through the use of derivative instruments. Our objective for holding derivative instruments has been to reduce volatility of net earnings and cash flows associated with changes in interest rates and foreign currency exchange rates. We do not hold or issue derivative financial instruments for speculative purposes.

Foreign Currency Risk

In connection with our acquisition of Axis-Shield, we acquired a number of foreign currency forward contracts. The specific risk hedged in these contracts was the undiscounted foreign currency spot rate risk on forecasted foreign currency revenue. As of December 31, 2012, all of the acquired foreign currency forward contracts were settled. We report the effective portion of the gain or loss on a cash flow hedge as a component of other comprehensive income, and it was subsequently reclassified into net earnings in the period in which the hedged transaction affected net earnings or the forecasted transaction was no longer probable of occurring.

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The following table summarizes the effect of derivative instruments in our accompanying consolidated statement of operations (in thousands):

Derivative Instruments	Location of Gain Recognized in Income	Amount of Gain Recognized During the Three Months Ended September 30, 2012		Amount of Gain Recognized During the Nine Months Ended September 30, 2012	
Foreign currency forward contracts	Other comprehensive income (loss)	$	10	$	465
Total gain	Other comprehensive income (loss)	$	10	$	465

(12) Fair Value Measurements

We apply fair value measurement accounting to value our financial assets and liabilities. Fair value measurement accounting provides a framework for measuring fair value under U.S. GAAP and requires expanded disclosures regarding fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy requires an entity to maximize the use of observable inputs, where available, and minimize the use of unobservable inputs when measuring fair value.

Described below are the three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following tables present information about our assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2013 and December 31, 2012, and indicates the fair value hierarchy of the valuation techniques we utilized to determine such fair value (in thousands):

Description	September 30, 2013	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)

Assets:				
Marketable securities	$ 820	$ 820	$	$
Total assets	$ 820	$ 820	$	$
Liabilities:				
Contingent consideration obligations [1]	$ 234,559	$	$	$ 234,559
Total liabilities	$ 234,559	$	$	$ 234,559

Description	December 31, 2012	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets:				
Marketable securities	$ 904	$ 904	$	$
Total assets	$ 904	$ 904	$	$
Liabilities:				
Contingent consideration obligations [1]	$ 176,172	$	$	$ 176,172
Total liabilities	$ 176,172	$	$	$ 176,172

(1) We determine the fair value of the contingent consideration obligations based on a probability-weighted approach derived from earn-out criteria estimates and a probability assessment with respect to the likelihood of achieving the various earn-out criteria. The measurement is based upon significant inputs not observable in the market. Significant increases or decreases in any of these inputs could result in a significantly higher or lower fair value measurement. Changes in the fair value of these contingent consideration obligations are recorded as income or expense within operating income in our consolidated statements of operations.

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Changes in the fair value of our Level 3 contingent consideration obligations during the nine months ended September 30, 2013 were as follows (in thousands):

Fair value of contingent consideration obligations, January 1, 2013	$ 176,172
Acquisition date fair value of contingent consideration obligations recorded	76,269
Net reclassifications	(12)
Foreign currency	(150)
Payments	(36,703)
Present value accretion	7,359
Adjustments, net (income) expense	11,624
Fair value of contingent consideration obligations, September 30, 2013	$ 234,559

At September 30, 2013 and December 31, 2012, the carrying amounts of cash and cash equivalents, restricted cash, receivables, accounts payable and other current liabilities approximated their estimated fair values.

The carrying amount and estimated fair value of our long-term debt were $3.8 billion and $3.9 billion, respectively, at September 30, 2013. The carrying amount and estimated fair value of our long-term debt were $3.7 billion at December 31, 2012. The estimated fair value of our long-term debt was determined using market sources that were derived from available market information (Level 2 in the fair value hierarchy) and may not be representative of actual values that could have been or will be realized in the future.

