

ALERE INC.  
Form 10-Q  
November 08, 2011

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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, 2011**

**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**

(State or other jurisdiction of  
incorporation or organization)

**04-3565120**

(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 ☒ 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 ☐ 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 ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting  
company ☐

(Do not check if a 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 ☒**

The number of shares outstanding of the registrant's common stock, par value of \$0.001 per share, as of October 31, 2011 was 86,011,860.



**ALERE INC.  
REPORT ON FORM 10-Q**

**For the Quarterly Period Ended September 30, 2011**

*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, 2010 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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CONSOLIDATED STATEMENTS OF OPERATIONS**

(unaudited)

(in thousands, except per share amounts)

|                                                                                                   | <b>Three Months Ended<br/>September 30,</b> |                | <b>Nine Months Ended<br/>September 30,</b> |                  |
|---------------------------------------------------------------------------------------------------|---------------------------------------------|----------------|--------------------------------------------|------------------|
|                                                                                                   | <b>2011</b>                                 | <b>2010</b>    | <b>2011</b>                                | <b>2010</b>      |
| Net product sales                                                                                 | \$ 418,254                                  | \$ 363,433     | \$ 1,224,302                               | \$ 1,063,549     |
| Services revenue                                                                                  | 162,266                                     | 171,123        | 493,393                                    | 497,292          |
| Net product sales and services revenue                                                            | 580,520                                     | 534,556        | 1,717,695                                  | 1,560,841        |
| License and royalty revenue                                                                       | 5,249                                       | 4,123          | 17,723                                     | 16,052           |
| <b>Net revenue</b>                                                                                | <b>585,769</b>                              | <b>538,679</b> | <b>1,735,418</b>                           | <b>1,576,893</b> |
| Cost of net product sales                                                                         | 193,899                                     | 170,549        | 573,919                                    | 500,990          |
| Cost of services revenue                                                                          | 84,177                                      | 80,782         | 251,388                                    | 238,991          |
| Cost of net product sales and services revenue                                                    | 278,076                                     | 251,331        | 825,307                                    | 739,981          |
| Cost of license and royalty revenue                                                               | 1,731                                       | 1,802          | 5,214                                      | 5,411            |
| <b>Cost of net revenue</b>                                                                        | <b>279,807</b>                              | <b>253,133</b> | <b>830,521</b>                             | <b>745,392</b>   |
| <b>Gross profit</b>                                                                               | <b>305,962</b>                              | <b>285,546</b> | <b>904,897</b>                             | <b>831,501</b>   |
| Operating expenses:                                                                               |                                             |                |                                            |                  |
| Research and development                                                                          | 34,772                                      | 32,434         | 112,662                                    | 96,187           |
| Sales and marketing                                                                               | 134,376                                     | 125,606        | 407,973                                    | 369,016          |
| General and administrative                                                                        | 91,895                                      | 96,131         | 292,284                                    | 284,155          |
| Total operating expenses                                                                          | 261,043                                     | 254,171        | 812,919                                    | 749,358          |
| <b>Operating income</b>                                                                           | <b>44,919</b>                               | <b>31,375</b>  | <b>91,978</b>                              | <b>82,143</b>    |
| Interest expense, including amortization of original issue discounts and deferred financing costs | (47,327)                                    | (34,180)       | (154,194)                                  | (100,921)        |
| Other income (expense), net                                                                       | (8,250)                                     | 7,525          | (5,477)                                    | 14,681           |
| Gain on sale of joint venture interest                                                            | 288,896                                     |                | 288,896                                    |                  |
| <b>Income (loss) from continuing operations before provision (benefit) for income taxes</b>       | <b>278,238</b>                              | <b>4,720</b>   | <b>221,203</b>                             | <b>(4,097)</b>   |
| Provision (benefit) for income taxes                                                              | 42,652                                      | (167)          | (4,414)                                    | (964)            |
|                                                                                                   | <b>235,586</b>                              | <b>4,887</b>   | <b>225,617</b>                             | <b>(3,133)</b>   |

**Income (loss) from continuing operations before equity earnings (losses) of unconsolidated entities, net of tax**

|                                                                                         |            |            |            |            |
|-----------------------------------------------------------------------------------------|------------|------------|------------|------------|
| Equity earnings (losses) of unconsolidated entities, net of tax                         | 4,118      | (62)       | 4,922      | 8,195      |
| Income from continuing operations                                                       | 239,704    | 4,825      | 230,539    | 5,062      |
| Income from discontinued operations, net of tax                                         |            | 2          |            | 11,913     |
| <b>Net income</b>                                                                       | 239,704    | 4,827      | 230,539    | 16,975     |
| Less: Net income attributable to non-controlling interests                              | 138        | 1,494      | 160        | 1,167      |
| <b>Net income attributable to Alere Inc. and Subsidiaries</b>                           | 239,566    | 3,333      | 230,379    | 15,808     |
| Preferred stock dividends                                                               | (5,358)    | (6,147)    | (16,682)   | (18,001)   |
| Preferred stock repurchase                                                              |            |            | 23,936     |            |
| <b>Net income (loss) available to common stockholders</b>                               | \$ 234,208 | \$ (2,814) | \$ 237,633 | \$ (2,193) |
| Basic net income (loss) per common share attributable to Alere Inc. and Subsidiaries:   |            |            |            |            |
| Income (loss) from continuing operations                                                | \$ 2.84    | \$ (0.03)  | \$ 2.81    | \$ (0.17)  |
| Income from discontinued operations, net of tax                                         |            |            |            | 0.14       |
| Net income (loss) per common share                                                      | \$ 2.84    | \$ (0.03)  | \$ 2.81    | \$ (0.03)  |
| Diluted net income (loss) per common share attributable to Alere Inc. and Subsidiaries: |            |            |            |            |
| Income (loss) from continuing operations                                                | \$ 2.48    | \$ (0.03)  | \$ 2.56    | \$ (0.17)  |
| Income from discontinued operations, net of tax                                         |            |            |            | 0.14       |
| Net income (loss) per common share                                                      | \$ 2.48    | \$ (0.03)  | \$ 2.56    | \$ (0.03)  |
| <b>Weighted average shares-basic</b>                                                    | 82,486     | 84,796     | 84,508     | 84,269     |
| <b>Weighted average shares-diluted</b>                                                  | 97,090     | 84,796     | 100,058    | 84,269     |

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

Table of Contents**ALERE INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS**

(unaudited)

(in thousands, except par value)

|                                                                                                                              | <b>September<br/>30,<br/>2011</b> | <b>December<br/>31,<br/>2010</b> |
|------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------|
| <b>ASSETS</b>                                                                                                                |                                   |                                  |
| <b>Current assets:</b>                                                                                                       |                                   |                                  |
| Cash and cash equivalents                                                                                                    | \$ 276,754                        | \$ 401,306                       |
| Restricted cash                                                                                                              | 349,551                           | 2,581                            |
| Marketable securities                                                                                                        | 1,066                             | 2,094                            |
| Accounts receivable, net of allowances of \$22,163 and \$20,381 at<br>September 30, 2011 and December 31, 2010, respectively | 423,437                           | 397,148                          |
| Inventories, net                                                                                                             | 273,310                           | 257,720                          |
| Deferred tax assets                                                                                                          | 66,560                            | 57,111                           |
| Income tax receivable                                                                                                        |                                   | 1,383                            |
| Receivable from joint venture, net                                                                                           | 15,668                            |                                  |
| Prepaid expenses and other current assets                                                                                    | 98,009                            | 74,914                           |
| <b>Total current assets</b>                                                                                                  | <b>1,504,355</b>                  | <b>1,194,257</b>                 |
| Property, plant and equipment, net                                                                                           | 420,005                           | 390,510                          |
| Goodwill                                                                                                                     | 2,889,893                         | 2,831,300                        |
| Other intangible assets with indefinite lives                                                                                | 14,355                            | 28,183                           |
| Finite-lived intangible assets, net                                                                                          | 1,569,024                         | 1,707,581                        |
| Deferred financing costs, net and other non-current assets                                                                   | 98,538                            | 57,529                           |
| Receivable from joint venture, net of current portion                                                                        | 15,579                            | 23,872                           |
| Investments in unconsolidated entities                                                                                       | 177,780                           | 62,556                           |
| Marketable securities                                                                                                        | 2,040                             | 9,404                            |
| Deferred tax assets                                                                                                          | 10,045                            | 25,182                           |
| <b>Total assets</b>                                                                                                          | <b>\$ 6,701,614</b>               | <b>\$ 6,330,374</b>              |
| <b>LIABILITIES AND EQUITY</b>                                                                                                |                                   |                                  |
| <b>Current liabilities:</b>                                                                                                  |                                   |                                  |
| Current portion of long-term debt                                                                                            | \$ 45,421                         | \$ 16,891                        |
| Current portion of capital lease obligations                                                                                 | 2,491                             | 2,126                            |
| Short-term debt                                                                                                              | 6,147                             |                                  |
| Accounts payable                                                                                                             | 145,397                           | 126,844                          |
| Accrued expenses and other current liabilities                                                                               | 411,183                           | 345,832                          |
| Payable to joint venture, net                                                                                                |                                   | 2,787                            |
| Deferred gain on joint venture                                                                                               |                                   | 288,378                          |
| <b>Total current liabilities</b>                                                                                             | <b>610,639</b>                    | <b>782,858</b>                   |
| <b>Long-term liabilities:</b>                                                                                                |                                   |                                  |
| Long-term debt, net of current portion                                                                                       | 3,018,602                         | 2,378,566                        |

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|                                                                                                                                                                                                                                                                                                                                             |                     |                     |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Capital lease obligations, net of current portion                                                                                                                                                                                                                                                                                           | 2,334               | 1,402               |
| Deferred tax liabilities                                                                                                                                                                                                                                                                                                                    | 395,370             | 420,166             |
| Other long-term liabilities                                                                                                                                                                                                                                                                                                                 | 121,881             | 169,656             |
| <b>Total long-term liabilities</b>                                                                                                                                                                                                                                                                                                          | <b>3,538,187</b>    | <b>2,969,790</b>    |
| <b>Commitments and contingencies</b> (Note 16)                                                                                                                                                                                                                                                                                              |                     |                     |
| Redeemable non-controlling interest                                                                                                                                                                                                                                                                                                         | 2,502               |                     |
| <b>Stockholders equity:</b>                                                                                                                                                                                                                                                                                                                 |                     |                     |
| Series B preferred stock, \$0.001 par value (liquidation preference: \$709,763 at September 30, 2011 and \$836,222 at December 31, 2010); Authorized: 2,300 shares; Issued: 2,065 shares at September 30, 2011 and 2,091 shares at December 31, 2010; Outstanding: 1,774 shares at September 30, 2011 and 2,091 shares at December 31, 2010 | 606,468             | 718,554             |
| Common stock, \$0.001 par value; Authorized: 200,000 shares; Issued: 85,999 shares at September 30, 2011 and 84,928 shares at December 31, 2010; Outstanding: 78,320 shares at September 30, 2011 and 84,904 shares at December 31, 2010                                                                                                    | 86                  | 85                  |
| Additional paid-in capital                                                                                                                                                                                                                                                                                                                  | 3,259,573           | 3,232,997           |
| Accumulated deficit                                                                                                                                                                                                                                                                                                                         | (1,122,869)         | (1,377,184)         |
| Treasury stock, at cost, 7,679 shares at September 30, 2011 and 24 shares at December 31, 2010                                                                                                                                                                                                                                              | (184,971)           | (104)               |
| Accumulated other comprehensive income                                                                                                                                                                                                                                                                                                      | (10,576)            | 690                 |
| <b>Total stockholders equity</b>                                                                                                                                                                                                                                                                                                            | <b>2,547,711</b>    | <b>2,575,038</b>    |
| Non-controlling interests                                                                                                                                                                                                                                                                                                                   | 2,575               | 2,688               |
| <b>Total equity</b>                                                                                                                                                                                                                                                                                                                         | <b>2,550,286</b>    | <b>2,577,726</b>    |
| <b>Total liabilities and equity</b>                                                                                                                                                                                                                                                                                                         | <b>\$ 6,701,614</b> | <b>\$ 6,330,374</b> |

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)

|                                                                                                                         | <b>Nine Months Ended September<br/>30,</b> |                |
|-------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|----------------|
|                                                                                                                         | <b>2011</b>                                | <b>2010</b>    |
| <b>Cash Flows from Operating Activities:</b>                                                                            |                                            |                |
| Net income                                                                                                              | \$ 230,539                                 | \$ 16,975      |
| Income from discontinued operations, net of tax                                                                         |                                            | 11,913         |
| Income from continuing operations                                                                                       | 230,539                                    | 5,062          |
| Adjustments to reconcile income from continuing operations to net cash provided by operating activities:                |                                            |                |
| Non-cash interest expense, including amortization of original issue discounts and write-off of deferred financing costs | 32,726                                     | 10,284         |
| Depreciation and amortization                                                                                           | 287,033                                    | 275,507        |
| Non-cash stock-based compensation expense                                                                               | 16,275                                     | 22,947         |
| Impairment of inventory                                                                                                 | 445                                        | 712            |
| Impairment of long-lived assets                                                                                         | 1,674                                      | 618            |
| Impairment of intangible assets                                                                                         | 2,938                                      |                |
| Gain on sale of joint venture interest                                                                                  | (288,896)                                  |                |
| Loss on sale of fixed assets                                                                                            | 1,096                                      | 607            |
| Gain on sales of marketable securities                                                                                  | (376)                                      |                |
| Equity earnings of unconsolidated entities, net of tax                                                                  | (4,922)                                    | (8,195)        |
| Deferred income taxes                                                                                                   | (30,999)                                   | (33,256)       |
| Other non-cash items                                                                                                    | (8,115)                                    | (1,378)        |
| Changes in assets and liabilities, net of acquisitions:                                                                 |                                            |                |
| Accounts receivable, net                                                                                                | (30,832)                                   | (2,553)        |
| Inventories, net                                                                                                        | (17,013)                                   | (29,107)       |
| Prepaid expenses and other current assets                                                                               | (17,364)                                   | 6,752          |
| Accounts payable                                                                                                        | 11,977                                     | (19,423)       |
| Accrued expenses and other current liabilities                                                                          | 66,769                                     | 23,121         |
| Other non-current liabilities                                                                                           | (30,448)                                   | (21,984)       |
| Net cash provided by continuing operations                                                                              | 222,507                                    | 229,714        |
| Net cash used in discontinued operations                                                                                |                                            | (390)          |
| <b>Net cash provided by operating activities</b>                                                                        | <b>222,507</b>                             | <b>229,324</b> |
| <b>Cash Flows from Investing Activities:</b>                                                                            |                                            |                |
| Increase in restricted cash                                                                                             | (346,970)                                  | (280)          |
| Purchases of property, plant and equipment                                                                              | (94,692)                                   | (68,457)       |
| Proceeds from sale of property, plant and equipment                                                                     | 846                                        | 642            |
| Proceeds from disposition of business                                                                                   | 11,491                                     |                |
| Cash paid for acquisitions, net of cash acquired                                                                        | (127,081)                                  | (465,583)      |
| Proceeds from sales of (increase in) marketable securities                                                              | 8,392                                      | (17,887)       |
| Net cash received from (paid for) equity method investments                                                             | (44,102)                                   | 10,835         |

|                                                               |                   |                   |
|---------------------------------------------------------------|-------------------|-------------------|
| Increase in other assets                                      | (55,888)          | (1,717)           |
| Net cash used in continuing operations                        | (648,004)         | (542,447)         |
| Net cash provided by discontinued operations                  |                   | 63,446            |
| <b>Net cash used in investing activities</b>                  | <b>(648,004)</b>  | <b>(479,001)</b>  |
| <b>Cash Flows from Financing Activities:</b>                  |                   |                   |
| Cash paid for financing costs                                 | (66,338)          | (9,590)           |
| Cash paid for contingent purchase price consideration         | (25,305)          |                   |
| Proceeds from issuance of common stock, net of issuance costs | 24,159            | 17,839            |
| Repurchase of preferred stock                                 | (99,068)          |                   |
| Proceeds from issuance of long-term debt                      | 1,752,708         | 400,000           |
| Payments on long-term debt                                    | (1,195,337)       | (7,313)           |
| Net proceeds (payments) under revolving credit facilities     | 104,808           | (146,985)         |
| Repurchase of common stock                                    | (184,867)         |                   |
| Excess tax benefits on exercised stock options                | 2,183             | 1,300             |
| Principal payments on capital lease obligations               | (3,084)           | (1,270)           |
| Other                                                         | (10,451)          | (509)             |
| <b>Net cash provided by financing activities</b>              | <b>299,408</b>    | <b>253,472</b>    |
| Foreign exchange effect on cash and cash equivalents          | 1,537             | (8,987)           |
| Net decrease in cash and cash equivalents                     | (124,552)         | (5,192)           |
| Cash and cash equivalents, beginning of period                | 401,306           | 492,773           |
| <b>Cash and cash equivalents, end of period</b>               | <b>\$ 276,754</b> | <b>\$ 487,581</b> |

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 presentation. 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 and cash flows. Our audited consolidated financial statements for the year ended December 31, 2010 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 April 29, 2011. 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, 2010.

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.

**(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, 2011, our cash equivalents consisted of money market funds.

We have restricted cash of \$349.6 million and \$2.6 million as of September 30, 2011 and December 31, 2010, respectively. Of the \$349.6 million, \$347.1 million relates to a cash balance established in connection with the Axis-Shield plc, or Axis-Shield, tender offer, which we expect to consummate during the fourth quarter of 2011.

**(3) Inventories**

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

|                 | <b>September 30,<br/>2011</b> | <b>December 31,<br/>2010</b> |
|-----------------|-------------------------------|------------------------------|
| Raw materials   | \$ 82,582                     | \$ 81,640                    |
| Work-in-process | 60,880                        | 61,849                       |
| Finished goods  | 129,848                       | 114,231                      |
|                 | <b>\$ 273,310</b>             | <b>\$ 257,720</b>            |

**(4) Stock-based Compensation**

We recorded stock-based compensation expense in our consolidated statements of operations for the three and nine months ended September 30, 2011 and 2010, respectively, as follows (in thousands):

|                            | <b>Three Months Ended<br/>September 30,</b> |              | <b>Nine Months Ended<br/>September 30,</b> |               |
|----------------------------|---------------------------------------------|--------------|--------------------------------------------|---------------|
|                            | <b>2011</b>                                 | <b>2010</b>  | <b>2011</b>                                | <b>2010</b>   |
| Cost of net revenue        | \$ 408                                      | \$ 589       | \$ 1,124                                   | \$ 1,390      |
| Research and development   | 881                                         | 1,543        | 3,017                                      | 5,415         |
| Sales and marketing        | 1,016                                       | 1,181        | 3,184                                      | 3,094         |
| General and administrative | 1,981                                       | 3,950        | 8,950                                      | 13,048        |
|                            | <b>4,286</b>                                | <b>7,263</b> | <b>16,275</b>                              | <b>22,947</b> |

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|                          |          |          |           |           |
|--------------------------|----------|----------|-----------|-----------|
| Benefit for income taxes | (674)    | (1,295)  | (3,264)   | (4,633)   |
|                          | \$ 3,612 | \$ 5,968 | \$ 13,011 | \$ 18,314 |

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**ALERE INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**(5) Net Income (Loss) per Common Share**

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

|                                                                                                   | <b>Three Months Ended<br/>September 30,</b> |                | <b>Nine Months Ended<br/>September 30,</b> |                 |
|---------------------------------------------------------------------------------------------------|---------------------------------------------|----------------|--------------------------------------------|-----------------|
|                                                                                                   | <b>2011</b>                                 | <b>2010</b>    | <b>2011</b>                                | <b>2010</b>     |
| Numerator:                                                                                        |                                             |                |                                            |                 |
| Income from continuing operations                                                                 | \$ 239,704                                  | \$ 4,825       | \$ 230,539                                 | \$ 5,062        |
| Preferred stock dividends                                                                         | (5,358)                                     | (6,147)        | (16,682)                                   | (18,001)        |
| Preferred stock repurchase                                                                        |                                             |                | 23,936                                     |                 |
| Income (loss) from continuing operations attributable to common shares                            | 234,346                                     | (1,322)        | 237,793                                    | (12,939)        |
| Less: Net income attributable to non-controlling interest                                         | 138                                         | 1,494          | 160                                        | 1,167           |
| <b>Income (loss) from continuing operations attributable to Alere Inc. and Subsidiaries</b>       | <b>234,208</b>                              | <b>(2,816)</b> | <b>237,633</b>                             | <b>(14,106)</b> |
| Income from discontinued operations                                                               |                                             | 2              |                                            | 11,913          |
| Net income (loss) available to common stockholders                                                | \$ 234,208                                  | \$ (2,814)     | \$ 237,633                                 | \$ (2,193)      |
| Denominator:                                                                                      |                                             |                |                                            |                 |
| Weighted-average common shares outstanding basic                                                  | 82,486                                      | 84,796         | 84,508                                     | 84,269          |
| Effect of dilutive securities:                                                                    |                                             |                |                                            |                 |
| Stock options                                                                                     | 661                                         |                | 1,078                                      |                 |
| Warrants                                                                                          | 95                                          |                | 120                                        |                 |
| Potentially issuable shares of common stock associated with deferred purchase price consideration | 189                                         |                | 189                                        |                 |
| Potentially issuable shares of common stock associated with Series B convertible preferred stock  | 10,221                                      |                | 10,725                                     |                 |
| Potentially issuable shares of common stock associated with convertible debt securities           | 3,438                                       |                | 3,438                                      |                 |
| Weighted-average common shares outstanding diluted                                                | 97,090                                      | 84,796         | 100,058                                    | 84,269          |

Net income (loss) per common share basic:

**Income (loss) from continuing operations  
attributable to Alere Inc. and  
Subsidiaries**

|                                          |    |      |    |        |    |      |    |        |
|------------------------------------------|----|------|----|--------|----|------|----|--------|
|                                          | \$ | 2.84 | \$ | (0.03) | \$ | 2.81 | \$ | (0.17) |
| Income from discontinued operations      |    |      |    |        |    |      |    | 0.14   |
| Net income (loss) per common share basic | \$ | 2.84 | \$ | (0.03) | \$ | 2.81 | \$ | (0.03) |

Net income (loss) per common share  
diluted:

**Income (loss) from continuing operations  
attributable to Alere Inc. and  
Subsidiaries**

|                                               |    |      |    |        |    |      |    |        |
|-----------------------------------------------|----|------|----|--------|----|------|----|--------|
|                                               | \$ | 2.48 | \$ | (0.03) | \$ | 2.56 | \$ | (0.17) |
| Income from discontinued operations           |    |      |    |        |    |      |    | 0.14   |
| Net income (loss) per common share<br>diluted | \$ | 2.48 | \$ | (0.03) | \$ | 2.56 | \$ | (0.03) |

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For the three and nine-month periods ended September 30, 2010, anti-dilutive shares of 16.3 million and 16.9 million, respectively, were excluded from the computations of diluted net income (loss) per share.

**(6) Stockholders' Equity***(a) Preferred Stock*

For the three and nine months ended September 30, 2011, Series B preferred stock dividends amounted to \$5.4 million and \$16.7 million, respectively, and for the three and nine months ended September 30, 2010, Series B preferred stock dividends amounted to \$6.1 million and \$18.0 million, respectively, which reduced earnings available to common stockholders for purposes of calculating net income (loss) per common share for each of the respective periods. As of October 17, 2011, payments have been made covering all dividend periods through September 30, 2011.

*(b) Share Repurchases*

In December 2010, our Board of Directors authorized the repurchase of up to \$50.0 million of our common or preferred stock. During the first quarter of 2011, under this authorization we repurchased, in the open market and privately negotiated transactions, 183,000 shares of our Series B preferred stock, which were convertible into approximately 1.1 million shares of our common stock, at a cost of approximately \$49.4 million, which we paid in cash. Also during the first quarter of 2011, under this same authorization, we completed this repurchase program by repurchasing 16,700 shares of our common stock at a cost of approximately \$0.6 million, which we paid in cash. The repurchase of the preferred stock at an average cost of \$269.84 per preferred share, an amount less than the weighted average fair value of the preferred shares at issuance, resulted in the allocation of \$13.7 million of income attributable to common shareholders.

In March 2011, our Board of Directors authorized an additional repurchase of up to \$50.0 million of our preferred or common stock. During the second quarter of 2011, under this authorization we repurchased, in the open market and privately negotiated transactions, 174,788 shares of our Series B preferred stock, which were convertible into approximately 1.0 million shares of our common stock, at a cost of approximately \$49.7 million, which we paid in cash. Also during the second quarter of 2011, under this same authorization, we completed this repurchase program by repurchasing 8,300 shares of our common stock at a cost of approximately \$0.3 million, which we paid in cash. The repurchase of the preferred stock at an average cost of \$284.28 per preferred share, an amount less than the weighted average fair value of the preferred shares at issuance, resulted in the allocation of \$10.2 million of income attributable to common shareholders.

On May 31, 2011, we announced that our Board of Directors had authorized the repurchase of \$200.0 million of our common stock or preferred stock, subject to completion of the consent solicitation we announced that day and receipt of necessary authorizations from our senior secured lenders. We satisfied these conditions on June 30, 2011. During the third quarter of 2011, under this authorization we repurchased approximately 7.6 million shares of our common stock at a cost of approximately \$183.9 million, which we paid in cash.

**(7) Comprehensive Income (Loss)**

The following table provides a reconciliation of net income attributable to Alere Inc. and Subsidiaries reported in our consolidated financial statements to comprehensive income (loss) for the three and nine months ended September 30, 2011 and 2010 (in thousands):

|                                                        | <b>Three Months Ended<br/>September 30,</b> |             | <b>Nine Months Ended<br/>September 30,</b> |             |
|--------------------------------------------------------|---------------------------------------------|-------------|--------------------------------------------|-------------|
|                                                        | <b>2011</b>                                 | <b>2010</b> | <b>2011</b>                                | <b>2010</b> |
| Net income attributable to Alere Inc. and Subsidiaries | \$ 239,566                                  | \$ 3,333    | \$ 230,379                                 | \$ 15,808   |
| Other comprehensive income (loss), net of tax:         |                                             |             |                                            |             |
| Changes in cumulative translation adjustment           | (56,737)                                    | 45,260      | (18,116)                                   | (3,204)     |

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|                                                            |            |           |            |           |
|------------------------------------------------------------|------------|-----------|------------|-----------|
| Unrealized gains (losses) on available for sale securities | (480)      | 404       | (758)      | 452       |
| Unrealized gains (losses) on hedging instruments           | (53)       | 497       | 7,272      | 237       |
| Minimum pension liability adjustment                       | 246        | (237)     | 336        | 65        |
| Total other comprehensive income (loss)                    | (57,024)   | 45,924    | (11,266)   | (2,450)   |
| Total comprehensive income                                 | \$ 182,542 | \$ 49,257 | \$ 219,113 | \$ 13,358 |

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**ALERE INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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A summary of the changes in stockholders' equity and non-controlling interest comprising total equity for the nine months ended September 30, 2011 and 2010 is provided below (in thousands):

|                                                                                                 | <b>Nine Months Ended September 30,</b>   |                                                   |                         |                                          |                                                   |                         |
|-------------------------------------------------------------------------------------------------|------------------------------------------|---------------------------------------------------|-------------------------|------------------------------------------|---------------------------------------------------|-------------------------|
|                                                                                                 | <b>Total<br/>Stockholders<br/>Equity</b> | <b>2011<br/>Non-<br/>controlling<br/>Interest</b> | <b>Total<br/>Equity</b> | <b>Total<br/>Stockholders<br/>Equity</b> | <b>2010<br/>Non-<br/>controlling<br/>Interest</b> | <b>Total<br/>Equity</b> |
| Equity, beginning of period                                                                     | \$ 2,575,038                             | \$ 2,688                                          | \$ 2,577,726            | \$ 3,527,555                             | \$ 1,334                                          | \$ 3,528,889            |
| Issuance of common stock and warrants in connection with acquisitions                           | 1,000                                    |                                                   | 1,000                   | 16,277                                   |                                                   | 16,277                  |
| Exercise of common stock options, warrants and shares issued under employee stock purchase plan | 24,159                                   |                                                   | 24,159                  | 17,839                                   |                                                   | 17,839                  |
| Repurchase of common stock                                                                      | (184,867)                                |                                                   | (184,867)               |                                          |                                                   |                         |
| Repurchase of preferred stock                                                                   | (99,068)                                 |                                                   | (99,068)                |                                          |                                                   |                         |
| Preferred stock dividends                                                                       | (5,391)                                  |                                                   | (5,391)                 | (119)                                    |                                                   | (119)                   |
| Stock-based compensation related to grants of common stock options                              | 16,275                                   |                                                   | 16,275                  | 22,947                                   |                                                   | 22,947                  |
| Excess tax benefits on exercised stock options                                                  | 1,452                                    |                                                   | 1,452                   | 452                                      |                                                   | 452                     |
| Non-controlling interest from acquisitions                                                      |                                          |                                                   |                         | (5,492)                                  | 1,864                                             | (3,628)                 |
| Dividend relating to non-controlling interest                                                   |                                          | (271)                                             | (271)                   |                                          |                                                   |                         |
| Redeemable non-controlling interest in subsidiaries' income                                     |                                          | (2)                                               | (2)                     |                                          | (1,164)                                           | (1,164)                 |
| Net income                                                                                      | 230,379                                  | 160                                               | 230,539                 | 15,808                                   | 1,167                                             | 16,975                  |
| Total other comprehensive loss                                                                  | (11,266)                                 |                                                   | (11,266)                | (2,450)                                  |                                                   | (2,450)                 |
| Equity, end of period                                                                           | \$ 2,547,711                             | \$ 2,575                                          | \$ 2,550,286            | \$ 3,592,817                             | \$ 3,201                                          | \$ 3,596,018            |

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A summary of the changes in redeemable non-controlling interest recorded in the mezzanine section of the balance sheet for the nine months ended September 30, 2011 and 2010 is provided below:

|                                                          | <b>Nine Months<br/>Ended<br/>September 30,<br/>2011</b> | <b>Nine Months<br/>Ended<br/>September 30,<br/>2010</b> |
|----------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|
| Redeemable non-controlling interest, beginning of period | \$                                                      | \$                                                      |
| Acquisition of non-controlling interest                  | 2,500                                                   | 49,207                                                  |
| Net income                                               | 2                                                       | 1,164                                                   |
| Redeemable non-controlling interest, end of period       | \$ 2,502                                                | \$ 50,371                                               |

### **(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, 2011, we expensed acquisition-related costs of \$2.9 million and \$6.2 million, respectively, in general and administrative expense. During the three and nine months ended September 30,

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2010, we expensed acquisition-related costs of \$0.9 million and \$6.9 million, respectively, primarily in general and administrative expense.

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

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. Determination of the estimated useful lives of the individual categories of intangible assets was 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 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 2011*

During 2011, we acquired the following businesses for a preliminary aggregate purchase price of \$129.7 million, which included cash payments totaling \$91.1 million, 25,463 shares of our common stock with an acquisition date fair value of \$1.0 million, contingent consideration obligations with an aggregate acquisition date fair value of \$29.8 million and deferred purchase price consideration with an acquisition date fair value of \$3.9 million.

90% interest in BioNote, Inc., or BioNote, headquartered in South Korea, a manufacturer of diagnostic products for the veterinary industry (Acquired January 2011). We previously owned a 10% interest in BioNote.

assets, including domain name, of Pregnancy.org, LLC, or Pregnancy.org, a U.S.-based company providing a website for preconception, pregnancy and newborn care content, tools and sharing (Acquired January 2011)

Home Telehealth Limited, subsequently renamed Alere Connected Health Limited, or Alere Connected Health, located in Cardiff, Wales, a company that focuses on delivering integrated, comprehensive services and programs to health and social care providers and insurers (Acquired February 2011)

Bioeasy Diagnostica Ltda., or Bioeasy, located in Belo Horizonte, Brazil, a company that markets and sells rapid diagnostic tests and systems for laboratory diagnosis, prevention and monitoring of immunological diseases and fertility (Acquired March 2011)

80.92% interest in Standing Stone, Inc., or Standing Stone, located in Westport, Connecticut, a company that focuses on disease state management by enhancing the quality of care provided to patients who require long-term therapy for chronic disease management (Acquired May 2011)

certain assets, rights, liabilities and properties of Drug Detection Devices, Inc., or 3DL, located in Alpharetta, Georgia, a distributor that promotes, markets, distributes and sells drugs of abuse diagnostic products, including consumables, point-of-care diagnostic kits and related products and services (Acquired July 2011)

Colibri Medical AB, or Colibri, located in Helsingborg, Sweden, a distributor of point-of-care drugs of abuse diagnostic products primarily to the Scandinavian marketplace (Acquired July 2011)

Laboratory Data Systems, Inc., or LDS, located in Tampa, Florida, a provider of healthcare software products, services, consulting and solutions (Acquired August 2011)

certain assets, liabilities and properties of Abatek Medical LLC, or Abatek, located in Dover, New Hampshire, a distributor that promotes, markets, distributes and sells drugs of abuse diagnostic products, including consumables, point-of-care diagnostic kits and related products and services (Acquired September 2011)

Forensics Limited, or ROAR, located in Worcestershire, United Kingdom, a company that provides forensic quality toxicology services across the United Kingdom (Acquired September 2011)

The operating results of BioNote, Bioeasy, 3DL, Colibri, Abatek, LDS and ROAR are included in our professional diagnostics reporting unit and business segment. The operating results of Pregnancy.org, Alere Connected Health and Standing Stone are included in our health management reporting unit and business segment.

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Our consolidated statements of operations for the three and nine months ended September 30, 2011 included revenue totaling approximately \$5.6 million and \$15.3 million, respectively, related to these businesses. Goodwill has been recognized in all of the acquisitions and amounted to approximately \$79.7 million. Goodwill related to the acquisitions of Pregnancy.org, 3DL, Abatek and LDS which totaled \$14.8 million, is expected to be deductible for tax purposes.

A summary of the preliminary fair values of the net assets acquired for the acquisitions consummated in 2011 is as follows (in thousands):

|                                            |               |
|--------------------------------------------|---------------|
| Current assets <sup>(1)</sup>              | \$ 13,735     |
| Property, plant and equipment              | 5,442         |
| Goodwill                                   | 79,733        |
| Intangible assets                          | 51,514        |
| Other non-current assets                   | 996           |
| <br>Total assets acquired                  | <br>151,420   |
| <br>Current liabilities                    | <br>7,889     |
| Non-current liabilities                    | 11,320        |
| <br>Total liabilities assumed              | <br>19,209    |
| <br>Net assets acquired                    | <br>132,211   |
| Less:                                      |               |
| Fair value of non-controlling interest     | 2,500         |
| Previously-owned 10% investment in BioNote | 3,937         |
| Contingent consideration                   | 29,785        |
| Fair value of common stock issued          | 1,000         |
| Deferred purchase price consideration      | 3,870         |
| <br>Cash paid                              | <br>\$ 91,119 |

<sup>(1)</sup> Includes cash acquired of approximately \$4.2 million.

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

|                             | <b>Amount</b> | <b>Weighted<br/>Average<br/>Useful<br/>Life</b> |
|-----------------------------|---------------|-------------------------------------------------|
| Core technology and patents | \$ 5,441      | 14.4 years                                      |
| Database                    | 64            | 3 years                                         |
| Trademarks and trade names  | 5,052         | 16 years                                        |
| Customer relationships      | 24,697        | 11.7 years                                      |
| Non-compete agreements      | 720           | 4.3 years                                       |

|                                     |           |            |
|-------------------------------------|-----------|------------|
| Software                            | 7,400     | 10.9 years |
| Other                               | 7,766     | 15.6 years |
| In-process research and development | 374       | N/A        |
| Total intangible assets             | \$ 51,514 |            |

*(b) Acquisitions in 2010*

During 2010, we acquired the following businesses for a preliminary aggregate purchase price of \$602.5 million, which consisted of initial cash payments totaling \$512.1 million, contingent consideration obligations with an acquisition date fair value of \$89.7 million and deferred purchase price consideration with an acquisition date fair value of \$0.7 million.

RMD Networks, Inc., or RMD, located in Denver, Colorado, a provider of clinical groupware software and services designed to improve communication and coordination of care among providers, patients, and payers in the healthcare environment (Acquired January 2010)

certain assets of Streck, Inc., or Streck, located in Nebraska, a manufacturer of hematology, chemistry and immunology products for the clinical laboratory (Acquired January 2010)

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Standard Diagnostics, Inc., or Standard Diagnostics, headquartered in South Korea, a company that specializes in the medical diagnostics industry. Its main product lines relate to diagnostic reagents and devices for hepatitis, infectious diseases, tumor markers, fertility, drugs of abuse, urine strips and protein strips. (Initial controlling interest acquired February 2010)

Kroll Laboratory Specialists, Inc., subsequently renamed Alere Toxicology Services, or Alere Toxicology, headquartered in Gretna, Louisiana, a company that provides forensic quality substance abuse testing products and services across the United States (Acquired February 2010)

a privately-owned U.K. research and development operation (Acquired March 2010)

assets of the diagnostics division of Micropharm Ltd., or Micropharm, located in Wales, United Kingdom, an expert in high-quality antibody production in sheep for both diagnostic and therapeutic purposes, providing antisera on a contract basis for U.K. and overseas companies and academic institutions, mainly for research, therapeutic and diagnostic uses (Acquired March 2010)

Quantum Diagnostics Group Limited, or Quantum, headquartered in Essex, England, an independent provider of drug testing products and services to healthcare professionals across the U.K. and Europe (Acquired April 2010) assets of the workplace health division of Good Health Solutions Pty Ltd., subsequently renamed Alere Health Pty Ltd., located in East Sydney, Australia, an important player in the Australian health and wellness market, focusing on health screenings, health-related consulting services, health coaching and fitness instruction (Acquired April 2010)

certain assets of Unotech Diagnostics, Inc., or Unotech, located in California, a privately-owned company engaged in the development, formulation, manufacture, packaging, supply and distribution of our Alere NMP22 BladderCheck lateral flow test and related lateral flow products (Acquired June 2010)

Scipac Holdings Limited, or Scipac, headquartered in Kent, England, a diagnostic reagent company with an extensive product portfolio supplying purified human antigens, recombinant proteins and disease state plasma to a global customer base (Acquired June 2010)

a privately-owned research and development operation, located in San Diego, California (Acquired July 2010) Diagnostixx of California, Corp. (d/b/a Immunalysis Corporation), or Immunalysis, located in Pomona, California, a privately-owned manufacturer and marketer of abused and prescription drug screening solutions used by clinical reference and forensic/crime laboratories (Acquired August 2010)

AdnaGen AG, or AdnaGen, located in Langenhagen, Germany, a company that focuses on the development of innovative tumor diagnostics for the detection of rare cells (Acquired November 2010)

Medlab Produtos Medicos Hospitalares Ltda, now known as Alere S.A., located in Sao Paulo, Brazil, a distributor of medical instruments and reagents to public and private laboratories throughout Brazil and Uruguay (Acquired December 2010)

Capital Toxicology, LLC, or Capital Toxicology, located in Austin, Texas, a privately-held toxicology business specializing in pain management services (Acquired December 2010)

The operating results of the acquired businesses mentioned above, except for RMD and Alere Health Pty Ltd., are included in our professional diagnostics reporting unit and business segment. The operating results of RMD and Alere Health Pty Ltd. are included in our health management reporting unit and business segment. Our consolidated statements of operations for the three and nine months ended September 30, 2010 included revenue totaling approximately \$42.3 million and \$91.5 million, respectively, related to these businesses. Goodwill has been recognized in all of the acquisitions, with the exception of Unotech, Micropharm and Streck, and amounted to

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approximately \$327.2 million. Goodwill related to the acquisitions of Alere Toxicology, Immunalysis and Capital Toxicology, which totaled \$81.7 million, is expected to be deductible for tax purposes.

A summary of the preliminary fair values of the net assets acquired for the acquisitions consummated in 2010 is as follows (in thousands):

|                                        |                |
|----------------------------------------|----------------|
| Current assets <sup>(1)</sup>          | \$ 85,127      |
| Property, plant and equipment          | 36,257         |
| Goodwill                               | 327,205        |
| Intangible assets                      | 283,855        |
| Other non-current assets               | 16,953         |
| <br>Total assets acquired              | <br>749,397    |
| <br>Current liabilities                | <br>30,170     |
| Non-current liabilities                | 71,060         |
| <br>Total liabilities assumed          | <br>101,230    |
| <br>Net assets acquired                | <br>648,167    |
| Less:                                  |                |
| Fair value of non-controlling interest | 45,623         |
| Contingent consideration               | 89,708         |
| Deferred purchase price consideration  | 688            |
| <br>Cash paid                          | <br>\$ 512,148 |

<sup>(1)</sup> Includes cash acquired of approximately \$22.8 million.

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

|                                     | <b>Amount</b> | <b>Weighted<br/>Average<br/>Useful<br/>Life</b> |
|-------------------------------------|---------------|-------------------------------------------------|
| Core technology and patents         | \$ 106,885    | 12.4 years                                      |
| Quality systems                     | 153           | 5 years                                         |
| Database                            | 654           | 3 years                                         |
| Trademarks and trade names          | 11,654        | 6.3 years                                       |
| License agreements                  | 459           | 10 years                                        |
| Customer relationships              | 125,332       | 14.3 years                                      |
| Non-compete agreements              | 2,650         | 4.2 years                                       |
| Software                            | 5,000         | 7 years                                         |
| Distribution agreement              | 800           | 14 years                                        |
| Manufacturing know-how              | 3,683         | 10.5 years                                      |
| In-process research and development | 26,585        | N/A                                             |

|                         |            |
|-------------------------|------------|
| Total intangible assets | \$ 283,855 |
|-------------------------|------------|

*(c) Restructuring Plans of Acquisitions*

In connection with several of our acquisitions consummated during 2008 and prior, we initiated integration plans to consolidate and restructure certain functions and operations, including the costs associated with the termination of certain personnel of these acquired entities and the closure of certain of the acquired entities' leased facilities. These costs have been recognized as liabilities assumed in connection with the acquisition of these entities and are subject to potential adjustments as certain exit activities are refined. The following table summarizes the liabilities established for exit activities related to these acquisitions and the total exit costs incurred since inception of each plan (in thousands):

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**ALERE INC. AND SUBSIDIARIES**  
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|                                        | Balance at<br>December<br>31,<br><br>2010 | Adjustments<br>to the<br>Reserve<br>(1) | Amounts<br>Paid | Balance at<br>September<br>30,<br><br>2011 | Exit<br>Costs<br><br>Since<br>Inception |
|----------------------------------------|-------------------------------------------|-----------------------------------------|-----------------|--------------------------------------------|-----------------------------------------|
| Acquisition of Matria Healthcare Inc.: |                                           |                                         |                 |                                            |                                         |
| Severance-related costs                | \$ 255                                    | \$ (176)                                | \$ (11)         | \$ 68                                      | \$ 13,840                               |
| Facility costs                         | 967                                       |                                         | (534)           | 433                                        | 4,674                                   |
| Total costs for Matria Healthcare Inc. | 1,222                                     | (176)                                   | (545)           | 501                                        | 18,514                                  |
| Acquisition of Panbio Limited:         |                                           |                                         |                 |                                            |                                         |
| Severance-related costs                |                                           |                                         |                 |                                            | 211                                     |
| Facility costs                         | 242                                       | (75)                                    | (167)           |                                            | 828                                     |
| Total costs for Panbio Limited         | 242                                       | (75)                                    | (167)           |                                            | 1,039                                   |
| Acquisition of Cholestech Corporation: |                                           |                                         |                 |                                            |                                         |
| Severance-related costs                | 85                                        | (85)                                    |                 |                                            | 5,796                                   |
| Facility costs                         | 1,805                                     |                                         | (421)           | 1,384                                      | 2,732                                   |
| Total costs for Cholestech Corporation | 1,890                                     | (85)                                    | (421)           | 1,384                                      | 8,528                                   |
| Total costs for all plans              | \$ 3,354                                  | \$ (336)                                | \$ (1,133)      | \$ 1,885                                   | \$ 28,081                               |

(1) These adjustments resulted in a change in the aggregate purchase price and related goodwill for each related acquisition.

Of the total \$1.9 million liability outstanding as of September 30, 2011, \$0.6 million is included in accrued expenses and other current liabilities and \$1.3 million is included in other long-term liabilities.

Although we believe our plans and estimated exit costs for our acquisitions are reasonable, actual spending for exit activities may differ from current estimated exit costs.

*(d) Pro Forma Financial Information*

The following table presents selected unaudited financial information of our company, including Standard Diagnostics, as if the acquisition of this entity had occurred on January 1, 2010. Pro forma results exclude adjustments for various other less significant acquisitions completed since January 1, 2010, as these acquisitions did not materially affect our results of operations.

The pro forma results are derived from the historical financial results of the acquired businesses for the periods presented and are not necessarily indicative of the results that would have occurred had the acquisitions been consummated on January 1, 2010. There was no pro forma impact on the results of operations for the three and nine

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months ended September 30, 2011, as the acquisition of Standard Diagnostics closed prior to January 1, 2011 (in thousands, except per share amounts).

|                                                                                                                                         | <b>Three Months<br/>Ended<br/>September 30,<br/>2010</b> | <b>Nine Months<br/>Ended<br/>September 30,<br/>2010</b> |
|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------|
| Pro forma net revenue                                                                                                                   | \$ 538,679                                               | \$ 1,583,046                                            |
| Pro forma loss from continuing operations attributable to Alere Inc. and Subsidiaries and available to common stockholders              | \$ (2,631)                                               | \$ (13,408)                                             |
| Pro forma loss available to common stockholders                                                                                         | \$ (2,629)                                               | \$ (1,495)                                              |
| Pro forma loss from continuing operations attributable to Alere Inc. and Subsidiaries per common share basic and diluted <sup>(1)</sup> | \$ (0.03)                                                | \$ (0.16)                                               |
| Pro forma net loss available to common stockholders basic and diluted <sup>(1)</sup>                                                    | \$ (0.03)                                                | \$ (0.02)                                               |

<sup>(1)</sup> Net loss per common share amounts are computed as described in Note 5.