(13) Defined Benefit Pension Plan

Our subsidiary in England, Unipath Ltd., has a defined benefit pension plan established for certain of its employees. The net periodic benefit costs are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Service cost	$	$	$	$
Interest cost	182	199	543	596
Expected return on plan assets	(156)	(152)	(465)	(457)
Amortization of prior service costs	103	104	308	312
Net periodic benefit cost	$ 129	$ 151	$ 386	$ 451

(14) Financial Information by Segment

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. Our chief operating decision-making group is composed of the chief executive officer and members of senior management. Our reportable operating segments are professional diagnostics, health information solutions, consumer diagnostics and corporate and other. Our operating results include license and royalty revenue which are allocated to professional diagnostics and consumer diagnostics on the basis of the original license or royalty agreement. We evaluate performance of our operating segments based on revenue and operating income (loss). Segment information for the three and nine months ended September 30, 2013 and 2012 is as follows (in thousands):

	Professional Diagnostics	Health Information Solutions	Consumer Diagnostics	Corporate and Other	Total
Three Months Ended September 30, 2013:					
Net revenue	$ 590,801	$ 134,233	$ 28,848	$	$ 753,882
Operating income (loss)	$ 53,189	$ (7,203)	$ 3,347	$ (29,034)	$ 20,299
Depreciation and amortization	$ 88,835	$ 22,600	$ 1,063	$ 287	$ 112,785
Non-cash charge associated with acquired inventory	$ 708	$	$	$	$ 708
Restructuring charge	$ 6,033	$ 1,661	$	$	$ 7,694
Stock-based compensation	$	$	$	$ 5,662	$ 5,662
Loss on disposition	$ 5,885	$	$	$	$ 5,885
Three Months Ended September 30, 2012:					
Net revenue	$ 531,442	$ 135,078	$ 24,896	$	$ 691,416

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	Professional Diagnostics	Health Information Solutions	Consumer Diagnostics	Corporate and Other	Total
Operating income (loss)	$ 63,298	$ (14,357)	$ 4,615	$ (14,824)	$ 38,732
Depreciation and amortization	$ 85,030	$ 24,313	$ 1,167	$ 239	$ 110,749
Restructuring charge	$ 2,139	$ 1,095	$	$ 5	$ 3,239
Stock-based compensation	$	$	$	$ 3,626	$ 3,626
Nine Months Ended September 30, 2013:					
Net revenue	$ 1,777,055	$ 403,215	$ 76,846	$	$ 2,257,116
Operating income (loss)	$ 185,925	$ (32,855)	$ 9,031	$ (66,909)	$ 95,192
Depreciation and amortization	$ 258,485	$ 64,062	$ 3,296	$ 846	$ 326,689
Non-cash charge associated with acquired inventory	$ 1,880	$	$	$	$ 1,880
Restructuring charge	$ 9,162	$ 10,468	$	$	$ 19,630
Stock-based compensation	$	$	$	$ 14,462	$ 14,462
Loss on disposition	$ 5,885	$	$	$	$ 5,885
Nine Months Ended September 30, 2012:					
Net revenue	$ 1,589,909	$ 404,452	$ 68,701	$	$ 2,063,062
Operating income (loss)	$ 196,728	$ (46,379)	$ 7,679	$ (49,884)	$ 108,144
Depreciation and amortization	$ 245,911	$ 72,152	$ 3,604	$ 704	$ 322,371
Non-cash charge associated with acquired inventory	$ 4,681	$	$	$	$ 4,681
Restructuring charge	$ 7,750	$ 2,351	$	$ 31	$ 10,132
Stock-based compensation	$	$	$	$ 11,868	$ 11,868
Assets:					
As of September 30, 2013	$ 6,243,064	$ 555,563	$ 213,764	$ 142,228	$ 7,154,619
As of December 31, 2012	$ 6,214,847	$ 593,172	$ 192,748	$ 67,161	$ 7,067,928

The following tables summarize our net revenue from the professional diagnostics and health information solutions reporting segments by groups of similar products and services for the three and nine months ended September 30, 2013 and 2012 (in thousands):

Professional Diagnostics Segment:	**Three Months Ended September 30,**		**Nine Months Ended September 30,**	
	2013	**2012**	**2013**	**2012**
Cardiology	$ 116,281	$ 122,372	$ 349,650	$ 386,795
Infectious disease	172,739	136,561	520,289	425,398
Toxicology	166,536	156,074	481,469	437,736
Diabetes	53,150	35,670	178,138	100,628
Other	78,607	78,077	235,992	230,519
Net product sales and services revenue	587,313	528,754	1,765,538	1,581,076
License and royalty revenue	3,488	2,688	11,517	8,833
Professional diagnostics net revenue	$ 590,801	$ 531,442	$ 1,777,055	$ 1,589,909

Health Information Solutions Segment:	**Three Months Ended September 30,**		**Nine Months Ended September 30,**	

	2013	2012	2013	2012
Disease and case management	$ 56,554	$ 57,383	$ 163,258	$ 165,277
Wellness	22,223	24,290	75,753	80,881
Women s & children s health	28,431	29,136	86,767	90,220
Patient self-testing services	27,025	24,269	77,437	68,074
Health information solutions net revenue	$ 134,233	$ 135,078	$ 403,215	$ 404,452

(15) Related Party Transactions

In May 2007, we completed the formation of Swiss Precision Diagnostics GmbH, or SPD, our 50/50 joint venture with P&G, for the development, manufacturing, marketing and sale of existing and to-be-developed consumer diagnostic products, outside the cardiology, diabetes and oral care fields. Upon completion of the arrangement to form the joint venture, we ceased to consolidate the operating results of our consumer diagnostic products business related to the joint venture and instead account for our 50% interest in the results of the joint venture under the equity method of accounting.

We had a net receivable from the joint venture of $3.2 million and $2.3 million as of September 30, 2013 and December 31, 2012, respectively. Included in the $3.2 million receivable balance as of September 30, 2013 is approximately $1.9 million of costs incurred in connection with our 2008 SPD-related restructuring plans. Included in the $2.3 million receivable balance as of December 31, 2012 is approximately $1.6 million of costs incurred in connection with our 2008 SPD-related restructuring plans.

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We have also recorded a long-term receivable totaling approximately $13.0 million and $14.6 million as of September 30, 2013 and December 31, 2012, respectively, related to the 2008 SPD-related restructuring plans. Additionally, customer receivables associated with revenue earned after the joint venture was completed have been classified as other receivables within prepaid and other current assets on our accompanying consolidated balance sheets in the amount of $10.0 million and $6.9 million as of September 30, 2013 and December 31, 2012, respectively. In connection with the joint venture arrangement, the joint venture bears the collection risk associated with these receivables. Sales to the joint venture under our manufacturing agreement totaled $21.2 million and $56.5 million during the three and nine months ended September 30, 2013, respectively, and $15.9 million and $47.4 million during the three and nine months ended September 30, 2012, respectively. Additionally, services revenue generated pursuant to the long-term services agreement with the joint venture totaled $0.3 million and $0.9 million during the three and nine months ended September 30, 2013, respectively, and $0.3 million and $0.9 million during the three and nine months ended September 30, 2012, respectively. Sales under our manufacturing agreement and long-term services agreement are included in net product sales and services revenue, respectively, in our accompanying consolidated statements of operations.

Under the terms of our product supply agreement, the joint venture purchases products from our manufacturing facilities in the U.K. and China. The joint venture in turn sells a portion of those tests back to us for final assembly and packaging. Once packaged, the tests are sold to P&G for distribution to third-party customers in North America. As a result of these related transactions, we have recorded $10.0 million and $7.3 million of trade receivables which are included in accounts receivable on our accompanying consolidated balance sheets as of September 30, 2013 and December 31, 2012, respectively, and $25.4 million and $21.3 million of trade accounts payable which are included in accounts payable on our accompanying consolidated balance sheets as of September 30, 2013 and December 31, 2012, respectively. During the nine months ended September 30, 2013 and 2012, we received $10.8 million and $6.1 million, respectively, in cash from SPD as a return of capital.

The following table summarizes our related party balances with SPD within our consolidated balance sheets (in thousands):

Balance Sheet Caption:	**September 30, 2013**	**December 31, 2012**
Accounts receivable, net of allowances	$ 9,984	$ 7,317
Prepaid expenses and other current assets	$ 13,221	$ 9,161
Deferred financing costs, net, and other non-current assets	$ 12,955	$ 14,629
Accounts payable	$ 25,437	$ 21,258