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**(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, 2011 and 2010 (in thousands):

| Statement of Operations Caption                                                                   | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |           |
|---------------------------------------------------------------------------------------------------|-------------------------------------|------------|------------------------------------|-----------|
|                                                                                                   | 2011                                | 2010       | 2011                               | 2010      |
| Cost of net revenue                                                                               | \$ 80                               | \$ (675)   | \$ 2,310                           | \$ 3,316  |
| Research and development                                                                          | (1)                                 | 235        | 433                                | 458       |
| Sales and marketing                                                                               | 935                                 | 80         | 3,809                              | 1,328     |
| General and administrative                                                                        | 2,115                               | 489        | 13,074                             | 8,247     |
| Operating income                                                                                  | 3,129                               | 129        | 19,626                             | 13,349    |
| Interest expense, including amortization of original issue discounts and deferred financing costs | (84)                                | 62         | (206)                              | (291)     |
| Other income (expense), net                                                                       |                                     | 3,350      |                                    | 3,350     |
| Equity earnings (losses) of unconsolidated entities, net of tax                                   | (199)                               | (1,728)    | (534)                              | (3,191)   |
| Net income                                                                                        | \$ 3,412                            | \$ (1,555) | \$ 20,366                          | \$ 13,481 |

*(a) 2011 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 management and professional diagnostics business segments. Management also developed plans within our professional diagnostics business segment to consolidate operating activities among certain of our European and Asia Pacific subsidiaries, including transferring the manufacturing of our Panbio products from Australia to our Standard Diagnostics facility in South Korea. Additionally, within our health management 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. The following table summarizes the restructuring activities related to our 2011 restructuring plans for the three and nine months ended September 30, 2011 (in thousands):

|                                       | Three Months Ended September 30, 2011 |                      |                           |          |
|---------------------------------------|---------------------------------------|----------------------|---------------------------|----------|
|                                       | Professional<br>Diagnostics           | Health<br>Management | Corporate<br>and<br>Other | Total    |
| Severance-related costs               | \$ 2,120                              | \$ 82                | \$ 69                     | \$ 2,271 |
| Facility and transition costs         | 208                                   | 388                  |                           | 596      |
| Other exit costs                      |                                       | 58                   |                           | 58       |
| Cash charges                          | 2,328                                 | 528                  | 69                        | 2,925    |
| Fixed asset and inventory impairments | 43                                    | 60                   |                           | 103      |
| Total charges                         | \$ 2,371                              | \$ 588               | \$ 69                     | \$ 3,028 |

|                                       | <b>Nine Months Ended September 30, 2011</b> |                   |                      |              |
|---------------------------------------|---------------------------------------------|-------------------|----------------------|--------------|
|                                       | <b>Professional</b>                         | <b>Health</b>     | <b>Corporate</b>     |              |
|                                       | <b>Diagnostics</b>                          | <b>Management</b> | <b>and<br/>Other</b> | <b>Total</b> |
| Severance-related costs               | \$ 5,722                                    | \$ 2,274          | \$ 1,117             | \$ 9,113     |
| Facility and transition costs         | 207                                         | 4,195             |                      | 4,402        |
| Other exit costs                      |                                             | 58                |                      | 58           |
| Cash charges                          | 5,929                                       | 6,527             | 1,117                | 13,573       |
| Fixed asset and inventory impairments | 659                                         | 864               | 2                    | 1,525        |
| Intangible asset impairments          |                                             | 2,935             |                      | 2,935        |
| Other non-cash charges                |                                             | 812               |                      | 812          |
| Total charges                         | \$ 6,588                                    | \$ 11,138         | \$ 1,119             | \$ 18,845    |

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**ALERE INC. AND SUBSIDIARIES**  
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We anticipate incurring approximately \$4.0 million in additional costs under these plans related to our professional diagnostics business segment, primarily related to severance and facility exit costs, and may also incur impairment charges on assets as plans are finalized. We anticipate incurring approximately \$1.8 million in additional costs under these plans related to our health management business segment, primarily related to transition costs and facility lease obligations at our facility in Orlando, Florida.

*(b) 2010 Restructuring Plans*

In 2010, management developed several plans to reduce costs and improve efficiencies within our health management and professional diagnostics business segments. The following table summarizes the restructuring activities related to the 2010 restructuring plans for the three and nine months ended September 30, 2011 and 2010, respectively, and since inception (in thousands):

| <b>Professional Diagnostics</b>       |                                                 |             |                                            |             |                            |
|---------------------------------------|-------------------------------------------------|-------------|--------------------------------------------|-------------|----------------------------|
|                                       | <b>Three Months<br/>Ended<br/>September 30,</b> |             | <b>Nine Months Ended<br/>September 30,</b> |             | <b>Since<br/>Inception</b> |
|                                       | <b>2011</b>                                     | <b>2010</b> | <b>2011</b>                                | <b>2010</b> |                            |
| Severance-related costs               | \$                                              | \$ 339      | \$ 74                                      | \$ 2,121    | \$ 2,480                   |
| Facility and transition costs         | 80                                              | 226         | 141                                        | 322         | 954                        |
| Other exit costs                      |                                                 | 3           |                                            | 9           | 10                         |
| Cash charges                          | 80                                              | 568         | 215                                        | 2,452       | 3,444                      |
| Fixed asset and inventory impairments |                                                 |             |                                            | 111         | 126                        |
| Total charges                         | \$ 80                                           | \$ 568      | \$ 215                                     | \$ 2,563    | \$ 3,570                   |

| <b>Health Management</b>              |                                                 |             |                                            |             |                            |
|---------------------------------------|-------------------------------------------------|-------------|--------------------------------------------|-------------|----------------------------|
|                                       | <b>Three Months<br/>Ended<br/>September 30,</b> |             | <b>Nine Months Ended<br/>September 30,</b> |             | <b>Since<br/>Inception</b> |
|                                       | <b>2011</b>                                     | <b>2010</b> | <b>2011</b>                                | <b>2010</b> |                            |
| Severance-related costs               | \$                                              | \$ 4        | \$                                         | \$ 3,827    | \$ 4,647                   |
| Facility and transition costs         |                                                 | \$ 120      | 40                                         | 2,349       | 2,476                      |
| Other exit costs                      | 4                                               | \$ 62       | 80                                         | 168         | 271                        |
| Cash charges                          | 4                                               | 186         | 120                                        | 6,344       | 7,394                      |
| Fixed asset and inventory impairments |                                                 |             |                                            |             | 165                        |
| Total charges                         | \$ 4                                            | \$ 186      | \$ 120                                     | \$ 6,344    | \$ 7,559                   |

We do not anticipate incurring significant additional charges under these plans.

*(c) 2009 Restructuring Plans*

In 2009, management developed plans to reduce costs and improve efficiencies in our health management business segment, as well as reduce costs and consolidate operating activities among several of our professional diagnostics-related German subsidiaries. The charges for the three and nine months ended September 30, 2010 were included in our professional diagnostics business segment. Of the \$3.5 million included in operating income since

inception, \$2.3 million and \$1.2 million were included in our health management and professional diagnostics business segments, respectively. The following table summarizes the restructuring activities under the 2009 restructuring plans for the three and nine months ended September 30, 2010 and since inception (in thousands):

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**ALERE INC. AND SUBSIDIARIES**  
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|                                       | <b>Three Months<br/>Ended<br/>September 30,<br/>2010</b> | <b>Nine Months<br/>Ended<br/>September 30,<br/>2010</b> | <b>Since<br/>Inception</b> |
|---------------------------------------|----------------------------------------------------------|---------------------------------------------------------|----------------------------|
| Severance-related costs               | \$ 80                                                    | \$ 392                                                  | \$ 2,904                   |
| Facility and transition costs         | 2                                                        | 7                                                       | 511                        |
| Other exit costs                      |                                                          |                                                         | 109                        |
| Cash charges                          | 82                                                       | 399                                                     | 3,524                      |
| Fixed asset and inventory impairments |                                                          |                                                         | 67                         |
| Total charges                         | \$ 82                                                    | \$ 399                                                  | \$ 3,591                   |

No costs were incurred during the three and nine months ended September 30, 2011. All costs have been paid under these plans and we do not expect to incur any additional costs.

*(d) 2008 Restructuring Plans*

In May 2008, management decided to close our facility located in Bedford, England and initiated steps to cease operations at this facility and transition the manufacturing operations principally to our manufacturing facilities in Shanghai and Hangzhou, China. The following table summarizes the restructuring activities under this plan for the three and nine months ended September 30, 2011 and 2010, respectively, and since inception (in thousands):

|                                       | <b>Three Months<br/>Ended<br/>September 30,<br/>2011</b> | <b>Three Months<br/>Ended<br/>September 30,<br/>2010</b> | <b>Nine Months Ended<br/>September 30,<br/>2011</b> | <b>Nine Months Ended<br/>September 30,<br/>2010</b> | <b>Since<br/>Inception</b> |
|---------------------------------------|----------------------------------------------------------|----------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|----------------------------|
| Severance-related costs               | \$ (108)                                                 | \$ 47                                                    | \$ (103)                                            | \$ 100                                              | \$ 3,351                   |
| Facility and transition costs         | 161                                                      | (688)                                                    | 586                                                 | 1,399                                               | 4,221                      |
| Other exit costs                      |                                                          | (3,519)                                                  |                                                     | (3,299)                                             | 3,842                      |
| Cash charges (recoveries)             | 53                                                       | (4,160)                                                  | 483                                                 | (1,800)                                             | 11,414                     |
| Fixed asset and inventory impairments |                                                          | (27)                                                     |                                                     | 432                                                 | 5,921                      |
| Total charges (recoveries)            | \$ 53                                                    | \$ (4,187)                                               | \$ 483                                              | \$ (1,368)                                          | \$ 17,335                  |

During the three months ended September 30, 2010, we recorded net recoveries of \$3.5 million in other exit costs, and \$0.7 million in facility exit costs, as a result of a settlement of the facility restoration and lease costs with the landlord of the Bedford facility. The costs incurred for the three and nine months ended September 30, 2011 and 2010 were primarily included in our professional diagnostics business segment.

In addition to the restructuring charges discussed above, certain charges associated with the Bedford facility closure were borne by SPD, our 50/50 joint venture with the Procter & Gamble Company, or P&G. Of the restructuring charges recorded by SPD, 50% has been included in equity earnings of unconsolidated entities, net of tax, in our consolidated statements of operations. The following table summarizes the 50% portion of the restructuring charges borne by SPD and included in equity earnings of unconsolidated entities, net of tax, for the three and nine months ended September 30, 2011 and 2010, respectively, and since inception (in thousands):



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|                                                                                     | <b>Three Months<br/>Ended<br/>September 30,</b> |             | <b>Nine Months<br/>Ended<br/>September 30,</b> |             | <b>Since<br/>Inception</b> |
|-------------------------------------------------------------------------------------|-------------------------------------------------|-------------|------------------------------------------------|-------------|----------------------------|
|                                                                                     | <b>2011</b>                                     | <b>2010</b> | <b>2011</b>                                    | <b>2010</b> |                            |
| Severance-related costs                                                             | \$                                              | \$ 99       | \$ 30                                          | \$ 734      | \$ 5,720                   |
| Facility and transition costs                                                       | 199                                             | 1,448       | 433                                            | 2,249       | 5,341                      |
| Other exit costs                                                                    |                                                 | 106         |                                                | 144         | 283                        |
| Cash charges                                                                        | 199                                             | 1,653       | 463                                            | 3,127       | 11,344                     |
| Fixed asset and inventory impairments                                               |                                                 | 75          | 71                                             | 64          | 4,635                      |
| Total charges included in equity earnings of<br>unconsolidated entities, net of tax | \$ 199                                          | \$ 1,728    | \$ 534                                         | \$ 3,191    | \$ 15,979                  |

We do not anticipate incurring significant additional restructuring charges under this plan.

Additionally, in 2008, management developed and initiated plans to transition the businesses of Cholestech and HemoSense, Inc., or HemoSense, to our San Diego, California facility and the Panbio business to our Orlando, Florida facility and close the respective facilities of Cholestech and HemoSense. Restructuring charges under these plans related to our professional diagnostics business segment. The following table summarizes the restructuring activities for these plans for the three and nine months ended September 30, 2011 and 2010, respectively, and since inception (in thousands):

|                                       | <b>Three Months<br/>Ended<br/>September 30,</b> |             | <b>Nine Months<br/>Ended<br/>September 30,</b> |             | <b>Since<br/>Inception</b> |
|---------------------------------------|-------------------------------------------------|-------------|------------------------------------------------|-------------|----------------------------|
|                                       | <b>2011</b>                                     | <b>2010</b> | <b>2011</b>                                    | <b>2010</b> |                            |
| Severance-related costs               | \$                                              | \$ (103)    | \$                                             | \$ 158      | \$ 4,505                   |
| Facility and transition costs         | 26                                              | 55          | 101                                            | 1,341       | 4,616                      |
| Other exit costs                      | 22                                              | 43          | 68                                             | 65          | 546                        |
| Cash charges (recoveries)             | 48                                              | (5)         | 169                                            | 1,564       | 9,667                      |
| Fixed asset and inventory impairments |                                                 | 73          |                                                | 788         | 5,011                      |
| Total charges                         | \$ 48                                           | \$ 68       | \$ 169                                         | \$ 2,352    | \$ 14,678                  |

We do not anticipate incurring significant additional restructuring charges under these plans.

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*(e) Restructuring Reserves*

The following table summarizes our restructuring reserves related to the plans described above, of which \$4.1 million is included in accrued expenses and other current liabilities and \$2.5 million is included in other long-term liabilities on our consolidated balance sheets (in thousands):

|                             | <b>Severance-<br/>related<br/>Costs</b> | <b>Facility<br/>and<br/>Transition<br/>Costs</b> | <b>Other<br/>Exit<br/>Costs</b> | <b>Total</b> |
|-----------------------------|-----------------------------------------|--------------------------------------------------|---------------------------------|--------------|
| <b>2011 Plans:</b>          |                                         |                                                  |                                 |              |
| Balance, December 31, 2010  | \$                                      | \$                                               | \$                              | \$           |
| Cash charges                | 9,113                                   | 4,402                                            | 58                              | 13,573       |
| Payments                    | (7,306)                                 | (1,276)                                          | (4)                             | (8,586)      |
| Currency adjustments        | (124)                                   | (10)                                             |                                 | (134)        |
| Balance, September 30, 2011 | 1,683                                   | 3,116                                            | 54                              | 4,853        |
| <b>2010 Plans:</b>          |                                         |                                                  |                                 |              |
| Balance, December 31, 2010  | 1,607                                   | 1,543                                            | 156                             | 3,306        |
| Cash charges                | 74                                      | 181                                              | 80                              | 335          |
| Payments                    | (1,679)                                 | (772)                                            | (91)                            | (2,542)      |
| Currency adjustments        | (2)                                     | 4                                                | (1)                             | 1            |
| Balance, September 30, 2011 |                                         | 956                                              | 144                             | 1,100        |
| <b>2008 Plans:</b>          |                                         |                                                  |                                 |              |
| Balance, December 31, 2010  | 380                                     | 2,715                                            | 3,302                           | 6,397        |
| Cash charges                | (103)                                   | 687                                              | 68                              | 652          |
| Cash charges borne by SPD   | 59                                      | 866                                              |                                 | 925          |
| Payments                    | (262)                                   | (4,049)                                          | (3,030)                         | (7,341)      |
| Currency adjustments        | (7)                                     | (21)                                             | 22                              | (6)          |
| Balance, September 30, 2011 | 67                                      | 198                                              | 362                             | 627          |
| <b>Total</b>                | \$ 1,750                                | \$ 4,270                                         | \$ 560                          | \$ 6,580     |

**(10) Long-term Debt**

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

|                               |                              |
|-------------------------------|------------------------------|
| <b>September 30,<br/>2011</b> | <b>December 31,<br/>2010</b> |
|-------------------------------|------------------------------|

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|                                          |    |           |    |           |
|------------------------------------------|----|-----------|----|-----------|
| A term loans                             | \$ | 625,000   | \$ |           |
| B term loans                             |    | 925,000   |    |           |
| Revolving line of credit                 |    | 100,000   |    |           |
| Delayed-draw term loans                  |    | 200,000   |    |           |
| First Lien Credit Agreement Term loans   |    |           |    | 941,250   |
| Second Lien Credit Agreement             |    |           |    | 250,000   |
| 3% Senior subordinated convertible notes |    | 150,000   |    | 150,000   |
| 9% Senior subordinated notes             |    | 390,833   |    | 389,686   |
| 7.875% Senior notes                      |    | 245,399   |    | 244,756   |
| 8.625% Senior subordinated notes         |    | 400,000   |    | 400,000   |
| Lines-of-credit                          |    | 6,793     |    | 4,405     |
| Other                                    |    | 20,998    |    | 15,360    |
|                                          |    | 3,064,023 |    | 2,395,457 |
| Less: Current portion                    |    | (45,421)  |    | (16,891)  |
|                                          | \$ | 3,018,602 | \$ | 2,378,566 |

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 consolidated statements of

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operations for the three and nine months ended September 30, 2011 and 2010, respectively, as follows (in thousands):

|                                               | <b>Three Months Ended<br/>September 30,</b> |             | <b>Nine Months Ended<br/>September 30,</b> |             |
|-----------------------------------------------|---------------------------------------------|-------------|--------------------------------------------|-------------|
|                                               | <b>2011</b>                                 | <b>2010</b> | <b>2011</b>                                | <b>2010</b> |
| Secured credit facility <sup>(1)</sup>        | \$ 21,160 <sup>(1)</sup>                    | \$          | \$ 21,380 <sup>(1)</sup>                   | \$          |
| Former secured credit facility <sup>(2)</sup> | (279)                                       | 15,818      | 53,978 <sup>(3)</sup>                      | 47,314      |
| 3% Senior subordinated convertible notes      | 1,246                                       | 1,205       | 3,742                                      | 3,696       |
| 9% Senior subordinated notes                  | 9,751                                       | 9,914       | 29,219                                     | 29,417      |
| 7.875% Senior notes                           | 5,378                                       | 5,462       | 16,112                                     | 16,030      |
| 8.625% Senior subordinated notes              | 8,909                                       | 972         | 26,736                                     | 972         |
|                                               | \$ 46,165                                   | \$ 33,371   | \$ 151,167                                 | \$ 97,429   |

(1) Includes A term loans, B term loans, revolving line of credit and delayed-draw term loans. Amount includes \$1.3 million and \$1.5 million during the three and nine months ended September 30, 2011, respectively, related to the amortization of fees paid for certain debt modifications.

(2) Includes First Lien Credit Agreement and Second Lien Credit Agreement.

(3) Amount includes approximately \$29.7 million recorded in connection with the termination of our former secured credit facility and related interest rate swap agreement.

*(a) Credit Agreement*

On June 30, 2011, we entered into a Credit Agreement, or secured credit facility, with certain lenders, General Electric Capital Corporation as administrative agent and collateral agent, and certain other agents and arrangers, and, along with certain of our subsidiaries, a related guaranty and security agreement. The secured credit facility provides for a total of \$2.1 billion, which consists of term loans in the aggregate amount of \$1.85 billion (consisting of A term loans in the aggregate principal amount of \$625.0 million, B term loans in the aggregate principal amount of \$925.0 million, and delayed-draw term loans in the aggregate principal amount of \$300.0 million) and, subject to our continued compliance with the secured credit facility, a \$250.0 million revolving line of credit (which revolving line of credit includes a \$50.0 million sublimit for the issuance of letters of credit). We must repay the A term loans in eighteen consecutive quarterly installments, beginning on December 31, 2011 and continuing through March 31, 2016, in the amount of \$7,812,500 each, and a final installment on June 30, 2016, in the amount of \$484,375,000. We must repay the B term loans in twenty-two consecutive quarterly installments, beginning on December 31, 2011 and continuing through March 31, 2017, in the amount of \$2,312,500 each, and a final installment on June 30, 2017, in the amount of \$874,125,000. We must repay the delayed-draw term loans in fifteen consecutive quarterly installments, beginning on September 30, 2012 and continuing through March 31, 2016, each in the amount of 1.25% of the aggregate principal amount of the delayed-draw term loans that are borrowed through June 30, 2012 and remain outstanding on that date, and a final installment on June 30, 2016, in the amount of 81.25% of such aggregate principal amount. We may repay any future borrowings under the secured credit facility revolving line of credit at any time (without premium or penalty), but in no event later than June 30, 2016. The A term loans, any delayed draw term loans and our borrowings under the revolving credit facility 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 1.75% and 2.50% 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 2.75% and 3.50% depending on our consolidated

secured leverage ratio. The B 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 2.50% and 3.25% 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 3.50% and 4.25% depending on our consolidated secured leverage ratio. Interest on B term loans based on the Eurodollar Rate is subject to a 1.00% floor. As of September 30, 2011, the A term loans, the

B term loans, the revolving line of credit and the delayed-draw term loans bore interest at 2.98%, 4.5%, 2.98% and 2.98%, respectively.

As of September 30, 2011, aggregate borrowings under the secured credit facility amounted to \$1.85 billion, consisting of A term loans in the aggregate principal amount of \$625.0 million, B term loans in the aggregate principal amount of \$925.0 million, borrowing under the revolving line of credit totaling \$100.0 million and borrowing under the delayed-draw term loans in the aggregate principal amount of \$200.0 million. As of September 30, 2011, we were in compliance with all debt covenants related to the above debt, which consisted principally of maximum consolidated secured leverage and minimum consolidated interest coverage requirements.

*(b) First Lien Credit Agreement and Second Lien Credit Agreement*

In connection with entering into the secured credit facility on June 30, 2011, we repaid in full all outstanding indebtedness under and terminated our First Lien Credit Agreement, or senior secured credit facility, and our Second Lien Credit Agreement, or junior secured credit facility (and, collectively with the senior secured credit facility, our former secured credit facility), each dated June 26, 2007, with certain lenders, General Electric Capital Corporation as

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administrative agent and collateral agent, and certain other agents and arrangers, and certain related guaranty and security agreements. The aggregate outstanding principal amount of the loans repaid under our former secured credit facility in connection with the termination thereof was approximately \$1.2 billion.