(16) Other Arrangements

On February 19, 2013, we entered into an agreement with the Bill and Melinda Gates Foundation, or the Gates Foundation, whereby we were awarded a grant by the Gates Foundation in the amount of $21.6 million to support the development and commercialization of a validated, low-cost, nucleic-acid assay for clinical Tuberculosis, or TB, detection and drug-resistance test cartridges and adaptation of an analyzer platform capable of operation in rudimentary laboratories in low-resource settings. In connection with this agreement, we also entered into a loan agreement with the Gates Foundation, or the Gates Loan Agreement, which provides for the making of subordinated term loans by the Gates Foundation to us from time to time, subject to the achievement of certain milestones, in an aggregate principal amount of up to $20.6 million. Funding under the Gates Loan Agreement will be used in connection with the purchase of equipment for an automated high-throughput manufacturing line and other uses as necessary for the manufacture of the TB and HIV-related products. All loans under the Gates Loan Agreement are evidenced by promissory notes that we have executed and delivered to the Gates Foundation, bear interest at the rate of 3% per annum and, except to the extent earlier repaid by us, mature and are required to be repaid in full on December 31, 2019. As of September 30, 2013, we had borrowed no amounts under the Gates Loan Agreement. As of September 30, 2013, we had received approximately $7.9 million in grant-related funding from the Gates Foundation, which was recorded as restricted cash and deferred grant funding. The deferred grant funding is classified within accrued expenses and other current liabilities on our accompanying consolidated balance sheet. As qualified expenditures are incurred under the terms of the grant, we use the deferred funding to recognize a reduction of our related qualified research and development expenditures. For the three and nine months ended September 30, 2013, we incurred approximately $1.9 million and $4.3 million, respectively, of qualified expenditures, for which we reduced our deferred grant funding balance and recorded an offset to our research and development expenses.

(17) Material Contingencies

Acquisition-related Contingent Consideration Obligations

The following summarizes our principal contractual acquisition-related contingent consideration obligations as of September 30, 2013 that have changed significantly since December 31, 2012. Other acquisition-related contingent consideration obligations that were presented in our Annual Report on Form 10-K, as amended, for the year ended December 31, 2012, but which are omitted below, represent those that have not changed significantly since that date.

Accordant

With respect to Accordant, the terms of the acquisition agreement require us to pay an earn-out upon successfully meeting certain revenue and cash collection targets starting after the second anniversary of the acquisition date and completed prior to the third anniversary of the acquisition date. An earn-out totaling $4.5 million was earned and accrued as of December 31, 2012. A payment of $1.5 million was made during each of the first, second and third quarters of 2013. No further payment obligations are outstanding as of September 30, 2013.

Alere Healthcare

With respect to Alere Healthcare, the terms of the acquisition agreement require us to pay an earn-out upon successfully meeting certain revenue and operating income targets during each of the calendar years 2010 through 2012. The 2012 portion of the earn-out totaling $0.3 million, which was previously accrued at December 31, 2012, was paid during the second quarter of 2013. No further contingent consideration obligations related to this acquisition exist as of September 30, 2013.

Alere S.A.

With respect to Alere S.A., the terms of the acquisition agreement require us to pay an earn-out upon successfully meeting certain revenue and EBITDA targets during each of the calendar years 2011 through 2016. The remaining earn-out was settled for BRL 6.9 million (approximately $3.1 million). A payment of BRL 2.9 million was paid during the third quarter of 2013 and the remaining BRL 4.0 million will be paid in 48 equal monthly installments beginning in August 2013. No further contingent consideration obligations related to this acquisition exist as of September 30, 2013.

Amedica

With respect to Amedica, the terms of the acquisition agreement require us to make earn-out payments upon successfully meeting certain financial targets during each of the calendar years 2012 and 2013. The 2012 portion of the earn-out totaling $6.9 million, which was previously accrued at December 31, 2012, was paid during the second quarter of 2013. The maximum remaining amount of the earn-out payments is $8.1 million.

Branan

With respect to Branan, the terms of the acquisition agreement require us to pay earn-outs upon successfully achieving various regulatory product approval milestones by the second anniversary of the acquisition date. Four milestones were achieved during 2012, resulting in an accrual totaling approximately $2.0 million as of December 31, 2012. During the first quarter of 2013, two additional milestones were achieved, resulting in an incremental accrual of $1.0 million. Payment of these earn-outs was made during the first quarter of 2013. The maximum remaining amount of the earn-out payments is $1.8 million.

Epocal

With respect to Epocal, the terms of the acquisition agreement require us to pay earn-outs and management incentive payments upon successfully meeting certain product development and United States Food and Drug Administration regulatory approval milestones from the date of acquisition through December 31, 2018. The maximum amount of the earn-out payments is $90.5 million, of which $15.0 million was paid at the acquisition closing date. The maximum amount of the management incentive payments is $9.4 million.

Immunalysis

With respect to Immunalysis, the terms of the acquisition agreement require us to pay earn-outs upon successfully meeting certain gross profit targets during each of the calendar years 2010 through 2012. During the second quarter of 2013, it was determined that the 2012 earn-out totaling $1.7 million had been achieved and payment was made during the same quarter. No further contingent consideration obligations related to this acquisition exist as of September 30, 2013.

Additionally, we had a contractual contingent obligation to pay up to $3.0 million in compensation to certain executives of Immunalysis in accordance with the acquisition agreement that, to the extent earned, was paid out in connection with the contingent consideration payable to the former shareholders of Immunalysis, for each of the calendar years 2010, 2011 and 2012. Payment of the 2012 compensation totaling $1.0 million, which was previously accrued at December 31, 2012, was made during the second quarter of 2013. No further such compensation obligations related to this acquisition exist as of September 30, 2013.

MedApps

With respect to MedApps, the terms of the acquisition agreement require us to make earn-out payments upon achievement of certain technological and product development milestones through January 15, 2015. A portion of the earn-out, totaling $3.0 million, was earned and paid during the second quarter of 2013. The maximum remaining amount of the earn-out payments is $18.2 million.

NationsHealth

With respect to NationsHealth, the terms of the acquisition agreement require us to pay an earn-out upon successfully meeting certain operational targets within one year of the acquisition date. During the second quarter of 2013, the earn-out was accrued for a settlement amount of $2.0 million, which was paid during the third quarter of 2013. No further contingent consideration obligations related to this acquisition exist as of September 30, 2013.

Pantech

With respect to Pantech, the terms of the acquisition agreement requires us to pay a maximum earn-out of approximately $0.6 million based upon successfully meeting certain EBITDA targets in each of the three years post-closing.

ROAR

With respect to Forensics Limited, or ROAR, the terms of the acquisition agreement require us to pay an earn-out upon successfully meeting certain EBITDA targets during 2012 through 2014. Payment of the 2012 earn-out totaling approximately £1.0 million (approximately $1.5 million), which was previously accrued at December 31, 2012, was made during the first quarter of 2013. The maximum remaining amount of the earn-out payments is £9.5 million (approximately $15.2 million at September 30, 2013).

(18) Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board, or FASB, or other standard setting bodies that we adopt as of the specified effective date. Unless otherwise discussed, we believe that the impact of recently issued standards that are not yet effective will not have a material impact on our financial position, results of operations, comprehensive income or cash flows upon adoption.

Recent Accounting Pronouncement

In July 2013, the FASB issued Accounting Standards Update, or ASU No. 2013-11, *Presentation of an Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*, or ASU 2013-11. ASU 2013-11 requires an entity to present unrecognized tax benefits as a reduction to deferred tax assets when a net operating loss carryforward, similar tax loss or a tax credit carryforward exists, with limited exceptions. ASU 2013-11 is effective for fiscal years beginning on or after December 15, 2013, and for interim periods within those fiscal years. We do not expect that the adoption of this ASU will have a material impact on our consolidated financial statements.

Recently Adopted Standards

Effective January 1, 2013, we adopted ASU No. 2012-02, *Intangibles Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment*, or ASU 2012-02. ASU 2012-02 allows an entity the option to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount. An entity also has the option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing the quantitative impairment test. An entity will be able to resume performing the qualitative assessment in any subsequent period. The adoption of this standard is not expected to have an impact on our financial position, results of operations, comprehensive income or cash flows.

(19) Equity Investments

We account for the results from our equity investments under the equity method of accounting in accordance with ASC 323, *Investments Equity Method and Joint Ventures,* based on the percentage of our ownership interest in the business. Our equity investments primarily include the following:

(a) SPD

We have a 50/50 joint venture, called SPD, with P&G for the development, manufacturing, marketing and sale of existing and to-be-developed consumer diagnostic products, outside the cardiology, diabetes and oral care fields. We recorded earnings of $4.7 million and $11.4 million during the three and nine months ended September 30, 2013, respectively, and earnings of $2.1 million and $8.2 million during the three and nine months ended September 30, 2012, respectively, in equity earnings of unconsolidated entities, net of tax, in our accompanying consolidated statements of operations, which represented our 50% share of SPD s net income or losses, as applicable, for the respective periods.