In August 2007, we entered into interest rate swap contracts, with an effective date of September 28, 2007, that had a total notional value of \$350.0 million and an original maturity date of September 28, 2010. These interest rate swap contracts paid us variable interest at the three-month LIBOR rate, and we paid the counterparties a fixed rate of 4.85%. In March 2009, we extended our August 2007 interest rate hedge for an additional two-year period commencing in September 2010 at a one-month LIBOR rate of 2.54%. These interest rate swap contracts were entered into to convert \$350.0 million of the \$1.2 billion variable rate term loans under the former secured credit facility into fixed rate debt. In connection with entering into the secured credit facility on June 30, 2011, we paid \$10.1 million to terminate these interest rate swap contracts which was recorded in interest expense, including amortization of original issue discounts and deferred financing costs in our consolidated statements of operations.

In January 2009, we entered into interest rate swap contracts, with an effective date of January 14, 2009, that had a total notional value of \$500.0 million and a maturity date of January 5, 2011. These interest rate swap contracts paid us variable interest at the one-month LIBOR rate, and we paid the counterparties a fixed rate of 1.195%. These interest rate swap contracts were entered into to convert \$500.0 million of the \$1.2 billion variable rate term loan under the former secured credit facility into fixed rate debt. We did not extend the terms of these interest rate swap contracts after January 5, 2011.

**(11) Derivative Financial Instruments**

We 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.

*(a) Interest Rate Risk*

We have historically used interest rate swap contracts in the management of our interest rate exposure related to our former secured credit facility. On June 30, 2011, we entered into a new secured credit facility, and in connection therewith, repaid in full all outstanding indebtedness under and terminated our former secured credit facility and related interest rate swaps.

*(b) Foreign Exchange Risk*

During the second quarter of 2011, we entered into a foreign exchange forward contract with a notional value of 1.0 billion South Korean Won to hedge against the effect of exchange rate fluctuations on a certain obligation denominated in non-functional currency. The contract has a term of six months. We report the effective portion of the gain or loss on a cash flow hedge as a component of other comprehensive income, and it is subsequently reclassified into net earnings in the period in which the hedged transaction affects net earnings or the forecasted transaction is no longer probable of occurring.

The following tables summarize the fair value of our derivative instruments and the effect of derivative instruments on/in our accompanying consolidated balance sheets and consolidated statements of operations (in thousands):

| Derivative Instruments                      | Balance Sheet<br>Caption                          | Fair Value at<br>September 30,<br>2011 | Fair Value at<br>December 31,<br>2010 |
|---------------------------------------------|---------------------------------------------------|----------------------------------------|---------------------------------------|
| Foreign exchange forward contract           | Accrued expenses and other<br>current liabilities | \$ 80                                  | \$                                    |
| Interest rate swap contracts <sup>(1)</sup> | Accrued expenses and other<br>current liabilities | \$                                     | \$ 26                                 |

|                                             |                             |    |    |        |
|---------------------------------------------|-----------------------------|----|----|--------|
| Interest rate swap contracts <sup>(1)</sup> | Other long-term liabilities | \$ | \$ | 11,954 |
| 21                                          |                             |    |    |        |

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|                                             |                                                     | Amount<br>of<br>Loss<br>Recognized<br>During<br>the Three<br>Months<br>Ended<br>September<br>30, 2011 | Amount of<br>Gain<br>Recognized<br>During the<br>Three<br>Months<br>Ended<br>September<br>30, 2010 |
|---------------------------------------------|-----------------------------------------------------|-------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| <b>Derivative Instruments</b>               | <b>Location of Gain (Loss) Recognized in Income</b> |                                                                                                       |                                                                                                    |
| Foreign exchange forward contract           | Other comprehensive income (loss)                   | \$ (88)                                                                                               | \$                                                                                                 |
| Interest rate swap contracts <sup>(1)</sup> | Other comprehensive income (loss)                   |                                                                                                       | 1,115                                                                                              |
| Total gain (loss)                           | Other comprehensive income (loss)                   | \$ (88)                                                                                               | \$ 1,115                                                                                           |

|                                             |                                                     | Amount of<br>Gain<br>(Loss)<br>Recognized<br>During the<br>Nine<br>Months<br>Ended<br>September<br>30, 2011 | Amount of<br>Gain<br>Recognized<br>During<br>the Nine<br>Months<br>Ended<br>September<br>30, 2010 |
|---------------------------------------------|-----------------------------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| <b>Derivative Instruments</b>               | <b>Location of Gain (Loss) Recognized in Income</b> |                                                                                                             |                                                                                                   |
| Foreign exchange forward contract           | Other comprehensive income (loss)                   | \$ (80)                                                                                                     | \$                                                                                                |
| Interest rate swap contracts <sup>(1)</sup> | Other comprehensive income (loss)                   | 1,841                                                                                                       | 388                                                                                               |
| Total gain                                  | Other comprehensive income (loss)                   | \$ 1,761                                                                                                    | \$ 388                                                                                            |

<sup>(1)</sup> See Note 10(b) regarding our interest rate swaps which qualify as cash flow hedges.

**(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:

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- Level 1 Quoted prices in active markets for identical assets or liabilities. Our Level 1 assets and liabilities include investments in marketable securities.
- 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. Our Level 2 assets and liabilities include a foreign exchange forward contract and interest rate swap contracts.
- 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 fair value of the contingent consideration obligations related to our acquisitions completed after January 1, 2009 are valued using Level 3 inputs.

The following tables present information about our assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2011 and December 31, 2010, and indicates the fair value hierarchy of the valuation techniques we utilized to determine such fair value (in thousands):

| Description                                         | September<br>30,<br>2011 | Quoted<br>Prices in<br>Active<br>Markets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Unobservable<br>Inputs<br>(Level 3) |
|-----------------------------------------------------|--------------------------|-------------------------------------------------------|-----------------------------------------------------------|-------------------------------------|
| Assets:                                             |                          |                                                       |                                                           |                                     |
| Marketable securities                               | \$ 3,106                 | \$ 3,106                                              | \$                                                        | \$                                  |
| Total assets                                        | \$ 3,106                 | \$ 3,106                                              | \$                                                        | \$                                  |
| Liabilities:                                        |                          |                                                       |                                                           |                                     |
| Foreign exchange forward contract <sup>(1)</sup>    | \$ 80                    | \$                                                    | \$ 80                                                     | \$                                  |
| Contingent consideration obligations <sup>(2)</sup> | 127,280                  |                                                       |                                                           | 127,280                             |
| Total liabilities                                   | \$ 127,360               | \$                                                    | \$ 80                                                     | \$ 127,280                          |

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| <b>Description</b>                                  | <b>December<br/>31,<br/>2010</b> | <b>Quoted<br/>Prices in<br/>Active<br/>Markets<br/>(Level 1)</b> | <b>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Unobservable<br/>Inputs<br/>(Level 3)</b> |
|-----------------------------------------------------|----------------------------------|------------------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------|
| <b>Assets:</b>                                      |                                  |                                                                  |                                                                      |                                              |
| Marketable securities                               | \$ 11,948                        | \$ 11,948                                                        | \$                                                                   | \$                                           |
| <b>Total assets</b>                                 | <b>\$ 11,948</b>                 | <b>\$ 11,948</b>                                                 | <b>\$</b>                                                            | <b>\$</b>                                    |
| <b>Liabilities:</b>                                 |                                  |                                                                  |                                                                      |                                              |
| Interest rate swap liability <sup>(3)</sup>         | \$ 11,980                        | \$                                                               | \$ 11,980                                                            | \$                                           |
| Contingent consideration obligations <sup>(2)</sup> | 132,879                          |                                                                  |                                                                      | 132,879                                      |
| <b>Total liabilities</b>                            | <b>\$ 144,859</b>                | <b>\$</b>                                                        | <b>\$ 11,980</b>                                                     | <b>\$ 132,879</b>                            |

(1) The fair value of the foreign exchange forward contract was measured using readily observable market inputs, such as quotations on forward foreign exchange points and foreign interest rates.

(2) The fair value measurements for our contingent consideration obligations relate to acquisitions completed after January 1, 2009 and are valued using Level 3 inputs. 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. 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. See Note 16 for additional information on the valuation of our contingent consideration obligations.

(3) The fair value of our interest rate swaps is based on the application of standard discounted cash flow models using market interest rate data.

Changes in the fair value of our Level 3 contingent consideration obligations during the nine months ended September 30, 2011 were as follows (in thousands):

|                                                                               |                   |
|-------------------------------------------------------------------------------|-------------------|
| Fair value of contingent consideration obligations, January 1, 2011           | \$ 132,879        |
| Acquisition date fair value of contingent consideration obligations recorded  | 29,785            |
| Payments                                                                      | (25,305)          |
| Present value accretion                                                       | 10,153            |
| Adjustments, net (income) expense                                             | (20,232)          |
| <b>Fair value of contingent consideration obligations, September 30, 2011</b> | <b>\$ 127,280</b> |

At September 30, 2011 and December 31, 2010, 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 \$3.1 billion and 2.9 billion, respectively, at September 30, 2011. The carrying amount and estimated fair value of our long-term debt were both \$2.4 billion at

December 31, 2010. The estimated fair value of our long-term debt was determined using market sources that were derived from available market information 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 Unipath Ltd., in England, has a defined benefit pension plan established for certain of its employees. The net periodic benefit costs are as follows (in thousands):

|                                     | <b>Three Months Ended</b> |             | <b>Nine Months Ended</b> |             |
|-------------------------------------|---------------------------|-------------|--------------------------|-------------|
|                                     | <b>September 30,</b>      |             | <b>September 30,</b>     |             |
|                                     | <b>2011</b>               | <b>2010</b> | <b>2011</b>              | <b>2010</b> |
| Service cost                        | \$                        | \$          | \$                       | \$          |
| Interest cost                       | 203                       | 158         | 610                      | 469         |
| Expected return on plan assets      | (156)                     | (110)       | (468)                    | (327)       |
| Amortization of prior service costs | 106                       |             | 320                      |             |
| Realized losses                     |                           |             |                          |             |
| Net periodic benefit cost           | \$ 153                    | \$ 48       | \$ 462                   | \$ 142      |

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**(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 management, consumer diagnostics and corporate and other. Our operating results include license and royalty revenue which is 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, 2011 and 2010 is as follows (in thousands):

|                                                   | <b>Professional<br/>Diagnostics</b> | <b>Health<br/>Management</b> | <b>Consumer<br/>Diagnostics</b> | <b>Corporate<br/>and<br/>Other</b> | <b>Total</b> |
|---------------------------------------------------|-------------------------------------|------------------------------|---------------------------------|------------------------------------|--------------|
| <b>Three Months Ended<br/>September 30, 2011:</b> |                                     |                              |                                 |                                    |              |
| Net revenue                                       | \$ 429,952                          | \$ 129,931                   | \$ 25,886                       | \$                                 | \$ 585,769   |
| Operating income (loss)                           | \$ 64,893                           | \$ (12,565)                  | \$ 3,844                        | \$ (11,253)                        | \$ 44,919    |
| Depreciation and amortization                     | \$ 63,053                           | \$ 26,228                    | \$ 1,428                        | \$ 208                             | \$ 90,917    |
| Restructuring charge                              | \$ 2,587                            | \$ 530                       | \$ (57)                         | \$ 69                              | \$ 3,129     |
| Stock-based compensation                          | \$                                  | \$                           | \$                              | \$ 4,286                           | \$ 4,286     |
| <b>Three Months Ended<br/>September 30, 2010:</b> |                                     |                              |                                 |                                    |              |
| Net revenue                                       | \$ 363,519                          | \$ 152,894                   | \$ 22,266                       | \$                                 | \$ 538,679   |
| Operating income (loss)                           | \$ 50,902                           | \$ 74                        | \$ 1,584                        | \$ (21,185)                        | \$ 31,375    |
| Depreciation and amortization                     | \$ 61,328                           | \$ 29,907                    | \$ 960                          | \$ 157                             | \$ 92,352    |
| Restructuring charge                              | \$ 13                               | \$ 123                       | \$ (7)                          | \$                                 | \$ 129       |
| Stock-based compensation                          | \$                                  | \$                           | \$                              | \$ 7,263                           | \$ 7,263     |
| <b>Nine Months Ended<br/>September 30, 2011:</b>  |                                     |                              |                                 |                                    |              |
| Net revenue                                       | \$ 1,254,838                        | \$ 408,566                   | \$ 72,014                       | \$                                 | \$ 1,735,418 |
| Operating income (loss)                           | \$ 174,459                          | \$ (39,652)                  | \$ 9,107                        | \$ (51,936)                        | \$ 91,978    |
| Depreciation and amortization                     | \$ 200,645                          | \$ 81,871                    | \$ 4,007                        | \$ 510                             | \$ 287,033   |
| Restructuring charge                              | \$ 7,445                            | \$ 11,119                    | \$ (57)                         | \$ 1,119                           | \$ 19,626    |
| Stock-based compensation                          | \$                                  | \$                           | \$                              | \$ 16,275                          | \$ 16,275    |
| <b>Nine Months Ended<br/>September 30, 2010:</b>  |                                     |                              |                                 |                                    |              |
| Net revenue                                       | \$ 1,053,423                        | \$ 451,182                   | \$ 72,288                       | \$                                 | \$ 1,576,893 |
| Operating income (loss)                           | \$ 135,333                          | \$ (8,180)                   | \$ 5,421                        | \$ (50,431)                        | \$ 82,143    |
| Depreciation and amortization                     | \$ 181,487                          | \$ 89,955                    | \$ 3,583                        | \$ 482                             | \$ 275,507   |
| Restructuring charge                              | \$ 7,128                            | \$ 6,176                     | \$ 45                           | \$                                 | \$ 13,349    |
| Stock-based compensation                          | \$                                  | \$                           | \$                              | \$ 22,947                          | \$ 22,947    |
| <b>Assets:</b>                                    |                                     |                              |                                 |                                    |              |
| As of September 30, 2011                          | \$ 5,386,036                        | \$ 967,611                   | \$ 208,255                      | \$ 139,712                         | \$ 6,701,614 |
| As of December 31, 2010                           | \$ 4,913,491                        | \$ 1,011,183                 | \$ 207,795                      | \$ 197,905                         | \$ 6,330,374 |

The following tables summarize the Company's net revenue from the professional diagnostics and health management reporting segments by groups of similar products and services for the three and nine months ended September 30, 2011 and 2010 (in thousands):

**Professional Diagnostics Segment**

|                                        | <b>Three Months Ended<br/>September 30,</b> |             | <b>Nine Months Ended<br/>September 30,</b> |              |
|----------------------------------------|---------------------------------------------|-------------|--------------------------------------------|--------------|
|                                        | <b>2011</b>                                 | <b>2010</b> | <b>2011</b>                                | <b>2010</b>  |
| Infectious disease                     | \$ 142,639                                  | \$ 106,633  | \$ 405,559                                 | \$ 303,236   |
| Cardiology                             | 127,943                                     | 120,061     | 390,652                                    | 360,773      |
| Toxicology                             | 93,497                                      | 77,413      | 267,834                                    | 220,600      |
| Other                                  | 62,172                                      | 55,374      | 176,206                                    | 154,706      |
| Net product sales and services revenue | 426,251                                     | 359,481     | 1,240,251                                  | 1,039,315    |
| License and royalty revenue            | 3,701                                       | 4,038       | 14,587                                     | 14,108       |
| Professional diagnostics net revenue   | \$ 429,952                                  | \$ 363,519  | \$ 1,254,838                               | \$ 1,053,423 |

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**Health Management Segment**

|                               | <b>Three Months Ended<br/>September 30,</b> |             | <b>Nine Months Ended<br/>September 30,</b> |             |
|-------------------------------|---------------------------------------------|-------------|--------------------------------------------|-------------|
|                               | <b>2011</b>                                 | <b>2010</b> | <b>2011</b>                                | <b>2010</b> |
| Disease and case management   | \$ 59,441                                   | \$ 73,137   | \$ 182,118                                 | \$ 214,039  |
| Women s & children s health   | 28,509                                      | 31,814      | 85,550                                     | 95,957      |
| Wellness                      | 24,427                                      | 25,444      | 80,369                                     | 75,883      |
| Patient self-testing services | 17,554                                      | 22,499      | 60,529                                     | 65,303      |
| Health management net revenue | \$ 129,931                                  | \$ 152,894  | \$ 408,566                                 | \$ 451,182  |

**(15) Related Party Transactions**

In May 2007, we completed the formation of 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 \$15.7 million and a net payable to the joint venture of \$2.8 million as of September 30, 2011 and December 31, 2010, respectively. Included in the \$15.7 million receivable balance as of September 30, 2011 is approximately \$8.6 million of costs incurred in connection with our 2008 SPD-related restructuring plans. We have also recorded a long-term receivable totaling approximately \$15.6 million and \$23.9 million as of September 30, 2011 and December 31, 2010, 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 \$7.3 million and \$7.8 million as of September 30, 2011 and December 31, 2010, 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 \$19.4 million and \$52.0 million during the three and nine months ended September 30, 2011, respectively, and \$14.7 million and \$49.4 million during the three and nine months ended September 30, 2010, respectively. Additionally, services revenue generated pursuant to the long-term services agreement with the joint venture totaled \$0.2 million and \$0.8 million during the three and nine months ended September 30, 2011, respectively, and \$0.4 million and \$0.9 million during the three and nine months ended September 30, 2010, 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 \$9.7 million and \$7.0 million of trade receivables which are included in accounts receivable on our accompanying consolidated balance sheets as of September 30, 2011 and December 31, 2010, respectively, and \$23.4 million and \$20.5 million of trade accounts payable which are included in accounts payable on our accompanying consolidated balance sheets as of September 30, 2011 and December 31, 2010, respectively.

In connection with the formation of SPD in May 2007, we entered into an option agreement with P&G, pursuant to which P&G had the right, for a period of 60 days commencing on May 17, 2011, to require us to acquire all of P&G s interest in SPD at fair market value, and P&G had the right, upon certain material breaches by us of our obligations to

SPD, to acquire all of our interest in SPD at fair market value. No gain on the proceeds that we received from P&G through the formation of SPD was recognized in our financial statements until P&G's option to require us to purchase its interest in SPD expired. As of December 31, 2010, the deferred gain of \$288.4 million is presented as a current liability on our accompanying consolidated balance sheet. On July 16, 2011, P&G's option to require us to acquire its interest in SPD at fair market value expired. In connection with the expiration of the option, the gain totaling approximately \$288.9 million was recognized during the third quarter of 2011.

**(16) Material Contingencies and Legal Settlements**

*(a) Legal Proceedings*

We are not a party to any pending legal proceedings that we currently believe could have a material adverse impact on our sales, operations or financial performance. However, because of the nature of our business, we may be subject at any particular time to lawsuits or other claims arising in the ordinary course of our business, and we expect that this will continue to be the case in the future.

*(b) Acquisition-related Contingent Consideration Obligations*

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The following summarizes our principal contractual acquisition-related contingent consideration obligations as of September 30, 2011 that have changed significantly since December 31, 2010. 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, 2010, but omitted below, represent those that have not changed significantly since that date.

(i) Acquisitions completed prior to January 1, 2009

Privately-owned health management business

With respect to a privately-owned health management business which we acquired in 2008, the terms of the acquisition agreement provide for contingent consideration payable upon successfully meeting certain revenue and EBITDA targets. The final earn-out was achieved during the fourth quarter of 2010, resulting in an accrual of approximately 23.9 million (\$31.8 million). A cash payment totaling 24.1 million (\$34.0 million) was made during the first quarter of 2011.

(ii) Acquisitions completed on or after January 1, 2009

Bioeasy

With respect to Bioeasy, the terms of the acquisition agreement require us to pay earn-outs upon successfully meeting certain revenue and EBITDA targets during each of the calendar years 2011 through 2013. The maximum amount of the earn-out payments is approximately \$7.5 million.

Colibri

With respect to Colibri, the terms of the acquisition agreement require us to pay an earn-out upon successfully meeting certain operational and EBITDA targets during the calendar years 2011 through 2012. The maximum amount of the earn-out payments is SEK 3.0 million (approximately \$0.4 million at September 30, 2011).

Alere Wellbeing

With respect to Free & Clear, now known as Alere Wellbeing, Inc., or Alere Wellbeing, the terms of the acquisition agreement require us to pay an earn-out upon successfully meeting certain revenue and EBITDA targets during fiscal year 2010. A payment of approximately \$11.5 million was made during the second quarter of 2011, which was previously accrued.

Alere Healthcare

With respect to Jinsung Meditech, Inc., now known as Alere Healthcare Inc., or 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 2010 portion of the earn-out totaling approximately \$0.6 million was earned and accrued as of December 31, 2010. Payment of the 2010 earn-out was made during the third quarter of 2011. The maximum remaining amount of the earn-out payments is approximately \$2.4 million.

LDS

With respect to LDS, 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 twelve-month periods ending June 30, 2012 and 2013. The maximum amount of the earn-out payments is \$20.0 million.

Mologic

With respect to Mologic Limited, or Mologic, the terms of the acquisition agreement require us to pay earn-outs, in shares of our common stock or cash, at our election, upon successfully meeting nine research and development project milestones during the five years following the acquisition. A portion of the earn-out was determined to have been achieved during the third quarter of

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2011, resulting in an accrual of \$3.0 million. Payment of this portion of the earn-out was made in cash during the fourth quarter of 2011. The maximum remaining amount of the earn-out payments is \$16.0 million.

**Alere Home Monitoring**

With respect to Alere Home Monitoring, Inc., or Alere Home Monitoring, 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 2010 and 2011. Cash payment for the 2010 portion of the earn-out totaling \$12.7 million was paid during the first quarter of 2011. The maximum remaining amount of the earn-out payments is \$12.3 million, which, if earned, will be paid in shares of our common stock.

**Standing Stone**

With respect to Standing Stone, the terms of the acquisition agreement require us to pay earn-outs and employee bonuses upon successfully meeting certain operational, product development and revenue targets during the period from the date of acquisition through calendar year 2013. The maximum amount of the earn-out payments is approximately \$10.9 million. The maximum amount of the employee bonuses is \$0.6 million.

**ROAR**

With respect to ROAR, the terms of the acquisition agreement require us to pay an earn-out upon successfully meeting certain EBITDA targets during 2011 through 2014. The maximum amount of the earn-out payments is £10.5 million (approximately \$16.4 million at September 30, 2011).

*(c) Contingent Obligations*

**Agreements with Epocal**

In November 2009, we entered into a distribution agreement with Epocal, Inc., or Epocal, to distribute the epoc® Blood Analysis System for blood gas and electrolyte testing for \$20.0 million, which is recorded on our accompanying consolidated balance sheet in other intangible assets, net. We also entered into a definitive agreement to acquire all of the issued and outstanding equity securities of Epocal for a total potential purchase price of up to \$255.0 million, including a base purchase price of up to \$172.5 million if Epocal achieves certain gross margin and other financial milestones on or prior to October 31, 2014, plus additional payments of up to \$82.5 million if Epocal achieves certain other milestones relating to its gross margin and product development efforts on or prior to this date. The agreement contains a working capital adjustment whereby the purchase price is increased or decreased to the extent that Epocal's working capital at closing is more or less than a specified amount. We also agreed that, if the acquisition is consummated, we will provide \$12.5 million in management incentive arrangements, 25% of which will vest over three years and 75% of which will be payable only upon the achievement of certain milestones. The acquisition will also be subject to other closing conditions, including the receipt of any required antitrust or other approvals. In April 2011, we entered into a license agreement with Epocal and amended some of the terms of the definitive agreement to acquire Epocal. The license agreement provides Alere with royalty-free access to certain Epocal intellectual property for use in Alere home-use products and provided for an upfront license payment of \$18.0 million, which was paid in 2011. The amendment of the definitive agreement increased the working capital target by \$18.0 million, which may have the effect of reducing the purchase price of the acquisition. The amendment of the agreement also added an additional potential milestone payment of \$8.0 million. As a result, the maximum purchase price under the acquisition agreement increased to \$263.0 million.