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(b) TechLab

We own 49% of TechLab, Inc., or TechLab, a privately-held developer, manufacturer and distributor of rapid non-invasive intestinal diagnostics tests in the areas of intestinal inflammation, antibiotic-associated diarrhea and parasitology. We recorded earnings of $0.5 million and $1.3 million during the three and nine months ended September 30, 2013, respectively, and earnings of $0.6 million and $1.8 million during the three and nine months ended September 30, 2012, respectively, in equity earnings of unconsolidated entities, net of tax, in our accompanying consolidated statements of operations, which represented our minority share of TechLab s net income for the respective periods.

Summarized financial information for SPD and TechLab on a combined basis is as follows (in thousands):

Combined Condensed Results of Operations:	Three Months Ended September 30, 2013	2012	Nine Months Ended September 30, 2013	2012
Net revenue	$ 49,272	$ 54,650	$ 153,096	$ 165,483
Gross profit	$ 40,158	$ 34,411	$ 112,862	$ 105,175
Net income after taxes	$ 10,543	$ 5,399	$ 25,549	$ 20,083

Combined Condensed Balance Sheet:	September 30, 2013	December 31, 2012
Current assets	$ 95,764	$ 79,842
Non-current assets	37,909	38,991
Total assets	$ 133,673	$ 118,833
Current liabilities	$ 39,468	$ 45,084
Non-current liabilities	6,268	6,791
Total liabilities	$ 45,736	$ 51,875

(20) Loss on Disposition

In July 2013, we sold our Spinreact operations located in Spain, which was part of our professional diagnostics reporting unit and business segment, for $32.0 million in cash proceeds and, as a result of this transaction, we recorded a loss on disposition of $5.9 million during the quarter ended September 30, 2013. The financial results for our Spinreact operations are immaterial to our consolidated financial results.

(21) Guarantor Financial Information

Our 7.25% senior notes due 2018, our 8.625% senior subordinated notes due 2018, and our 6.5% senior subordinated notes due 2020 are guaranteed by certain of our consolidated wholly owned subsidiaries, or the Guarantor Subsidiaries. The guarantees are full and unconditional and joint and several. The following supplemental financial information sets forth, on a consolidating basis, balance sheets as of September 30, 2013 and December 31, 2012, the related statements of operations and statements of comprehensive income (loss) for each of the three and nine months ended September 30, 2013 and 2012, respectively, and the statements of cash flows for the nine months ended September 30, 2013 and 2012, for Alere Inc., the Guarantor Subsidiaries and our other subsidiaries, or the Non-Guarantor Subsidiaries. The supplemental financial information reflects the investments of Alere Inc. and the Guarantor Subsidiaries in the Guarantor and Non-Guarantor Subsidiaries using the equity method of accounting.

We have extensive transactions and relationships between various members of the consolidated group. These transactions and relationships include intercompany pricing agreements, intellectual property royalty agreements and general and administrative and research and development cost-sharing agreements. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

For comparative purposes, certain amounts for prior periods have been reclassified to conform to the current period classification.

CONSOLIDATING STATEMENT OF OPERATIONS

For the Three Months Ended September 30, 2013

(in thousands)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net product sales	$	$ 223,254	$ 330,389	$ (44,605)	$ 509,038
Services revenue		220,439	20,221		240,660
Net product sales and services revenue		443,693	350,610	(44,605)	749,698
License and royalty revenue		5,103	4,057	(4,976)	4,184
Net revenue		448,796	354,667	(49,581)	753,882
Cost of net product sales	887	129,408	165,396	(37,457)	258,234
Cost of services revenue		120,032	10,292	(5,331)	124,993
Cost of net product sales and services revenue	887	249,440	175,688	(42,788)	383,227
Cost of license and royalty revenue		17	6,967	(4,975)	2,009
Cost of net revenue	887	249,457	182,655	(47,763)	385,236
Gross profit (loss)	(887)	199,339	172,012	(1,818)	368,646
Operating expenses:					
Research and development	5,515	15,817	19,166		40,498
Sales and marketing	1,579	81,107	76,901		159,587
General and administrative	23,027	61,489	57,861		142,377
Loss on disposition			5,885		5,885
Operating income (loss)	(31,008)	40,926	12,199	(1,818)	20,299
Interest expense, including amortization of original issue discounts and deferred financing costs	(52,318)	(6,326)	(2,721)	7,945	(53,420)
Other income (expense), net	(6,775)	5,770	81	(7,945)	(8,869)
Income (loss) before provision (benefit) for income taxes	(90,101)	40,370	9,559	(1,818)	(41,990)
Provision (benefit) for income taxes	(29,302)	14,928	(2,214)	(560)	(17,148)
Income (loss) before equity earnings (losses) of subsidiaries and unconsolidated entities, net of tax	(60,799)	25,442	11,773	(1,258)	(24,842)
	41,246	(337)		(40,909)	