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**Standing Stone**

The terms of the acquisition agreement require us to purchase the remaining 19.08% of the issued and outstanding capital stock of Standing Stone, the holders of which are officers and employees of Standing Stone, in May 2012 for an aggregate purchase price of approximately \$2.6 million. The redeemable non-controlling interest was recorded at its fair value of \$2.5 million, as of the consummation of the transaction on May 16, 2011. The fair value of the redeemable non-controlling interest was determined using both a market approach and an income approach which utilizes a discounted cash flow model, including assumptions of projected revenue, expenses, capital expenditures, other costs and a discount rate appropriate for the risk of achieving the projected cash flows.

**(17) 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 or cash flows upon adoption.

*Recently Adopted Standards*

Effective January 1, 2011, we adopted Accounting Standards Update, or ASU, No. 2009-13, *Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements* a consensus of the FASB EITF, or ASU 2009-13. ASU 2009-13 will separate multiple-deliverable revenue arrangements. This update establishes a selling price hierarchy for determining the selling price of a deliverable. The amendments of this update will replace the term fair value in the revenue allocation guidance with selling price to clarify that the allocation of revenue is based on entity-specific assumptions rather than assumptions of a marketplace participant. The amendments of this update will eliminate the residual method of allocation and require that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. The amendments in this update will require that a vendor determine its best estimated selling price in a manner consistent with that used to determine the price to sell the deliverable on a standalone basis. The adoption of this standard did not have a material impact on our financial position, results of operations or cash flows.

**(18) 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) Axis-Shield**

During the third quarter of 2011, we acquired, in various transactions, approximately 15.0 million shares of Axis-Shield, a U.K. publicly traded company focused on the development and manufacture of in vitro diagnostic tests for use in clinical laboratories and at the point of care. Our investment represents a 29.9% ownership interest in Axis-Shield as of September 30, 2011. Our equity earnings attributable to this investment for the third quarter were immaterial. In addition, as of October 28, 2011, we have received valid acceptances in connection with our publicly announced tender offer for shares representing approximately 61.3% of the issued share capital of Axis-Shield which, in addition to the shares we owned as of September 30, 2011, bring our total shares owned or validly tendered to 91.2%. During the fourth quarter of 2011, we expect to consummate our acquisition of these tendered shares and commence a process under U.K. law to acquire the remainder of the outstanding shares.

**(b) SPD**

In May 2007, we completed the formation of 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 diagnostics business related to the joint venture. We recorded earnings of \$3.6 million and \$3.0 million during the three and nine months ended September 30, 2011, respectively, and we recorded losses of \$0.4 million and earnings of \$6.8 million during the three and nine months ended

September 30, 2010, respectively, in equity earnings (losses) of unconsolidated entities, net of tax, in our accompanying consolidated statements of operations, which represented our 50% share of SPD's net income (losses) for the respective periods.

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**ALERE INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

**(c) TechLab**

In May 2006, we acquired 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 \$0.3 million and \$1.5 million during the three and nine months ended September 30, 2011, respectively, and we recorded earnings of \$0.4 million and \$1.4 million during the three and nine months ended September 30, 2010, respectively, in equity earnings (losses) 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:*

|                               | <b>Three Months Ended<br/>September 30,</b> |             | <b>Nine Months Ended<br/>September 30,</b> |             |
|-------------------------------|---------------------------------------------|-------------|--------------------------------------------|-------------|
|                               | <b>2011</b>                                 | <b>2010</b> | <b>2011</b>                                | <b>2010</b> |
| Net revenue                   | \$ 61,538                                   | \$ 54,014   | \$ 178,180                                 | \$ 168,876  |
| Gross profit                  | \$ 38,294                                   | \$ 31,182   | \$ 110,659                                 | \$ 101,024  |
| Net income (loss) after taxes | \$ 7,858                                    | \$ (281)    | \$ 9,142                                   | \$ 16,393   |

*Combined Condensed Balance Sheets:*

|                         | <b>September 30,<br/>2011</b> | <b>December 31,<br/>2010</b> |
|-------------------------|-------------------------------|------------------------------|
| Current assets          | \$ 105,018                    | \$ 93,250                    |
| Non-current assets      | 28,933                        | 25,965                       |
| Total assets            | \$ 133,951                    | \$ 119,215                   |
| Current liabilities     | \$ 57,726                     | \$ 62,788                    |
| Non-current liabilities | 6,116                         | 2,091                        |
| Total liabilities       | \$ 63,842                     | \$ 64,879                    |

**(19) Discontinued Operations**

On January 15, 2010, we completed the sale of our vitamins and nutritional supplements business for a purchase price of approximately \$62.6 million in cash, which is net of the final working capital adjustment. The sale included our entire private label and branded nutritional businesses and represents the complete divestiture of our entire vitamins and nutritional supplements business segment. We recognized a gain of approximately \$18.7 million (\$11.6 million, net of tax) during 2010. The results of the vitamins and nutritional supplements business, which represents our entire vitamins and nutritional supplements business segment, are included in income (loss) from discontinued operations, net of tax, in our consolidated financial statements.

The following summarized financial information related to the vitamins and nutritional supplements businesses has been segregated from continuing operations and reported as discontinued operations through the date of disposition (in thousands).

|                                                                | <b>Three Months<br/>Ended<br/>September 30,<br/>2010</b> | <b>Nine Months<br/>Ended<br/>September 30,<br/>2010</b> |
|----------------------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------|
| Net revenue                                                    | \$                                                       | \$ 4,362                                                |
| Income (loss) from discontinued operations before income taxes | \$ (40)                                                  | \$ 19,227                                               |
| Provision (benefit) for income taxes                           | (42)                                                     | 7,314                                                   |
| Income from discontinued operations, net of taxes              | \$ 2                                                     | \$ 11,913                                               |

**(20) Guarantor Financial Information**

Our 9% senior subordinated notes due 2016, our 7.875% senior notes due 2016, and our 8.625% senior subordinated notes due 2018 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, 2011 and December 31, 2010, the statements of operations for the three and nine months ended September 30, 2011 and 2010 and cash flows for the nine months ended September 30, 2011 and 2010 for the Company, the Guarantor Subsidiaries and our other subsidiaries, or the Non-Guarantor Subsidiaries. The supplemental financial information reflects the investments of

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**ALERE INC. AND SUBSIDIARIES**  
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(unaudited)

the Company 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.

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**CONSOLIDATING STATEMENT OF OPERATIONS**  
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(in thousands)

|                                                                                                   | <b>Issuer</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-<br/>Guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated</b> |
|---------------------------------------------------------------------------------------------------|---------------|-----------------------------------|--------------------------------------------|---------------------|---------------------|
| Net product sales                                                                                 | \$            | \$ 227,479                        | \$ 224,801                                 | \$ (34,026)         | \$ 418,254          |
| Services revenue                                                                                  |               | 144,641                           | 17,625                                     |                     | 162,266             |
| Net product sales and services revenue                                                            |               | 372,120                           | 242,426                                    | (34,026)            | 580,520             |
| License and royalty revenue                                                                       |               | 1,728                             | 4,475                                      | (954)               | 5,249               |
| <b>Net revenue</b>                                                                                |               | 373,848                           | 246,901                                    | (34,980)            | 585,769             |
| Cost of net product sales                                                                         | 1,097         | 100,514                           | 127,086                                    | (34,798)            | 193,899             |
| Cost of services revenue                                                                          |               | 77,828                            | 6,349                                      |                     | 84,177              |
| Cost of net product sales and services revenue                                                    | 1,097         | 178,342                           | 133,435                                    | (34,798)            | 278,076             |
| Cost of license and royalty revenue                                                               |               |                                   | 2,685                                      | (954)               | 1,731               |
| <b>Cost of net revenue</b>                                                                        | 1,097         | 178,342                           | 136,120                                    | (35,752)            | 279,807             |
| <b>Gross profit (loss)</b>                                                                        | (1,097)       | 195,506                           | 110,781                                    | 772                 | 305,962             |
| Operating expenses:                                                                               |               |                                   |                                            |                     |                     |
| Research and development                                                                          | 5,063         | 16,195                            | 13,514                                     |                     | 34,772              |
| Sales and marketing                                                                               | 1,973         | 78,667                            | 53,736                                     |                     | 134,376             |
| General and administrative                                                                        | 7,424         | 52,300                            | 32,171                                     |                     | 91,895              |
| Total operating expenses                                                                          | 14,460        | 147,162                           | 99,421                                     |                     | 261,043             |
| <b>Operating income (loss)</b>                                                                    | (15,557)      | 48,344                            | 11,360                                     | 772                 | 44,919              |
| Interest expense, including amortization of original issue discounts and deferred financing costs | (46,857)      | (13,418)                          | (4,240)                                    | 17,188              | (47,327)            |
| Other income (expense), net                                                                       | 4,055         | 14,889                            | (10,006)                                   | (17,188)            | (8,250)             |
| Gain on sale of joint venture interest                                                            | 16,309        |                                   | 272,587                                    |                     | 288,896             |
| <b>Income (loss) from continuing operations before provision</b>                                  | (42,050)      | 49,815                            | 269,701                                    | 772                 | 278,238             |

**(benefit) for income taxes**

|                                                                                                               |            |           |            |              |            |
|---------------------------------------------------------------------------------------------------------------|------------|-----------|------------|--------------|------------|
| Provision (benefit) for income taxes                                                                          | (2,010)    | 19,156    | 25,475     | 31           | 42,652     |
| <b>Income (loss) from continuing operations before equity earnings of unconsolidated entities, net of tax</b> | (40,040)   | 30,659    | 244,226    | 741          | 235,586    |
| Equity in earnings (losses) of subsidiaries, net of tax                                                       | 279,392    | (24)      |            | (279,368)    |            |
| Equity earnings of unconsolidated entities, net of tax                                                        | 352        |           | 3,772      | (6)          | 4,118      |
| <b>Net income</b>                                                                                             | 239,704    | 30,635    | 247,998    | (278,633)    | 239,704    |
| Less: Net income attributable to non-controlling interests                                                    |            |           | 138        |              | 138        |
| <b>Net income attributable to Alere Inc. and Subsidiaries</b>                                                 | 239,704    | 30,635    | 247,860    | (278,633)    | 239,566    |
| Preferred stock dividends                                                                                     | (5,358)    |           |            |              | (5,358)    |
| <b>Net income available to common stockholders</b>                                                            | \$ 234,346 | \$ 30,635 | \$ 247,860 | \$ (278,633) | \$ 234,208 |

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**ALERE INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)  
**CONSOLIDATING STATEMENT OF OPERATIONS**  
**For the Three Months Ended September 30, 2010**  
(in thousands)

|                                                                                                   |               | <b>Guarantor</b>    | <b>Non-</b>      |                     |                     |
|---------------------------------------------------------------------------------------------------|---------------|---------------------|------------------|---------------------|---------------------|
|                                                                                                   | <b>Issuer</b> | <b>Subsidiaries</b> | <b>Guarantor</b> | <b>Eliminations</b> | <b>Consolidated</b> |
|                                                                                                   | \$            | \$                  | Subsidiaries     | \$                  | \$                  |
| Net product sales                                                                                 |               | 206,790             | 183,080          | (26,437)            | 363,433             |
| Services revenue                                                                                  |               | 156,956             | 14,167           |                     | 171,123             |
| Net product sales and services revenue                                                            |               | 363,746             | 197,247          | (26,437)            | 534,556             |
| License and royalty revenue                                                                       |               | 2,378               | 3,199            | (1,454)             | 4,123               |
| <b>Net revenue</b>                                                                                |               | 366,124             | 200,446          | (27,891)            | 538,679             |
| Cost of net product sales                                                                         | 141           | 98,140              | 98,149           | (25,881)            | 170,549             |
| Cost of services revenue                                                                          |               | 76,288              | 4,494            |                     | 80,782              |
| Cost of net product sales and services revenue                                                    | 141           | 174,428             | 102,643          | (25,881)            | 251,331             |
| Cost of license and royalty revenue                                                               |               | 36                  | 3,220            | (1,454)             | 1,802               |
| <b>Cost of net revenue</b>                                                                        | 141           | 174,464             | 105,863          | (27,335)            | 253,133             |
| <b>Gross profit (loss)</b>                                                                        | (141)         | 191,660             | 94,583           | (556)               | 285,546             |
| Operating expenses:                                                                               |               |                     |                  |                     |                     |
| Research and development                                                                          | 5,335         | 15,538              | 11,561           |                     | 32,434              |
| Sales and marketing                                                                               | 1,126         | 80,003              | 44,477           |                     | 125,606             |
| General and administrative                                                                        | 14,307        | 58,404              | 23,420           |                     | 96,131              |
| Total operating expenses                                                                          | 20,768        | 153,945             | 79,458           |                     | 254,171             |
| <b>Operating income (loss)</b>                                                                    | (20,909)      | 37,715              | 15,125           | (556)               | 31,375              |
| Interest expense, including amortization of original issue discounts and deferred financing costs | (17,964)      | (34,608)            | (1,900)          | 20,292              | (34,180)            |
| Other income (expense), net                                                                       | 747           | 18,856              | 8,214            | (20,292)            | 7,525               |
| <b>Income (loss) from continuing operations before provision (benefit) for income taxes</b>       | (38,126)      | 21,963              | 21,439           | (556)               | 4,720               |
| Provision (benefit) for income taxes                                                              | 5,093         | (3,020)             | (2,140)          | (100)               | (167)               |

|                                                                                                                        |            |           |           |             |            |
|------------------------------------------------------------------------------------------------------------------------|------------|-----------|-----------|-------------|------------|
| <b>Income (loss) from continuing operations before equity earnings (losses) of unconsolidated entities, net of tax</b> | (43,219)   | 24,983    | 23,579    | (456)       | 4,887      |
| Equity in earnings of subsidiaries, net of tax                                                                         | 47,564     | 2,024     |           | (49,588)    |            |
| Equity earnings (losses) of unconsolidated entities, net of tax                                                        | 494        |           | (341)     | (215)       | (62)       |
| Income from continuing operations                                                                                      | 4,839      | 27,007    | 23,238    | (50,259)    | 4,825      |
| Income (loss) from discontinued operations, net of tax                                                                 | (12)       | (1,076)   | 1,090     |             | 2          |
| <b>Net income</b>                                                                                                      | 4,827      | 25,931    | 24,328    | (50,259)    | 4,827      |
| Less: Net income attributable to non-controlling interests                                                             |            |           | 1,494     |             | 1,494      |
| <b>Net income attributable to Alere Inc. and Subsidiaries</b>                                                          | 4,827      | 25,931    | 22,834    | (50,259)    | 3,333      |
| Preferred stock dividends                                                                                              | (6,147)    |           |           |             | (6,147)    |
| <b>Net income (loss) available to common stockholders</b>                                                              | \$ (1,320) | \$ 25,931 | \$ 22,834 | \$ (50,259) | \$ (2,814) |

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**ALERE INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)  
**CONSOLIDATING STATEMENT OF OPERATIONS**  
**For the Nine Months Ended September 30, 2011**  
(in thousands)

|                                                                                                   | <b>Issuer</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-<br/>Guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated</b> |
|---------------------------------------------------------------------------------------------------|---------------|-----------------------------------|--------------------------------------------|---------------------|---------------------|
| Net product sales                                                                                 | \$            | \$ 681,711                        | \$ 639,574                                 | \$ (96,983)         | \$ 1,224,302        |
| Services revenue                                                                                  |               | 443,173                           | 50,220                                     |                     | 493,393             |
| Net product sales and services revenue                                                            |               | 1,124,884                         | 689,794                                    | (96,983)            | 1,717,695           |
| License and royalty revenue                                                                       |               | 6,948                             | 15,028                                     | (4,253)             | 17,723              |
| <b>Net revenue</b>                                                                                |               | 1,131,832                         | 704,822                                    | (101,236)           | 1,735,418           |
| Cost of net product sales                                                                         | 2,526         | 308,920                           | 359,500                                    | (97,027)            | 573,919             |
| Cost of services revenue                                                                          |               | 232,463                           | 18,925                                     |                     | 251,388             |
| Cost of net product sales and services revenue                                                    | 2,526         | 541,383                           | 378,425                                    | (97,027)            | 825,307             |
| Cost of license and royalty revenue                                                               |               |                                   | 9,467                                      | (4,253)             | 5,214               |
| <b>Cost of net revenue</b>                                                                        | 2,526         | 541,383                           | 387,892                                    | (101,280)           | 830,521             |
| <b>Gross profit (loss)</b>                                                                        | (2,526)       | 590,449                           | 316,930                                    | 44                  | 904,897             |
| Operating expenses:                                                                               |               |                                   |                                            |                     |                     |
| Research and development                                                                          | 15,041        | 49,865                            | 47,756                                     |                     | 112,662             |
| Sales and marketing                                                                               | 2,922         | 245,481                           | 159,570                                    |                     | 407,973             |
| General and administrative                                                                        | 35,797        | 172,127                           | 84,360                                     |                     | 292,284             |
| Total operating expenses                                                                          | 53,760        | 467,473                           | 291,686                                    |                     | 812,919             |
| <b>Operating income (loss)</b>                                                                    | (56,286)      | 122,976                           | 25,244                                     | 44                  | 91,978              |
| Interest expense, including amortization of original issue discounts and deferred financing costs | (108,308)     | (88,472)                          | (12,472)                                   | 55,058              | (154,194)           |
| Other income (expense), net                                                                       | 9,761         | 41,377                            | (1,557)                                    | (55,058)            | (5,477)             |
| Gain on sale of joint venture interest                                                            | 16,309        |                                   | 272,587                                    |                     | 288,896             |
| <b>Income (loss) from continuing operations before provision</b>                                  | (138,524)     | 75,881                            | 283,802                                    | 44                  | 221,203             |

**(benefit) for income taxes**

|                                      |          |        |        |      |         |
|--------------------------------------|----------|--------|--------|------|---------|
| Provision (benefit) for income taxes | (67,593) | 33,211 | 30,062 | (94) | (4,414) |
|--------------------------------------|----------|--------|--------|------|---------|

**Income (loss) from continuing  
operations before equity  
earnings of unconsolidated  
entities, net of tax**

|  |          |        |         |     |         |
|--|----------|--------|---------|-----|---------|
|  | (70,931) | 42,670 | 253,740 | 138 | 225,617 |
|--|----------|--------|---------|-----|---------|

Equity in earnings of  
subsidiaries, net of tax

|         |     |  |           |  |
|---------|-----|--|-----------|--|
| 299,961 | 631 |  | (300,592) |  |
|---------|-----|--|-----------|--|

Equity earnings of  
unconsolidated entities, net of tax

|       |  |       |     |       |
|-------|--|-------|-----|-------|
| 1,509 |  | 3,420 | (7) | 4,922 |
|-------|--|-------|-----|-------|

**Net income**

|         |        |         |           |         |
|---------|--------|---------|-----------|---------|
| 230,539 | 43,301 | 257,160 | (300,461) | 230,539 |
|---------|--------|---------|-----------|---------|

Less: Net income attributable to  
non-controlling interests

|     |     |
|-----|-----|
| 160 | 160 |
|-----|-----|

**Net income attributable to  
Alere Inc. and Subsidiaries**

|         |        |         |           |         |
|---------|--------|---------|-----------|---------|
| 230,539 | 43,301 | 257,000 | (300,461) | 230,379 |
|---------|--------|---------|-----------|---------|

Preferred stock dividends

|          |  |  |  |          |
|----------|--|--|--|----------|
| (16,682) |  |  |  | (16,682) |
|----------|--|--|--|----------|

Preferred stock repurchase

|        |  |  |  |        |
|--------|--|--|--|--------|
| 23,936 |  |  |  | 23,936 |
|--------|--|--|--|--------|

**Net income available to  
common stockholders**

|            |           |            |              |            |
|------------|-----------|------------|--------------|------------|
| \$ 237,793 | \$ 43,301 | \$ 257,000 | \$ (300,461) | \$ 237,633 |
|------------|-----------|------------|--------------|------------|

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**ALERE INC. AND SUBSIDIARIES**  
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(unaudited)  
**CONSOLIDATING STATEMENT OF OPERATIONS**  
**For the Nine Months Ended September 30, 2010**  
(in thousands)

|                                                                                                   | <b>Issuer</b>        | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-<br/>Guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated</b> |
|---------------------------------------------------------------------------------------------------|----------------------|-----------------------------------|--------------------------------------------|---------------------|---------------------|
| Net product sales                                                                                 | \$                   | \$ 610,847                        | \$ 533,980                                 | \$ (81,278)         | \$ 1,063,549        |
| Services revenue                                                                                  |                      | 457,695                           | 39,597                                     |                     | 497,292             |
| Net product sales and services revenue                                                            |                      | 1,068,542                         | 573,577                                    | (81,278)            | 1,560,841           |
| License and royalty revenue                                                                       |                      | 6,702                             | 13,296                                     | (3,946)             | 16,052              |
| <b>Net revenue</b>                                                                                |                      | 1,075,244                         | 586,873                                    | (85,224)            | 1,576,893           |
| Cost of net product sales                                                                         | 334                  | 291,047                           | 289,826                                    | (80,217)            | 500,990             |
| Cost of services revenue                                                                          |                      | 223,752                           | 15,239                                     |                     | 238,991             |
| Cost of net product sales and services revenue                                                    | 334                  | 514,799                           | 305,065                                    | (80,217)            | 739,981             |
| Cost of license and royalty revenue                                                               |                      | 46                                | 9,311                                      | (3,946)             | 5,411               |
| <b>Cost of net revenue</b>                                                                        | 334                  | 514,845                           | 314,376                                    | (84,163)            | 745,392             |
| <b>Gross profit (loss)</b>                                                                        | (334)                | 560,399                           | 272,497                                    | (1,061)             | 831,501             |
| Operating expenses:                                                                               |                      |                                   |                                            |                     |                     |
| Research and development                                                                          | 15,076               | 49,715                            | 31,396                                     |                     | 96,187              |
| Sales and marketing                                                                               | 2,133                | 235,545                           | 131,338                                    |                     | 369,016             |
| General and administrative                                                                        | 31,430               | 176,949                           | 75,776                                     |                     | 284,155             |
| Total operating expenses                                                                          | 48,639               | 462,209                           | 238,510                                    |                     | 749,358             |
| <b>Operating income (loss)</b>                                                                    | (48,973)             | 98,190                            | 33,987                                     | (1,061)             | 82,143              |
| Interest expense, including amortization of original issue discounts and deferred financing costs | (51,393)             | (104,380)                         | (6,901)                                    | 61,753              | (100,921)           |
| Other income (expense), net                                                                       | 1,940                | 56,776                            | 17,718                                     | (61,753)            | 14,681              |
| <b>Income (loss) from continuing operations before provision (benefit) for income taxes</b>       | (98,426)<br>(22,526) | 50,586<br>15,595                  | 44,804<br>6,068                            | (1,061)<br>(101)    | (4,097)<br>(964)    |

Provision (benefit) for income taxes

**Income (loss) from continuing operations before equity earnings of unconsolidated entities, net of tax**

|          |        |        |       |         |
|----------|--------|--------|-------|---------|
| (75,900) | 34,991 | 38,736 | (960) | (3,133) |
|----------|--------|--------|-------|---------|

Equity in earnings of subsidiaries, net of tax

|        |       |  |          |  |
|--------|-------|--|----------|--|
| 90,326 | 2,793 |  | (93,119) |  |
|--------|-------|--|----------|--|

Equity earnings of unconsolidated entities, net of tax

|       |  |       |       |       |
|-------|--|-------|-------|-------|
| 1,465 |  | 6,900 | (170) | 8,195 |
|-------|--|-------|-------|-------|

Income from continuing operations

|        |        |        |          |       |
|--------|--------|--------|----------|-------|
| 15,891 | 37,784 | 45,636 | (94,249) | 5,062 |
|--------|--------|--------|----------|-------|

Income from discontinued operations, net of tax

|       |       |       |      |        |
|-------|-------|-------|------|--------|
| 1,084 | 9,764 | 1,090 | (25) | 11,913 |
|-------|-------|-------|------|--------|

**Net income**

|        |        |        |          |        |
|--------|--------|--------|----------|--------|
| 16,975 | 47,548 | 46,726 | (94,274) | 16,975 |
|--------|--------|--------|----------|--------|

Less: Net income attributable to non-controlling interests

|  |  |       |  |       |
|--|--|-------|--|-------|
|  |  | 1,167 |  | 1,167 |
|--|--|-------|--|-------|

**Net income attributable to Alere Inc. and Subsidiaries**

|        |        |        |          |        |
|--------|--------|--------|----------|--------|
| 16,975 | 47,548 | 45,559 | (94,274) | 15,808 |
|--------|--------|--------|----------|--------|

Preferred stock dividends

|          |  |  |  |          |
|----------|--|--|--|----------|
| (18,001) |  |  |  | (18,001) |
|----------|--|--|--|----------|

**Net income (loss) available to common stockholders**

|            |           |           |             |            |
|------------|-----------|-----------|-------------|------------|
| \$ (1,026) | \$ 47,548 | \$ 45,559 | \$ (94,274) | \$ (2,193) |
|------------|-----------|-----------|-------------|------------|

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**ALERE INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)  
**CONSOLIDATING BALANCE SHEET**  
**September 30, 2011**  
(in thousands)

|                                                            | Issuer              | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations          | Consolidated        |
|------------------------------------------------------------|---------------------|---------------------------|-------------------------------|-----------------------|---------------------|
| <b>ASSETS</b>                                              |                     |                           |                               |                       |                     |
| <b>Current assets:</b>                                     |                     |                           |                               |                       |                     |
| Cash and cash equivalents                                  | \$ 23,768           | \$ 75,985                 | \$ 177,001                    | \$                    | \$ 276,754          |
| Restricted cash                                            |                     | 1,580                     | 347,971                       |                       | 349,551             |
| Marketable securities                                      |                     | 725                       | 341                           |                       | 1,066               |
| Accounts receivable, net of allowances                     |                     | 209,700                   | 213,737                       |                       | 423,437             |
| Inventories, net                                           |                     | 125,764                   | 155,258                       | (7,712)               | 273,310             |
| Deferred tax assets                                        | 38,979              | 19,638                    | 4,962                         | 2,981                 | 66,560              |
| Receivable from joint venture, net                         |                     | 9,455                     | 6,213                         |                       | 15,668              |
| Prepaid expenses and other current assets                  | 8,999               | 27,326                    | 61,684                        |                       | 98,009              |
| Intercompany receivables                                   | 823,849             | 445,219                   | 12,988                        | (1,282,056)           |                     |
| <b>Total current assets</b>                                | <b>895,595</b>      | <b>915,392</b>            | <b>980,155</b>                | <b>(1,286,787)</b>    | <b>1,504,355</b>    |
| Property, plant and equipment, net                         | 2,719               | 264,347                   | 152,999                       | (60)                  | 420,005             |
| Goodwill                                                   |                     | 1,905,411                 | 989,500                       | (5,018)               | 2,889,893           |
| Other intangible assets with indefinite lives              |                     | 7,100                     | 7,255                         |                       | 14,355              |
| Finite-lived intangible assets, net                        | 27,734              | 1,057,024                 | 484,266                       |                       | 1,569,024           |
| Deferred financing costs, net and other non-current assets | 89,291              | 5,549                     | 3,698                         |                       | 98,538              |
| Receivable from joint venture, net of current portion      |                     |                           | 15,579                        |                       | 15,579              |
| Investments in subsidiaries                                | 3,732,100           | 21,982                    | 28,285                        | (3,782,367)           |                     |
| Investments in unconsolidated entities                     | 29,033              |                           | 148,747                       |                       | 177,780             |
| Marketable securities                                      | 2,040               |                           |                               |                       | 2,040               |
| Deferred tax assets                                        |                     |                           | 10,045                        |                       | 10,045              |
| Intercompany notes receivable                              | 1,442,367           | (389,302)                 |                               | (1,053,065)           |                     |
| <b>Total assets</b>                                        | <b>\$ 6,220,879</b> | <b>\$ 3,787,503</b>       | <b>\$ 2,820,529</b>           | <b>\$ (6,127,297)</b> | <b>\$ 6,701,614</b> |

**LIABILITIES AND EQUITY****Current liabilities:**

|                                                |                |                |                  |                    |                |
|------------------------------------------------|----------------|----------------|------------------|--------------------|----------------|
| Current portion of long-term debt              | \$ 40,500      | \$             | \$ 4,921         | \$                 | \$ 45,421      |
| Current portion of capital lease obligations   |                | 1,523          | 968              |                    | 2,491          |
| Short-term debt                                | 6,147          |                |                  |                    | 6,147          |
| Accounts payable                               | 10,139         | 66,590         | 68,668           |                    | 145,397        |
| Accrued expenses and other current liabilities | (130,805)      | 333,464        | 206,230          | 2,294              | 411,183        |
| Intercompany payables                          | 416,030        | 95,542         | 770,483          | (1,282,055)        |                |
| <b>Total current liabilities</b>               | <b>342,011</b> | <b>497,119</b> | <b>1,051,270</b> | <b>(1,279,761)</b> | <b>610,639</b> |

**Long-term liabilities:**

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|                                                   |                     |                     |                     |                       |                     |
|---------------------------------------------------|---------------------|---------------------|---------------------|-----------------------|---------------------|
| Long-term debt, net of current portion            | 3,005,343           |                     | 13,259              |                       | 3,018,602           |
| Capital lease obligations, net of current portion |                     | 1,892               | 442                 |                       | 2,334               |
| Deferred tax liabilities                          | (16,964)            | 327,263             | 84,480              | 591                   | 395,370             |
| Other long-term liabilities                       | 21,557              | 44,457              | 55,867              |                       | 121,881             |
| Intercompany notes payables                       | 321,221             | 534,776             | 188,361             | (1,044,358)           |                     |
| <b>Total long-term liabilities</b>                | <b>3,331,157</b>    | <b>908,388</b>      | <b>342,409</b>      | <b>(1,043,767)</b>    | <b>3,538,187</b>    |
| <b>Redeemable non-controlling interest</b>        |                     |                     | <b>2,502</b>        |                       | <b>2,502</b>        |
| <b>Stockholders' equity</b>                       | <b>2,547,711</b>    | <b>2,381,996</b>    | <b>1,421,773</b>    | <b>(3,803,769)</b>    | <b>2,547,711</b>    |
| Non-controlling interests                         |                     |                     | 2,575               |                       | 2,575               |
| <b>Total equity</b>                               | <b>2,547,711</b>    | <b>2,381,996</b>    | <b>1,424,348</b>    | <b>(3,803,769)</b>    | <b>2,550,286</b>    |
| <b>Total liabilities and equity</b>               | <b>\$ 6,220,879</b> | <b>\$ 3,787,503</b> | <b>\$ 2,820,529</b> | <b>\$ (6,127,297)</b> | <b>\$ 6,701,614</b> |

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**ALERE INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)  
**CONSOLIDATING BALANCE SHEET**  
**December 31, 2010**  
(in thousands)

|                                                             | <b>Issuer</b>       | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-Guarantor<br/>Subsidiaries</b> | <b>Eliminations</b>   | <b>Consolidated</b> |
|-------------------------------------------------------------|---------------------|-----------------------------------|---------------------------------------|-----------------------|---------------------|
| <b>ASSETS</b>                                               |                     |                                   |                                       |                       |                     |
| <b>Current assets:</b>                                      |                     |                                   |                                       |                       |                     |
| Cash and cash equivalents                                   | \$ 101,666          | \$ 114,307                        | \$ 185,333                            | \$                    | \$ 401,306          |
| Restricted cash                                             |                     | 1,739                             | 842                                   |                       | 2,581               |
| Marketable securities                                       |                     | 914                               | 1,180                                 |                       | 2,094               |
| Accounts receivable, net of allowances                      |                     | 200,896                           | 196,252                               |                       | 397,148             |
| Inventories, net                                            |                     | 126,297                           | 139,147                               | (7,724)               | 257,720             |
| Deferred tax assets                                         | 33,487              | 19,252                            | 4,372                                 |                       | 57,111              |
| Income tax receivable                                       |                     | 1,383                             |                                       |                       | 1,383               |
| Prepaid expenses and other current assets                   | 4,397               | 26,096                            | 44,421                                |                       | 74,914              |
| Intercompany receivables                                    | 624,399             | 437,206                           | 9,843                                 | (1,071,448)           |                     |
| <b>Total current assets</b>                                 | <b>763,949</b>      | <b>928,090</b>                    | <b>581,390</b>                        | <b>(1,079,172)</b>    | <b>1,194,257</b>    |
| Property, plant and equipment, net                          | 1,343               | 251,562                           | 137,738                               | (133)                 | 390,510             |
| Goodwill                                                    |                     | 1,899,801                         | 936,517                               | (5,018)               | 2,831,300           |
| Other intangible assets with indefinite lives               |                     | 7,100                             | 21,083                                |                       | 28,183              |
| Finite-lived intangible assets, net                         | 12,697              | 1,178,730                         | 516,154                               |                       | 1,707,581           |
| Deferred financing costs, net, and other non-current assets | 25,216              | 27,523                            | 4,790                                 |                       | 57,529              |
| Receivable from joint venture, net of current portion       |                     |                                   | 23,872                                |                       | 23,872              |
| Investments in subsidiaries                                 | 3,146,921           | 1,568                             |                                       | (3,148,489)           |                     |
| Investments in unconsolidated entities                      | 9,659               |                                   | 52,897                                |                       | 62,556              |
| Marketable securities                                       | 2,308               |                                   | 7,096                                 |                       | 9,404               |
| Deferred tax assets                                         |                     |                                   | 25,182                                |                       | 25,182              |
| Intercompany notes receivable                               | 436,538             | 897,515                           |                                       | (1,334,053)           |                     |
| <b>Total assets</b>                                         | <b>\$ 4,398,631</b> | <b>\$ 5,191,889</b>               | <b>\$ 2,306,719</b>                   | <b>\$ (5,566,865)</b> | <b>\$ 6,330,374</b> |
| <b>LIABILITIES AND EQUITY</b>                               |                     |                                   |                                       |                       |                     |
| <b>Current liabilities:</b>                                 |                     |                                   |                                       |                       |                     |
|                                                             | \$                  | \$ 9,907                          | \$ 6,984                              | \$                    | \$ 16,891           |

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|                                                   |                     |                     |                     |                       |                     |
|---------------------------------------------------|---------------------|---------------------|---------------------|-----------------------|---------------------|
| Current portion of long-term debt                 |                     |                     |                     |                       |                     |
| Current portion of capital lease obligations      |                     | 1,954               | 172                 |                       | 2,126               |
| Accounts payable                                  | 6,938               | 62,067              | 57,839              |                       | 126,844             |
| Accrued expenses and other current liabilities    | (23,731)            | 241,462             | 128,101             |                       | 345,832             |
| Payable to joint venture, net                     |                     | (546)               | 3,333               |                       | 2,787               |
| Deferred gain on joint venture                    | 16,309              |                     | 272,069             |                       | 288,378             |
| Intercompany payables                             | 411,629             | 83,188              | 577,000             | (1,071,817)           |                     |
| <b>Total current liabilities</b>                  | <b>411,145</b>      | <b>398,032</b>      | <b>1,045,498</b>    | <b>(1,071,817)</b>    | <b>782,858</b>      |
| <b>Long-term liabilities:</b>                     |                     |                     |                     |                       |                     |
| Long-term debt, net of current portion            | 1,194,054           | 1,181,500           | 3,012               |                       | 2,378,566           |
| Capital lease obligations, net of current portion |                     | 1,267               | 135                 |                       | 1,402               |
| Deferred tax liabilities                          | (40,284)            | 386,919             | 73,531              |                       | 420,166             |
| Other long-term liabilities                       | 31,052              | 51,111              | 87,493              |                       | 169,656             |
| Intercompany notes payables                       | 227,626             | 900,294             | 200,814             | (1,328,734)           |                     |
| <b>Total long-term liabilities</b>                | <b>1,412,448</b>    | <b>2,521,091</b>    | <b>364,985</b>      | <b>(1,328,734)</b>    | <b>2,969,790</b>    |
| <b>Stockholders' equity</b>                       | <b>2,575,038</b>    | <b>2,272,766</b>    | <b>893,548</b>      | <b>(3,166,314)</b>    | <b>2,575,038</b>    |
| Non-controlling interests                         |                     |                     | 2,688               |                       | 2,688               |
| <b>Total equity</b>                               | <b>2,575,038</b>    | <b>2,272,766</b>    | <b>896,236</b>      | <b>(3,166,314)</b>    | <b>2,577,726</b>    |
| <b>Total liabilities and equity</b>               | <b>\$ 4,398,631</b> | <b>\$ 5,191,889</b> | <b>\$ 2,306,719</b> | <b>\$ (5,566,865)</b> | <b>\$ 6,330,374</b> |

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**ALERE INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)  
**CONSOLIDATING STATEMENT OF CASH FLOWS**  
**For the Nine Months Ended September 30, 2011**  
(in thousands)

|                                                                                                                           | <b>Issuer</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-Guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated</b> |
|---------------------------------------------------------------------------------------------------------------------------|---------------|-----------------------------------|---------------------------------------|---------------------|---------------------|
| <b>Cash Flows from Operating Activities:</b>                                                                              |               |                                   |                                       |                     |                     |
| Net income                                                                                                                | \$ 230,539    | \$ 43,301                         | \$ 257,160                            | \$ (300,461)        | \$ 230,539          |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities:                               |               |                                   |                                       |                     |                     |
| Equity in earnings of subsidiaries, net of tax                                                                            | (299,961)     | (631)                             |                                       | 300,592             |                     |
| Non-cash interest expense, including amortization of original issue discounts and write-off of deferred financing costs . | 8,630         | 23,678                            | 418                                   |                     | 32,726              |
| Depreciation and amortization                                                                                             | 2,650         | 191,197                           | 93,487                                | (301)               | 287,033             |
| Non-cash stock-based compensation expense                                                                                 | 4,565         | 6,354                             | 5,356                                 |                     | 16,275              |
| Impairment of inventory                                                                                                   |               | 172                               | 273                                   |                     | 445                 |
| Impairment of long-lived assets                                                                                           | 2             | 1,331                             | 341                                   |                     | 1,674               |
| Impairment of intangible assets                                                                                           |               | 2,935                             | 3                                     |                     | 2,938               |
| Gain on sale of joint venture interest                                                                                    | (16,309)      |                                   | (272,587)                             |                     | (288,896)           |
| (Gain) loss on sale of fixed assets                                                                                       | 75            | 1,132                             | (111)                                 |                     | 1,096               |
| Gain on sales of marketable securities                                                                                    |               |                                   | (376)                                 |                     | (376)               |
| Equity earnings of unconsolidated entities, net of tax                                                                    | (1,509)       |                                   | (3,420)                               | 7                   | (4,922)             |
| Deferred income taxes                                                                                                     | 6,270         | (45,374)                          | 8,203                                 | (98)                | (30,999)            |
| Other non-cash items                                                                                                      | (2,774)       | 3,080                             | (8,421)                               |                     | (8,115)             |
| Changes in assets and liabilities, net of acquisitions:                                                                   |               |                                   |                                       |                     |                     |
| Accounts receivable, net                                                                                                  |               | (8,061)                           | (22,771)                              |                     | (30,832)            |
| Inventories, net                                                                                                          |               | 437                               | (17,431)                              | (19)                | (17,013)            |
| Prepaid expenses and other current assets                                                                                 | (2,333)       | 763                               | (15,794)                              |                     | (17,364)            |
| Accounts payable                                                                                                          | 3,201         | (29)                              | 8,805                                 |                     | 11,977              |
| Accrued expenses and other current liabilities                                                                            | (27,881)      | 73,020                            | 19,335                                | 2,295               | 66,769              |

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|                                                                       |             |             |           |         |             |
|-----------------------------------------------------------------------|-------------|-------------|-----------|---------|-------------|
| Other non-current liabilities                                         | (5,455)     | 2,995       | (27,988)  |         | (30,448)    |
| Intercompany payable<br>(receivable)                                  | (1,393,133) | 925,802     | 467,331   |         |             |
| <b>Net cash provided by (used<br/>in) operating activities</b>        | (1,493,423) | 1,222,102   | 491,813   | 2,015   | 222,507     |
| <b>Cash Flows from Investing<br/>Activities:</b>                      |             |             |           |         |             |
| Decrease (increase) in<br>restricted cash                             |             | 160         | (347,130) |         | (346,970)   |
| Purchases of property, plant<br>and equipment                         | (1,148)     | (48,335)    | (45,431)  | 222     | (94,692)    |
| Proceeds from sale of property,<br>plant and equipment                |             | 293         | 553       |         | 846         |
| Proceeds from disposition of<br>business                              |             |             | 11,491    |         | 11,491      |
| Cash paid for acquisitions, net<br>of cash acquired                   | (39,007)    | (5,400)     | (82,674)  |         | (127,081)   |
| Proceeds from sales of<br>marketable securities                       | 268         | 190         | 7,934     |         | 8,392       |
| Net cash received from equity<br>method investments                   | (2,920)     |             | (41,182)  |         | (44,102)    |
| Increase in other assets .                                            | (31,824)    | (15,878)    | (5,133)   | (3,053) | (55,888)    |
| <b>Net cash used in investing<br/>activities</b>                      | (74,631)    | (68,970)    | (501,572) | (2,831) | (648,004)   |
| <b>Cash Flows from Financing<br/>Activities:</b>                      |             |             |           |         |             |
| Cash paid for financing costs                                         | (65,813)    | (525)       |           |         | (66,338)    |
| Cash paid for contingent<br>purchase price consideration              | (25,305)    |             |           |         | (25,305)    |
| Proceeds from issuance of<br>common stock, net of issuance<br>costs . | 24,159      |             |           |         | 24,159      |
| Repurchase of preferred stock                                         | (99,068)    |             |           |         | (99,068)    |
| Proceeds from long-term debt                                          | 1,750,000   | 937         | 1,771     |         | 1,752,708   |
| Payments on long-term debt                                            |             | (1,192,344) | (2,993)   |         | (1,195,337) |
| Net proceeds under revolving<br>credit facilities                     | 100,000     |             | 4,808     |         | 104,808     |
| Repurchase of common stock                                            | (184,867)   |             |           |         | (184,867)   |
| Excess tax benefits on<br>exercised stock options                     | 1,403       | 429         | 351       |         | 2,183       |
| Principal payments on capital<br>lease obligations                    |             | (1,783)     | (1,301)   |         | (3,084)     |
| Other                                                                 | (10,251)    |             | (200)     |         | (10,451)    |
| <b>Net cash provided by (used<br/>in) financing activities</b>        | 1,490,258   | (1,193,286) | 2,436     |         | 299,408     |

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|                                                      |                  |                  |                   |           |                   |
|------------------------------------------------------|------------------|------------------|-------------------|-----------|-------------------|
| Foreign exchange effect on cash and cash equivalents | (102)            | 27               | 796               | 816       | 1,537             |
| Net decrease in cash and cash equivalents            | (77,898)         | (40,127)         | (6,527)           |           | (124,552)         |
| Cash and cash equivalents, beginning of period       | 101,666          | 116,112          | 183,528           |           | 401,306           |
| <b>Cash and cash equivalents, end of period</b>      | <b>\$ 23,768</b> | <b>\$ 75,985</b> | <b>\$ 177,001</b> | <b>\$</b> | <b>\$ 276,754</b> |