Equity earnings (losses) of subsidiaries, net of tax					
Equity earnings of unconsolidated entities, net of tax	464		5,217	72	5,753
Net income (loss)	(19,089)	25,105	16,990	(42,095)	(19,089)
Less: Net income attributable to non-controlling interests			359		359
Net income (loss) attributable to Alere Inc. and Subsidiaries	(19,089)	25,105	16,631	(42,095)	(19,448)
Preferred stock dividends	(5,367)				(5,367)
Net income (loss) available to common stockholders	$ (24,456)	$ 25,105	$ 16,631	$ (42,095)	$ (24,815)

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CONSOLIDATING STATEMENT OF OPERATIONS

For the Three Months Ended September 30, 2012

(in thousands)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net product sales	$	$ 219,484	$ 282,369	$ (42,040)	$ 459,813
Services revenue		210,761	15,654		226,415
Net product sales and services revenue		430,245	298,023	(42,040)	686,228
License and royalty revenue		(4,912)	4,868	5,232	5,188
Net revenue		425,333	302,891	(36,808)	691,416
Cost of net product sales	928	107,410	152,607	(37,333)	223,612
Cost of services revenue		115,212	7,161	(2,242)	120,131
Cost of net product sales and services revenue	928	222,622	159,768	(39,575)	343,743
Cost of license and royalty revenue		5	(3,339)	5,232	1,898
Cost of net revenue	928	222,627	156,429	(34,343)	345,641
Gross profit (loss)	(928)	202,706	146,462	(2,465)	345,775
Operating expenses:					
Research and development	6,292	18,007	16,263		40,562
Sales and marketing	1,220	85,866	73,558		160,644
General and administrative	11,392	48,704	45,741		105,837
Total operating expenses	18,904	152,577	135,562		307,043
Operating income (loss)	(19,832)	50,129	10,900	(2,465)	38,732
Interest expense, including amortization of original issue discounts and deferred financing costs	(54,324)	(9,278)	(2,783)	11,524	(54,861)
Other income (expense), net	1,534	8,319	599	(11,524)	(1,072)
Income (loss) before provision (benefit) for income taxes	(72,622)	49,170	8,716	(2,465)	(17,201)
Provision (benefit) for income taxes	(27,401)	17,014	643	(933)	(10,677)
Income (loss) before equity earnings (losses) of subsidiaries and	(45,221)	32,156	8,073	(1,532)	(6,524)

unconsolidated entities, net of tax					
Equity earnings (losses) of subsidiaries, net of tax	41,052	(230)		(40,822)	
Equity earnings of unconsolidated entities, net of tax	652		2,405	(50)	3,007
Net income (loss)	(3,517)	31,926	10,478	(42,404)	(3,517)
Less: Net income attributable to non-controlling interests			286		286
Net income (loss) attributable to Alere Inc. and Subsidiaries	(3,517)	31,926	10,192	(42,404)	(3,803)
Preferred stock dividends	(5,352)				(5,352)
Net income (loss) available to common stockholders	$ (8,869)	$ 31,926	$ 10,192	$ (42,404)	$ (9,155)

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CONSOLIDATING STATEMENT OF OPERATIONS