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**ALERE INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)  
**CONSOLIDATING STATEMENT OF CASH FLOWS**  
**For the Nine Months Ended September 30, 2010**  
**(in thousands)**

|                                                                                                                         | <b>Issuer</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-<br/>Guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated</b> |
|-------------------------------------------------------------------------------------------------------------------------|---------------|-----------------------------------|--------------------------------------------|---------------------|---------------------|
| <b>Cash Flows from Operating Activities:</b>                                                                            |               |                                   |                                            |                     |                     |
| Net income                                                                                                              | \$ 16,975     | \$ 47,548                         | \$ 46,726                                  | \$ (94,274)         | \$ 16,975           |
| Income from discontinued operations, net of tax                                                                         | 1,084         | 9,764                             | 1,090                                      | (25)                | 11,913              |
| Income from continuing operations                                                                                       | 15,891        | 37,784                            | 45,636                                     | (94,249)            | 5,062               |
| Adjustments to reconcile income from continuing operations to net cash provided by (used in) operating activities:      |               |                                   |                                            |                     |                     |
| Equity in earnings of subsidiaries, net of tax                                                                          | (90,326)      | (2,793)                           |                                            | 93,119              |                     |
| Non-cash interest expense, including amortization of original issue discounts and write-off of deferred financing costs | 4,532         | 4,704                             | 1,048                                      |                     | 10,284              |
| Depreciation and amortization                                                                                           | 766           | 198,975                           | 78,264                                     | (2,498)             | 275,507             |
| Non-cash stock-based compensation expense                                                                               | 7,087         | 7,310                             | 8,550                                      |                     | 22,947              |
| Impairment of inventory                                                                                                 |               | 136                               | 576                                        |                     | 712                 |
| Impairment of long-lived assets                                                                                         |               | 651                               | (33)                                       |                     | 618                 |
| Loss on sale of fixed assets                                                                                            |               | 357                               | 250                                        |                     | 607                 |
| Equity earnings of unconsolidated entities, net of tax                                                                  | (1,465)       |                                   | (6,900)                                    | 170                 | (8,195)             |
| Deferred income taxes                                                                                                   |               | (24,393)                          | 8,890                                      | (17,753)            | (33,256)            |
| Other non-cash items                                                                                                    | (4,666)       | 3,294                             | (6)                                        |                     | (1,378)             |
| Changes in assets and liabilities, net of acquisitions:                                                                 |               |                                   |                                            |                     |                     |
| Accounts receivable, net                                                                                                |               | (4,473)                           | 14,200                                     | (12,280)            | (2,553)             |
| Inventories, net                                                                                                        |               | (5,231)                           | (23,786)                                   | (90)                | (29,107)            |
| Prepaid expenses and other current assets                                                                               | 2,295         | (1,387)                           | (6,436)                                    | 12,280              | 6,752               |
| Accounts payable                                                                                                        | 2,430         | (905)                             | (20,948)                                   |                     | (19,423)            |
| Accrued expenses and other current liabilities                                                                          | (13,617)      | 42,437                            | (23,443)                                   | 17,744              | 23,121              |
| Other non-current liabilities                                                                                           | (11,612)      | 198                               | (10,570)                                   |                     | (21,984)            |
|                                                                                                                         | (168,016)     | (81,959)                          | 249,975                                    |                     |                     |

Intercompany payable  
(receivable)

|                                                         |           |         |         |         |         |
|---------------------------------------------------------|-----------|---------|---------|---------|---------|
| Net cash provided by (used in)<br>continuing operations | (256,701) | 174,705 | 315,267 | (3,557) | 229,714 |
| Net cash used in discontinued<br>operations             |           | (390)   |         |         | (390)   |

|                                                                |           |         |         |         |         |
|----------------------------------------------------------------|-----------|---------|---------|---------|---------|
| <b>Net cash provided by (used in)<br/>operating activities</b> | (256,701) | 174,315 | 315,267 | (3,557) | 229,324 |
|----------------------------------------------------------------|-----------|---------|---------|---------|---------|

**Cash Flows from Investing  
Activities:**

|                                                        |           |          |           |       |           |
|--------------------------------------------------------|-----------|----------|-----------|-------|-----------|
| Decrease (increase) in restricted<br>cash              |           | (296)    | 16        |       | (280)     |
| Purchases of property, plant and<br>equipment          | (71)      | (46,129) | (25,814)  | 3,557 | (68,457)  |
| Proceeds from sale of property,<br>plant and equipment |           | 203      | 439       |       | 642       |
| Cash paid for acquisitions, net of<br>cash acquired    | (192,975) | (34,276) | (238,332) |       | (465,583) |
| Increase in marketable securities                      | (12,619)  |          | (5,268)   |       | (17,887)  |
| Net cash received from equity<br>method investments    | 336       | 44       | 10,455    |       | 10,835    |
| Increase in other assets                               |           | (406)    | (1,311)   |       | (1,717)   |

|                                                 |           |          |           |       |           |
|-------------------------------------------------|-----------|----------|-----------|-------|-----------|
| Net cash used in continuing<br>operations       | (205,329) | (80,860) | (259,815) | 3,557 | (542,447) |
| Net cash provided by<br>discontinued operations |           | 61,446   | 2,000     |       | 63,446    |

|                                                  |           |          |           |       |           |
|--------------------------------------------------|-----------|----------|-----------|-------|-----------|
| <b>Net cash used in investing<br/>activities</b> | (205,329) | (19,414) | (257,815) | 3,557 | (479,001) |
|--------------------------------------------------|-----------|----------|-----------|-------|-----------|

**Cash Flows from Financing  
Activities:**

|                                                                     |         |           |         |  |           |
|---------------------------------------------------------------------|---------|-----------|---------|--|-----------|
| Cash paid for financing costs                                       | (8,956) | (634)     |         |  | (9,590)   |
| Proceeds from issuance of<br>common stock, net of issuance<br>costs | 17,839  |           |         |  | 17,839    |
| Proceeds from issuance of<br>long-term debt                         | 400,000 |           |         |  | 400,000   |
| Payments on long-term debt                                          |         | (7,313)   |         |  | (7,313)   |
| Net payments under revolving<br>credit facilities                   |         | (143,445) | (3,540) |  | (146,985) |
| Excess tax benefits on exercised<br>stock options                   | 177     | 264       | 859     |  | 1,300     |
| Principal payments on capital<br>lease obligations                  |         | (1,054)   | (216)   |  | (1,270)   |
| Other                                                               | (108)   |           | (401)   |  | (509)     |

|                                                            |                   |                  |                   |           |                   |
|------------------------------------------------------------|-------------------|------------------|-------------------|-----------|-------------------|
| <b>Net cash provided by (used in) financing activities</b> | 408,952           | (152,182)        | (3,298)           |           | 253,472           |
| Foreign exchange effect on cash and cash equivalents       |                   |                  | (8,987)           |           | (8,987)           |
| Net increase (decrease) in cash and cash equivalents       | (53,078)          | 2,719            | 45,167            |           | (5,192)           |
| Cash and cash equivalents, beginning of period             | 293,328           | 83,411           | 116,034           |           | 492,773           |
| <b>Cash and cash equivalents, end of period</b>            | <b>\$ 240,250</b> | <b>\$ 86,130</b> | <b>\$ 161,201</b> | <b>\$</b> | <b>\$ 487,581</b> |

**Table of Contents****ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****Forward-Looking Statements**

This report 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. You can identify these statements by forward-looking words such as may, could, should, would, intend, will, expect, anticipate, believe, continue or similar words. You should read statements that contain these words carefully because they discuss our future expectations, contain projections of our future results of operations or of our financial condition or state other forward-looking information. Forward-looking statements in this item include, without limitation, statements regarding anticipated expansion and growth in certain of our product and service offerings; the development and introduction of new technologies and products; the potential impact of these technologies and products under development; our expectations with respect to Apollo, our new integrated health management technology platform; our ability to accelerate adoption of our health management services; and our funding plans for our future working capital needs and commitments. Actual results or developments could differ materially from those projected in such statements as a result of numerous factors, including, without limitation, those risks and uncertainties set forth in Part I, Item 1A, Risk Factors, of our Annual Report on Form 10-K, as amended, for the year ended December 31, 2010 and other risk factors identified herein or from time to time in our periodic filings with the SEC. We do not undertake any obligation to update any forward-looking statements. This report and, in particular, the following discussion and analysis of our financial condition and results of operations, should be read in light of those risks and uncertainties and in conjunction with our accompanying consolidated financial statements and notes thereto.

**Overview**

We enable individuals to take charge of improving their health and quality of life at home, under medical supervision, by developing new capabilities in near-patient diagnosis, monitoring and health management. Our global, leading products and services, as well as our new product development efforts, currently focus on cardiology, women's health, infectious disease, oncology and toxicology. We are continuing to expand our product and service offerings in all of these categories.

As a global, leading supplier of near-patient monitoring tools, as well as value-added healthcare services, we are well positioned to improve care and lower healthcare costs for both providers and patients. Our home coagulation monitoring business, which supports doctors' and patients' efforts to monitor warfarin therapy using our INRatio blood coagulation monitoring system, continues to represent an early example of this. We have also continued to introduce our new integrated health management technology platform, called Apollo, to our customers since its launch on January 1, 2010. Using a sophisticated data engine for acquiring and analyzing information, combined with a state-of-the-art touch engine for communicating with individuals and their health partners, we expect Apollo to benefit healthcare providers, health insurers and patients alike by enabling more efficient and effective health management programs.

During the first nine months of 2011, we continued to grow through a number of small, but strategic, acquisitions. Subsequent to September 30, 2011, we made several additional acquisitions, including our acquisition of a majority of the outstanding shares of Axis-Shield plc, or Axis-Shield, an innovative Anglo-Norwegian developer and manufacturer of in vitro diagnostic tests. We have also continued laying the groundwork for future revenue and earnings growth by focusing our efforts on new product development and introductions. While year-to-date revenues remain slightly behind expectations, our important new products, including the epoc System, the Alere CD4 Analyzer and the Alere Heart Check System, have begun to penetrate the markets into which they have been launched, and we expect this trend to continue. We are also focused on expanding our global sales force. During the first nine months of 2011, we expanded our global sales force, and while the pace of this expansion slowed during the third quarter due to cost control measures necessitated by global economic uncertainty, we expect this initiative to continue during the fourth quarter of this year. We also continued to build awareness and acceptance for our two novel biomarkers, NGAL and placental growth factor, or PLGF.

Our vision and strategy remain intact despite challenging economic conditions and a difficult environment faced by our health management business, particularly with the increasingly competitive environment, including the impact of

health plans in-sourcing less differentiated services, such as disease management. Additionally, during the third quarter of 2011, state budgetary pressures continued to negatively impact smoking cessation revenues and we felt the final impact of Medicare reimbursement policy changes on our coagulation monitoring business; however, excluding these two businesses, health management revenues were stable compared to the prior quarter. Cost control measures put in place during the second quarter of 2011 have also helped us cope with difficult times, as we reduced our operating expenses, excluding research and development, from \$235.2 million during the second quarter of 2011 to \$226.3 million during the third quarter of 2011. In addition, during the third quarter of 2011, we launched our global principal operating company and shared service center, located in Galway, Ireland, and have begun the process of moving responsibility for our non-U.S. core diagnostic operations to Galway. Beginning in 2012, we expect that this initiative will provide benefits including higher customer service levels, higher operating efficiencies and improved control over our global operations.

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### **Financial Highlights**

Net revenue increased by \$47.1 million, or 9%, to \$585.8 million for the three months ended September 30, 2011, from \$538.7 million for the three months ended September 30, 2010. Net revenue increased by \$158.5 million, or 10%, to \$1.7 billion for the nine months ended September 30, 2011, from \$1.6 billion for the nine months ended September 30, 2010.

Gross profit increased by \$20.4 million, or 7%, to \$306.0 million for the three months ended September 30, 2011, from \$285.5 million for the three months ended September 30, 2010. Gross profit increased by \$73.4 million, or 9%, to \$904.9 million for the nine months ended September 30, 2011, from \$831.5 million for the nine months ended September 30, 2010.

For the three months ended September 30, 2011, we generated income from continuing operations attributable to Alere Inc. and Subsidiaries of \$234.2 million, or \$2.48 per diluted common share. For the three months ended September 30, 2010, we generated a loss from continuing operations attributable to Alere Inc. and Subsidiaries of \$2.8 million, or \$0.03 per common share. For the nine months ended September 30, 2011, we generated income from continuing operations attributable to Alere Inc. and Subsidiaries of \$237.6 million, or \$2.56 per diluted common share. For the nine months ended September 30, 2010, we generated a loss from continuing operations attributable to Alere Inc. and Subsidiaries of \$14.1 million, or \$0.17 per common share.

During the third quarter of 2011, the Procter & Gamble Company's, or P&G's, option to require us to acquire its interest in SPD at fair market value expired. In connection with the expiration of the option, we recognized a gain totaling approximately \$288.9 million during the third quarter of 2011.

During the nine months ended September 30, 2011, we repurchased approximately \$283.9 million of our outstanding securities, as described in more detail below.

### **Results of Operations**

The following discussions of our results of continuing operations exclude the results related to the vitamins and nutritional supplements business segment, which was previously presented as a separate operating segment prior to its divestiture in January 2010. The vitamins and nutritional supplements business segment has been segregated from continuing operations and is reflected as discontinued operations in our consolidated financial statements. See *Income from Discontinued Operations, Net of Tax* below. Results excluding the impact of currency translation are calculated on the basis of local currency results, using foreign currency exchange rates applicable to the earlier comparative period. We believe presenting information using the same foreign currency exchange rates helps investors isolate the impact of changes in those rates from other trends. Our results of operations were as follows:

**Net Product Sales and Services Revenue, Total and by Business Segment.** Total net product sales and services revenue increased by \$46.0 million, or 9%, to \$580.5 million for the three months ended September 30, 2011, from \$534.6 million for the three months ended September 30, 2010. Excluding the impact of currency translation, net product sales and services revenue for the three months ended September 30, 2011 increased by \$36.0 million, or 7%, compared to the three months ended September 30, 2010. Total net product sales and services revenue increased by \$156.9 million, or 10%, to \$1.7 billion for the nine months ended September 30, 2011, from \$1.6 billion for the nine months ended September 30, 2010. Excluding the impact of currency translation, net product sales and services revenue for the nine months ended September 30, 2011 increased by \$126.1 million, or

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8%, compared to the nine months ended September 30, 2010. Net product sales and services revenue by business segment for the three and nine months ended September 30, 2011 and 2010 are as follows (in thousands):

|                                              | Three Months Ended |            |        | Nine Months Ended |              |        |
|----------------------------------------------|--------------------|------------|--------|-------------------|--------------|--------|
|                                              | September 30,      |            | %      | September 30,     |              | %      |
|                                              | 2011               | 2010       | Change | 2011              | 2010         | Change |
| Professional diagnostics                     | \$ 426,251         | \$ 359,481 | 19%    | \$ 1,240,251      | \$ 1,039,315 | 19%    |
| Health management                            | 129,931            | 152,894    | (15)%  | 408,566           | 451,182      | (9)%   |
| Consumer diagnostics                         | 24,338             | 22,181     | 10%    | 68,878            | 70,344       | (2)%   |
| Total net product sales and services revenue | \$ 580,520         | \$ 534,556 | 9%     | \$ 1,717,695      | \$ 1,560,841 | 10%    |

*Professional Diagnostics*

The following table summarizes our net product sales and services revenue from our professional diagnostics business segment by groups of similar products and services for the three and nine months ended September 30, 2011 and 2010 (in thousands):

|                                                                 | Three Months Ended |            |        | Nine Months Ended |              |        |
|-----------------------------------------------------------------|--------------------|------------|--------|-------------------|--------------|--------|
|                                                                 | September 30,      |            | %      | September 30,     |              | %      |
|                                                                 | 2011               | 2010       | Change | 2011              | 2010         | Change |
| Infectious disease                                              | \$ 142,639         | \$ 106,633 | 34%    | \$ 405,559        | \$ 303,236   | 34%    |
| Cardiology                                                      | 127,943            | 120,061    | 7%     | 390,652           | 360,773      | 8%     |
| Toxicology                                                      | 93,497             | 77,413     | 21%    | 267,834           | 220,600      | 21%    |
| Other                                                           | 62,172             | 55,374     | 12%    | 176,206           | 154,706      | 14%    |
| Professional diagnostics net product sales and services revenue | \$ 426,251         | \$ 359,481 | 19%    | \$ 1,240,251      | \$ 1,039,315 | 19%    |

Net product sales and services revenue from our professional diagnostics business segment increased by \$66.8 million, or 19%, to \$426.3 million for the three months ended September 30, 2011, from \$359.5 million for the three months ended September 30, 2010. Excluding the impact of currency translation, net product sales and services revenue from our professional diagnostics business segment increased by \$57.1 million, or 16%, comparing the three months ended September 30, 2011 to the three months ended September 30, 2010. Revenue increased partially as a result of our acquisitions, which contributed an aggregate \$19.4 million of the non-currency-adjusted increase. Also contributing to the increase in net product sales and services revenue was an increase in North American flu-related net product sales during the three months ended September 30, 2011, as compared to the three months ended September 30, 2010. Net product sales from our North American flu-related sales increased approximately \$8.9 million, comparing the three months ended September 30, 2011 to the three months ended September 30, 2010, as a result of a more typical flu season in 2011 than the lower than normal flu levels observed in 2010. Excluding the impact of acquisitions and the increase in flu-related sales during the comparable periods, the currency-adjusted organic growth for our professional diagnostics net product sales and services revenue was 9%.

Within our professional diagnostics business segment, net product sales and services revenue for our infectious disease business increased by approximately \$36.0 million, or 34%, to \$142.6 million for the three months ended September 30, 2011, from \$106.6 million for the three months ended September 30, 2010, driven by increased North American flu-related, HIV and malaria net product sales, coupled with the impact of two recent Brazilian acquisitions, which contributed approximately \$8.9 million of the increase. Net product sales and services revenue for our cardiology business increased by approximately \$7.9 million, or 7%, to \$127.9 million for the three months ended

September 30, 2011, from \$120.1 million for the three months ended September 30, 2010, driven particularly by growth outside of the U.S. and in our domestic cholesterol and professional coagulation testing businesses, offsetting continued softness in domestic BNP net product sales, primarily related to issues with sales on the Beckman Coulter platform. Our toxicology business increased by approximately \$16.1 million, or 21%, to \$93.5 million for the three months ended September 30, 2011, from \$77.4 million for the three months ended September 30, 2010, with our recent acquisitions of Capital Toxicology, LLC, or Capital Toxicology, and Diagnostixx of California, Corp. (d/b/a) Immunalysis Corporation, or Immunalysis, contributing \$10.5 million of the increase.

Net product sales and services revenue from our professional diagnostics business segment increased by \$200.9 million, or 19%, to \$1.2 billion for the nine months ended September 30, 2011, from \$1.0 billion for the nine months ended September 30, 2010. Excluding the impact of currency translation, net product sales and services revenue from our professional diagnostics business segment increased by \$171.1 million, or 16%, comparing the nine months ended September 30, 2011 to the nine months ended September 30, 2010. Revenue increased partially as a result of our acquisitions, which contributed an aggregate \$71.0 million of the non-currency-adjusted increase. Also contributing to the increase in net product sales and services revenue was an increase in North American flu-related net product sales during the nine months ended September 30, 2011, compared to the nine months ended September 30, 2010. Net product sales from our North American flu-related sales increased approximately \$27.8 million, comparing the nine months ended September 30, 2011 to the nine months ended September 30, 2010, as a result of a more typical flu season in 2011 than the lower than normal flu levels observed in 2010. Excluding the impact of acquisitions and the increase in flu-related sales during the comparable periods, the currency-adjusted organic growth for our professional diagnostics net product sales and services revenue was 8%.

Within our professional diagnostics business segment, net product sales and services revenue for our infectious disease business increased by approximately \$102.3 million, or 34%, to \$405.6 million for the nine months ended September 30, 2011, from \$303.2 million for the nine months ended September 30, 2010, driven by increased North American flu-related, worldwide respiratory, HIV and malaria net product sales, coupled with the impact of two recent Brazilian acquisitions, which contributed approximately \$23.4 million of the increase. Net product sales and services revenue for our cardiology business increased by approximately \$29.9 million, or 8%, to \$390.7 million for the nine months ended September 30, 2011, from \$360.8 million for the nine months ended September 30, 2010, driven particularly by growth outside of the U.S. and in our domestic cholesterol and professional coagulation testing businesses, offsetting continued softness in domestic BNP net product sales, primarily related to issues with sales on the Beckman Coulter platform. Our toxicology business increased by approximately \$47.2 million, or 22%, to \$267.8 million for the nine months ended September 30, 2011, from \$220.6 million for the nine months ended September 30, 2010, with our recent acquisitions of Kroll Laboratory Specialists, Inc., subsequently renamed Alere Toxicology, Capital Toxicology and Immunalysis contributing \$36.2 million of the increase.

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The following table summarizes our net product sales and services revenue from our health management business segment by groups of similar products and services for the three and nine months ended September 30, 2011 and 2010 (in thousands):

|                                                          | <b>Three Months Ended<br/>September 30,</b> |             |                     | <b>Nine Months Ended<br/>September 30,</b> |             |                     |
|----------------------------------------------------------|---------------------------------------------|-------------|---------------------|--------------------------------------------|-------------|---------------------|
|                                                          | <b>2011</b>                                 | <b>2010</b> | <b>%<br/>Change</b> | <b>2011</b>                                | <b>2010</b> | <b>%<br/>Change</b> |
| Disease and case management                              | \$ 59,441                                   | \$ 73,137   | (19)%               | \$ 182,118                                 | \$ 214,039  | (15)%               |
| Women s & children s health                              | 28,509                                      | 31,814      | (10)%               | 85,550                                     | 95,957      | (11)%               |
| Wellness                                                 | 24,427                                      | 25,444      | (4)%                | 80,369                                     | 75,883      | 6%                  |
| Patient self-testing services                            | 17,554                                      | 22,499      | (22)%               | 60,529                                     | 65,303      | (7)%                |
| Health management net product sales and services revenue | \$ 129,931                                  | \$ 152,894  | (15)%               | \$ 408,566                                 | \$ 451,182  | (9)%                |

Our health management net product sales and services revenue decreased by \$23.0 million, or 15%, to \$129.9 million for the three months ended September 30, 2011, from \$152.9 million for the three months ended September 30, 2010. Our health management net product sales and services revenue decreased by \$42.6 million, or 9%, to \$408.6 million for the nine months ended September 30, 2011, from \$451.2 million for the nine months ended September 30, 2010. Net product sales and services revenue in our health management segment was adversely impacted by the increasingly competitive environment, including pricing pressures and the impact of health plans in-sourcing less differentiated services, such as disease management. Wellness net product sales and services revenue from our Alere Wellbeing business, formerly known as Free & Clear, has been negatively impacted as a result of the continuation of decreased funding under certain states quit line programs. Additionally, our patient self-testing services business was impacted by a reimbursement policy change from the Centers for Medicare and Medicaid Services. For the remainder of 2011, we expect our women s and children s health and wellness businesses to be adversely impacted by reductions to or delays in the implementation of certain state funded programs.

*Consumer Diagnostics*

Net product sales and services revenue from our consumer diagnostics business segment increased by \$2.2 million, or 10%, to \$24.3 million for the three months ended September 30, 2011, from \$22.2 million for the three months ended September 30, 2010. The increase was primarily driven by an increase of approximately \$4.7 million of manufacturing revenue associated with our manufacturing agreement with SPD, our 50/50 joint venture with P&G, whereby we manufacture and sell consumer diagnostic products to SPD. Net product sales by SPD were \$54.8 million during the three months ended September 30, 2011, as compared to \$47.8 million during the three months ended September 30, 2010.

Net product sales and services revenue from our consumer diagnostics business segment decreased by \$1.5 million, or 2%, to \$68.9 million for the nine months ended September 30, 2011, from \$70.3 million for the nine months ended September 30, 2010. The decrease was primarily driven by a decrease in our non-SPD related revenue. Net product sales by SPD were \$160.0 million during the nine months ended September 30, 2011, as compared to \$143.7 million during the nine months ended September 30, 2010.