For the Nine Months Ended September 30, 2013

(in thousands)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net product sales	$	$ 665,672	$ 1,016,614	$ (143,410)	$ 1,538,876
Services revenue		644,760	60,367		705,127
Net product sales and services revenue		1,310,432	1,076,981	(143,410)	2,244,003
License and royalty revenue		10,908	12,662	(10,457)	13,113
Net revenue		1,321,340	1,089,643	(153,867)	2,257,116
Cost of net product sales	2,722	367,552	519,559	(125,332)	764,501
Cost of services revenue		355,930	28,511	(14,480)	369,961
Cost of net product sales and services revenue	2,722	723,482	548,070	(139,812)	1,134,462
Cost of license and royalty revenue		52	15,668	(10,456)	5,264
Cost of net revenue	2,722	723,534	563,738	(150,268)	1,139,726
Gross profit (loss)	(2,722)	597,806	525,905	(3,599)	1,117,390
Operating expenses:					
Research and development	16,167	49,354	56,931		122,452
Sales and marketing	4,384	245,148	225,933		475,465
General and administrative	51,531	200,646	166,219		418,396
Loss on disposition			5,885		5,885
Operating income (loss)	(74,804)	102,658	70,937	(3,599)	95,192
Interest expense, including amortization of original issue discounts and deferred financing costs	(200,836)	(19,729)	(9,209)	26,502	(203,272)
Other income (expense), net	(7,612)	17,665	8,173	(26,502)	(8,276)
Income (loss) before provision (benefit) for income taxes	(283,252)	100,594	69,901	(3,599)	(116,356)
Provision (benefit) for income taxes	(102,473)	44,896	22,663	(1,238)	(36,152)
Income (loss) before equity earnings (losses) of subsidiaries	(180,779)	55,698	47,238	(2,361)	(80,204)

and unconsolidated entities, net of tax					
Equity earnings (losses) of subsidiaries, net of tax	112,535	(1,510)		(111,025)	
Equity earnings of unconsolidated entities, net of tax	1,278		11,932	28	13,238
Net income (loss)	(66,966)	54,188	59,170	(113,358)	(66,966)
Less: Net income attributable to non-controlling interests			601		601
Net income (loss) attributable to Alere Inc. and Subsidiaries	(66,966)	54,188	58,569	(113,358)	(67,567)
Preferred stock dividends	(15,926)				(15,926)
Net income (loss) available to common stockholders	$ (82,892)	$ 54,188	$ 58,569	$ (113,358)	$ (83,493)

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CONSOLIDATING STATEMENT OF OPERATIONS

For the Nine Months Ended September 30, 2012

(in thousands)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net product sales	$	$ 649,719	$ 854,113	$ (104,807)	$ 1,399,025
Services revenue		605,193	47,511		652,704
Net product sales and services revenue		1,254,912	901,624	(104,807)	2,051,729
License and royalty revenue		8,982	10,016	(7,665)	11,333
Net revenue		1,263,894	911,640	(112,472)	2,063,062
Cost of net product sales	2,635	311,722	456,760	(99,453)	671,664
Cost of services revenue		311,718	22,074	(2,242)	331,550
Cost of net product sales and services revenue	2,635	623,440	478,834	(101,695)	1,003,214
Cost of license and royalty revenue		15	13,044	(7,665)	5,394
Cost of net revenue	2,635	623,455	491,878	(109,360)	1,008,608
Gross profit (loss)	(2,635)	640,439	419,762	(3,112)	1,054,454
Operating expenses:					
Research and development	17,361	53,528	49,120		120,009
Sales and marketing	3,096	260,283	215,165		478,544
General and administrative	37,590	174,639	135,528		347,757
Total operating expenses	58,047	488,450	399,813		946,310
Operating income (loss)	(60,682)	151,989	19,949	(3,112)	108,144
Interest expense, including amortization of original issue discounts and deferred financing costs	(158,009)	(31,291)	(9,853)	38,034	(161,119)
Other income (expense), net	(2,552)	33,550	21,606	(38,034)	14,570
Income (loss) before provision (benefit) for income taxes	(221,243)	154,248	31,702	(3,112)	(38,405)
Provision (benefit) for income taxes	(74,149)	59,013	3,494	(979)	(12,621)
	(147,094)	95,235	28,208	(2,133)	(25,784)

Income (loss) before equity earnings (losses) of subsidiaries and unconsolidated entities, net of tax					
Equity earnings (losses) of subsidiaries, net of tax	129,929	(763)		(129,166)	
Equity earnings (losses) of unconsolidated entities, net of tax	1,798		8,643	(24)	10,417
Net income (loss)	(15,367)	94,472	36,851	(131,323)	(15,367)
Less: Net income attributable to non-controlling interests			137		137
Net income (loss) attributable to Alere Inc. and Subsidiaries	(15,367)	94,472	36,714	(131,323)	(15,504)
Preferred stock dividends	(15,940)				(15,940)
Net income (loss) available to common stockholders	$ (31,307)	$ 94,472	$ 36,714	$ (131,323)	$ (31,444)