**License and Royalty Revenue.** License and royalty revenue represents license and royalty fees from intellectual property license agreements with third parties. License and royalty revenue increased by approximately \$1.1 million, or 27%, to \$5.2 million for the three months ended September 30, 2011, from \$4.1 million for the three months ended September 30, 2010. The increase in royalty revenue for the three months ended September 30, 2011,



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compared to the three months ended September 30, 2010, is primarily a result of higher royalties earned under existing licensing agreements. License and royalty revenue increased by approximately \$1.7 million, or 10%, to \$17.7 million for the nine months ended September 30, 2011, from \$16.1 million for the nine months ended September 30, 2010. The increase in license and royalty revenue for the nine months ended September 30, 2011, compared to the nine months ended September 30, 2010, is almost entirely attributable to an increase in royalties earned on flu-related product sales under existing licensing agreements, reflecting a more typical flu season in 2011 than the low level of flu observed in 2010.

**Gross Profit and Margin.** Gross profit increased by \$20.4 million, or 7%, to \$305.6 million for the three months ended September 30, 2011, from \$285.5 million for the three months ended September 30, 2010. Gross profit increased by \$73.4 million, or 9%, to \$904.9 million for the nine months ended September 30, 2011, from \$831.5 million for the nine months ended September 30, 2010. The increase in gross profit during the three and nine months ended September 30, 2011, compared to the three and nine months ended September 30, 2010, was largely attributed to the increase in net product sales and services revenue resulting from acquisitions and organic growth from our professional diagnostics business segment.

Cost of net revenue included amortization expense of \$14.0 million and \$48.2 million for the three and nine months ended September 30, 2011, respectively, compared to \$16.1 million and \$46.7 million for the three and nine months ended September 30, 2010, respectively. Cost of net revenue during the three and nine months ended September 30, 2010 included amortization of \$1.3 million and \$7.0 million, respectively, relating to the write-up of inventory to fair value in connection with the acquisitions completed during 2010.

Overall gross margin was 52% for both the three and nine months ended September 30, 2011, compared to 53% for both the three and nine months ended September 30, 2010, respectively.

**Gross Profit from Net Product Sales and Services Revenue, Total and by Business Segment.** Gross profit from net product sales and services revenue increased by \$19.2 million, or 7%, to \$302.4 million for the three months ended September 30, 2011, from \$283.2 million for the three months ended September 30, 2010. Gross profit from net product sales and services revenue increased by \$71.5 million, or 9%, to \$892.4 million for the nine months ended September 30, 2011, from \$820.9 million for the nine months ended September 30, 2010. Gross profit from net product sales and services revenue by business segment for the three and nine months ended September 30, 2011 and 2010 are as follows (in thousands):

|                                                                      | <b>Three Months Ended<br/>September 30,</b> |             |                     |  | <b>Nine Months Ended<br/>September 30,</b> |             |                     |
|----------------------------------------------------------------------|---------------------------------------------|-------------|---------------------|--|--------------------------------------------|-------------|---------------------|
|                                                                      | <b>2011</b>                                 | <b>2010</b> | <b>%<br/>Change</b> |  | <b>2011</b>                                | <b>2010</b> | <b>%<br/>Change</b> |
| Professional diagnostics                                             | \$ 238,414                                  | \$ 199,683  | 19%                 |  | \$ 687,131                                 | \$ 575,240  | 19%                 |
| Health management                                                    | 58,609                                      | 77,732      | (25)%               |  | 189,867                                    | 228,655     | (17)%               |
| Consumer diagnostics                                                 | 5,421                                       | 5,810       | (7)%                |  | 15,390                                     | 16,965      | (9)%                |
| Total gross profit from net<br>product sales and services<br>revenue | \$ 302,444                                  | \$ 283,225  | 7%                  |  | \$ 892,388                                 | \$ 820,860  | 9%                  |

***Professional Diagnostics***

Gross profit from our professional diagnostics net product sales and services revenue increased by \$38.7 million, or 19%, to \$238.4 million for the three months ended September 30, 2011, compared to \$199.7 million for the three months ended September 30, 2010. Reducing gross profit for the three months ended September 30, 2010 was amortization of \$1.3 million relating to the write-up of inventory to fair value in connection with the acquisitions completed during 2010.

Gross profit from our professional diagnostics net product sales and services revenue increased by \$111.9 million, or 19%, to \$687.1 million for the nine months ended September 30, 2011, compared to \$575.2 million for the nine months ended September 30, 2010. Reducing gross



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profit for the nine months ended September 30, 2010 was amortization of \$7.0 million relating to the write-up of inventory to fair value in connection with the acquisitions completed during 2010.

The increase in gross profit earned during the three and nine months ended September 30, 2011, compared to the three and nine months ended September 30, 2010, is primarily a result of the increase in net product sales and services revenue as discussed above.

As a percentage of our professional diagnostics net product sales and services revenue, gross margin was 56% and 55% for the three and nine months ended September 30, 2011, respectively, compared to 56% and 55% for the three and nine months ended September 30, 2010, respectively.

***Health Management***

Gross profit from our health management net product sales and services revenue decreased by \$19.1 million, or 25%, to \$58.6 million for the three months ended September 30, 2011, compared to \$77.7 million for the three months ended September 30, 2010.

Gross profit from our health management net product sales and services revenue decreased by \$38.8 million, or 17%, to \$189.9 million for the nine months ended September 30, 2011, compared to \$228.7 million for the nine months ended September 30, 2010.

The decrease in gross profit earned during the three and nine months ended September 30, 2011, compared to the three and nine months ended September 30, 2010, is primarily a result of a decrease in net product sales and services revenue as discussed above.

As a percentage of our health management net product sales and services revenue, gross margin for the three and nine months ended September 30, 2011 was 45% and 46%, respectively, compared to 51% for both the three and nine months ended September 30, 2010. The lower margin percentage earned during the three and nine months ended September 30, 2011, compared to the three and nine months ended September 30, 2010, is primarily a result of a decrease in net product sales and services revenue as discussed above.

***Consumer Diagnostics***

Gross profit from net product sales and services revenue from our consumer diagnostics business segment decreased by \$0.4 million, or 7%, to \$5.4 million for the three months ended September 30, 2011, compared to \$5.8 million for the three months ended September 30, 2010. Gross profit from net product sales and services revenue from our consumer diagnostics business segment decreased by \$1.6 million, or 9%, to \$15.4 million for the nine months ended September 30, 2011, compared to \$17.0 million for the nine months ended September 30, 2010.

As a percentage of our consumer diagnostics net product sales and services revenue, gross margin for both the three and nine months ended September 30, 2011 was 22%, compared to 26% and 24% for the three and nine months ended September 30, 2010, respectively.

**Research and Development Expense.** Research and development expense increased by \$2.3 million, or 7%, to \$34.8 million for the three months ended September 30, 2011, from \$32.4 million for the three months ended September 30, 2010. Research and development expense increased by \$16.5 million, or 17%, to \$112.7 million for the nine months ended September 30, 2011, from \$96.2 million for the nine months ended September 30, 2010.

Research and development expense for the nine months ended September 30, 2011 included amortization expense totaling approximately \$7.2 million related to the write off of certain in-process research and development projects fair valued in connection with the Standard Diagnostics, Inc. acquisition during the first quarter of 2010.

Research and development expense as a percentage of net revenue was 6% for each of the three and nine months ended September 30, 2011 and 2010.

**Sales and Marketing Expense.** Sales and marketing expense increased by \$8.8 million, or 7%, to \$134.4 million for the three months ended September 30, 2011, from \$125.6 million for the three months ended September 30, 2010. The increase in sales and marketing expense partially relates to additional spending related to newly acquired businesses. Also contributing to the increase in sales and marketing expense for the three months ended September 30, 2011, compared to the three months ended September 30, 2010, was an increase in our global sales

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force in support of new product launches. Amortization expense of \$53.0 million and \$52.7 million was included in sales and marketing expense for the three months ended September 30, 2011 and 2010, respectively.

Sales and marketing expense increased by \$39.0 million, or 11%, to \$408.0 million for the nine months ended September 30, 2011, from \$369.0 million for the nine months ended September 30, 2010. The increase in sales and marketing expense partially relates to additional spending related to newly acquired businesses. Also contributing to the increase in sales and marketing expense for the nine months ended September 30, 2011, compared to the nine months ended September 30, 2010, was an increase in our global sales force in support of new product launches. Amortization expense of \$158.6 million and \$155.9 million was included in sales and marketing expense for the nine months ended September 30, 2011 and 2010, respectively.

Sales and marketing expense as a percentage of net revenue was 23% and 24% for the three and nine months ended September 30, 2011, respectively, compared to 23% for both the three and nine months ended September 30, 2010.

**General and Administrative Expense.** General and administrative expense decreased by approximately \$4.2 million, or 4%, to \$91.9 million for the three months ended September 30, 2011, from \$96.1 million for the three months ended September 30, 2010. During the three months ended September 30, 2011 and 2010, we recorded \$3.8 million of income and \$4.6 million of expense, respectively, in connection with fair value adjustments to acquisition-related contingent consideration obligations in accordance with ASC 805, *Business Combinations*. Acquisition-related costs of \$2.9 million and \$0.9 million were included in general and administrative expense for the three months ended September 30, 2011 and 2010, respectively. Amortization expense of \$1.7 million and \$4.2 million was included in general and administrative expense for the three months ended September 30, 2011 and 2010, respectively.

General and administrative expense increased by approximately \$8.1 million, or 3%, to \$292.3 million for the nine months ended September 30, 2011, from \$284.2 million for the nine months ended September 30, 2010. The increase in general and administrative expense relates primarily to additional spending related to newly acquired businesses. During the nine months ended September 30, 2011 and 2010, we recorded income of \$9.7 million and \$2.3 million, respectively, in connection with fair value adjustments to acquisition-related contingent consideration obligations in accordance with ASC 805, *Business Combinations*. Acquisition-related costs of \$6.2 million and \$6.8 million were included in general and administrative expense for the nine months ended September 30, 2011 and 2010, respectively. Amortization expense of \$9.2 million and \$13.9 million was included in general and administrative expense for the nine months ended September 30, 2011 and 2010, respectively.

General and administrative expense as a percentage of net revenue was 16% and 17% for the three and nine months ended September 30, 2011, respectively, compared to 18% for both the three and nine months ended September 30, 2010.

**Interest Expense.** Interest expense includes interest charges, amortization of deferred financing costs and amortization of original issue discounts associated with certain debt issuances. Interest expense increased by \$13.1 million, or 38%, to \$47.3 million for the three months ended September 30, 2011, from \$34.2 million for the three months ended September 30, 2010. The increase in interest expense for the three months ended September 30, 2011, compared to the three months ended September 30, 2010, was principally a result of interest expense incurred on our 8.625% senior subordinated notes issued in September 2010, totaling approximately \$8.9 million for the three months ended September 30, 2011, compared to \$1.0 million for the three months ended September 30, 2010. Additionally, higher outstanding debt balances during the three months ended September 30, 2011, compared to the three months ended September 30, 2010, contributed to the increase in interest expense during the respective periods.

Interest expense increased by \$53.3 million, or 53%, to \$154.2 million for the nine months ended September 30, 2011, from \$100.9 million for the nine months ended September 30, 2010. Such increase was principally due to interest expense of \$31.2 million recorded during the nine months ended September 30, 2011, in connection with the termination of our former secured credit facility and related interest rate swap agreement, coupled with the amortization of fees paid for certain debt modifications. Contributing to the increase in interest expense for the nine months ended September 30, 2011, compared to the nine months ended September 30, 2010, was interest expense incurred on our 8.625% senior subordinated notes issued in September 2010, totaling approximately \$26.7 million



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for the nine months ended September 30, 2011, compared to \$1.0 million for the nine months ended September 30, 2010.

**Other Income (Expense), Net.** Other income (expense), net includes interest income, realized and unrealized foreign exchange gains and losses and other income and expense. The components and the respective amounts of other income (expense), net are summarized as follows (in thousands):

|                                         | <b>Three Months Ended<br/>September 30,</b> |             |               | <b>Nine Months Ended<br/>September 30,</b> |             |               |
|-----------------------------------------|---------------------------------------------|-------------|---------------|--------------------------------------------|-------------|---------------|
|                                         | <b>2011</b>                                 | <b>2010</b> | <b>Change</b> | <b>2011</b>                                | <b>2010</b> | <b>Change</b> |
| Interest income                         | \$ 927                                      | \$ 446      | \$ 481        | \$ 1,818                                   | \$ 1,383    | \$ 435        |
| Foreign exchange gains<br>(losses), net | (24,740)                                    | 3,297       | (28,037)      | (27,532)                                   | 6,680       | (34,212)      |
| Other                                   | 15,563                                      | 3,782       | 11,781        | 20,237                                     | 6,618       | 13,619        |
| Total other income<br>(expense), net    | \$ (8,250)                                  | \$ 7,525    | \$ (15,775)   | \$ (5,477)                                 | \$ 14,681   | \$ (20,158)   |

The decrease in foreign exchange gains (losses), net for the three months ended September 30, 2011, compared to the three months ended September 30, 2010, was primarily a result of an \$18.1 million unrealized foreign currency loss associated with a cash balance established in connection with the Axis-Shield tender offer, as well as additional net realized and unrealized foreign exchange losses associated with changes in currency exchange rates during the respective periods.

Other income of \$15.6 million for the three months ended September 30, 2011 includes a net \$11.3 million of income associated with an amendment of our license agreement with Quidel, which also includes a settlement of prior period royalties, and \$5.0 million of income associated with the settlement of a dispute over certain intellectual property rights. Other income of \$20.2 million for the nine months ended September 30, 2011 includes \$13.8 million of income associated with an amendment of our license agreement with Quidel, which also includes a settlement of prior period royalties, \$5.0 million of income associated with the settlement of a dispute over certain intellectual property rights, \$0.5 million of estimated prior period royalty income and a \$1.8 million reversal of a prior period legal settlement reserve no longer deemed necessary.

Other income for the three and nine months ended September 30, 2010 includes a net recovery of \$3.4 million related to certain restructuring activities. Other income for the nine months ended September 30, 2010 includes a \$3.1 million net gain associated with legal settlements related to previously disclosed intellectual property litigation relating to our health management businesses and approximately \$0.7 million of income associated with a settlement of prior years' royalties during 2010, which were partially offset by a charge related to an accounts receivable reserve for a prior year's sale.

**Gain on Sale of Joint Venture Interest.** In connection with the formation of SPD in May 2007, we entered into an option agreement with P&G, pursuant to which P&G had the right, for a period of 60 days commencing on May 17, 2011, to require us to acquire all of P&G's interest in SPD at fair market value, and P&G had the right, upon certain material breaches by us of our obligations to SPD, to acquire all of our interest in SPD at fair market value. No gain on the proceeds that we received from P&G through the formation of SPD was recognized in our financial statements until P&G's option to require us to purchase its interest in SPD expired. On July 16, 2011, P&G's option to require us to acquire its interest in SPD at fair market value expired. In connection with the expiration of the option, the gain totaling approximately \$288.9 million was recognized during the third quarter of 2011.

**Provision (Benefit) for Income Taxes.** The provision for income taxes increased by \$42.8 million to a provision of \$42.7 million for the three months ended September 30, 2011, from a benefit of \$0.2 million for the three months ended September 30, 2010. The benefit for income taxes increased by \$3.5 million to a benefit of \$4.4 million for the nine months ended September 30, 2011, from a benefit of \$1.0 million for the nine months ended September 30, 2010. The effective tax rate was 15% and 2% for the three and nine months ended September 30, 2011, respectively,

compared to 4% and 24% for the three and nine months ended September 30, 2010, respectively. The income tax provision (benefit) for the three and nine months ended September 30, 2011 and 2010 relates to federal, foreign and state income tax provisions (benefits). In addition, the effective tax rate may be impacted each period by discrete factors and events. The income tax provision and respective effective tax rate increase for the three months ended September 30, 2011, compared to the three months ended September 30, 2010, is primarily due to the foreign taxes associated with the recognition of the gain associated with the sale of our joint venture interest in SPD during the three months ended September 30, 2011, compared to the three months ended September 30, 2010. The income tax benefit and respective effective tax rate decrease for the nine months ended September 30, 2011, compared to the nine months ended September 30, 2010, is primarily due to higher forecasted pre-tax losses in higher tax rate jurisdictions, partially offset by foreign pre-tax income taxed in lower tax rate jurisdictions and a reduction in a jurisdictional tax rate during the nine months ended September 30, 2011, compared to the nine months ended September 30, 2010.

**Equity Earnings (Losses) in Unconsolidated Entities, Net of Tax.** Equity earnings (losses) in unconsolidated entities is reported net of tax and includes our share of earnings (losses) in entities that we account for under the equity method of accounting. Equity earnings (losses) in unconsolidated entities, net of tax for the three and nine

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months ended September 30, 2011 reflects the following: (i) our 50% interest in SPD in the amount of \$3.6 million and \$3.0 million, respectively, (ii) our 40% interest in Vedalab S.A., or Vedalab, in the amount of \$0.2 million and \$0.4 million, respectively, and (iii) our 49% interest in TechLab, Inc., or TechLab, in the amount of \$0.3 million and \$1.5 million, respectively. Equity earnings (losses) in unconsolidated entities, net of tax, for the three and nine months ended September 30, 2010 reflects the following: (i) income (loss) from our 50% interest in SPD in the amount of \$(0.4) million and \$6.8 million, respectively, (ii) earnings from our 40% interest in Vedalab in the amount of \$10,000 and \$0.1 million, respectively, and (iii) earnings from our 49% interest in TechLab in the amount of \$0.4 million and \$1.4 million, respectively.

The increase in earnings with respect to our 50% interest in SPD for the three months ended September 30, 2011, compared to the three months ended September 30, 2010, was partially driven by higher net product sales by SPD during the three months ended September 30, 2011, compared to the three months ended September 30, 2010. Net product sales by SPD were \$54.8 million during the three months ended September 30, 2011, compared to \$47.8 million during the three months ended September 30, 2010. Increased earnings with respect to our 50% interest in SPD for the three months ended September 30, 2011, compared to the three months ended September 30, 2010, were also driven by lower restructuring costs incurred during the three months ended September 30, 2011, compared to the three months ended September 30, 2010. The 50% portion of the restructuring charges borne by SPD and included in equity earnings of unconsolidated entities, net of tax, was approximately \$0.2 million and \$1.7 million for the three months ended September 30, 2011 and 2010, respectively.

The decrease in earnings with respect to our 50% interest in SPD for the nine months ended September 30, 2011, compared to the nine months ended September 30, 2010, was primarily driven by higher operating expenses incurred by SPD during the nine months ended September 30, 2011, compared to the nine months ended September 30, 2010. Operating expenses for SPD for the nine months ended September 30, 2011 were \$87.8 million, compared to \$73.3 million for the nine months ended September 30, 2010. The increase in operating expenses during the nine months ended September 30, 2011, compared to the nine months ended September 30, 2010, was a result of increased sales and marketing media spending and an increase in legal fees associated with ongoing litigation brought against Church & Dwight Co., Inc. The increase in operating expenses was partially offset by higher net product sales by SPD during the nine months ended September 30, 2011, compared to the nine months ended September 30, 2010. Net product sales by SPD were \$160.0 million during the nine months ended September 30, 2011, compared to \$143.7 million during the nine months ended September 30, 2010.

**Income from Discontinued Operations, Net of Tax.** The results of the vitamins and nutritional supplements business are included in income from discontinued operations, net of tax in our consolidated financial statements. For the three and nine months ended September 30, 2010, the discontinued operations generated net income of approximately \$2,000 and \$11.9 million, respectively. The net income of \$11.9 million for the nine months ended September 30, 2010 includes a gain of \$19.6 million (\$12.0 million, net of tax) on the sale of our vitamins and nutritional supplements business.

**Net Income (Loss) Available to Common Stockholders.** For the three months ended September 30, 2011, we generated net income available to common stockholders of \$234.2 million, or \$2.48 per diluted common share, compared to a net loss available to common stockholders of \$2.8 million, or \$0.03 per common share for the three months ended September 30, 2010. Net income (loss) available to common stockholders reflects \$5.4 million and \$6.1 million of preferred stock dividends paid during the three months ended September 30, 2011 and 2010, respectively. For the nine months ended September 30, 2011, we generated net income available to common stockholders of \$237.6 million, or 2.56 per diluted common share, compared to a net loss available to common stockholders of \$2.2 million, or \$0.03 per common share for the nine months ended September 30, 2010. Net income (loss) available to common stockholders reflects \$16.7 million and \$18.0 million of preferred stock dividends paid during the nine months ended September 30, 2011 and 2010, respectively, and \$23.9 million of income associated with the repurchase of preferred stock during the nine months ended September 30, 2011. See Note 5 of the accompanying consolidated financial statements for the calculation of net income per common share.

**Liquidity and Capital Resources**

Based upon our current working capital position, current operating plans and expected business conditions, we currently expect to fund our short and long-term working capital needs primarily using existing cash and our operating cash flow, and we expect our working capital position to improve as we improve our future operating margins and grow our business through new product and service offerings and by continuing to leverage our strong intellectual property position. As of September 30, 2011, we have \$276.8 million of cash on our accompanying consolidated balance sheet, of which \$100.9 million was held by domestic subsidiaries and \$175.9 million was held by foreign entities. Repatriation of cash held by foreign entities could be subject to adverse tax implications.

We may also utilize our new secured credit facility (See Note 10) or other sources of financing to fund a portion of our capital needs and other commitments, including our contractual contingent consideration obligations and future acquisitions. Our ability to access the capital markets may be impacted by the amount of our outstanding debt and equity and the extent to which our assets are encumbered by our outstanding secured debt. The terms and conditions of our outstanding debt instruments also contain covenants which expressly restrict our ability to incur additional indebtedness and conduct other financings. As of September 30, 2011, we had \$3.1 billion in outstanding indebtedness comprised of \$400.0 million of 8.625% subordinated notes due 2018, \$245.4 million of 7.875% senior notes due 2016, \$390.8 million of 9% senior subordinated notes due 2016, \$1.9 billion under our secured credit facility and \$150.0 million of 3% senior subordinated convertible notes.

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If the capital and credit markets experience volatility or the availability of funds is limited, we may incur increased costs associated with issuing commercial paper and/or other debt instruments. In addition, it is possible that our ability to access the capital and credit markets could be limited by these or other factors at a time when we would like, or need, to do so, which could have an impact on our ability to refinance maturing debt and/or react to changing economic and business conditions.

Our funding plans for our working capital needs and other commitments may be adversely impacted by unexpected costs associated with integrating the operations of newly acquired companies, executing our cost savings strategies and prosecuting and defending our existing lawsuits and/or unforeseen lawsuits against us. We also cannot be certain that our underlying assumed levels of revenues and expenses will be realized. In addition, we intend to continue to make significant investments in our research and development efforts related to the substantial intellectual property portfolio we own. We may also choose to further expand our research and development efforts and may pursue the acquisition of new products and technologies through licensing arrangements, business acquisitions, or otherwise. We may also choose to make significant investment to pursue legal remedies against potential infringers of our intellectual property. If we decide to engage in such activities, or if our operating results fail to meet our expectations, we could be required to seek additional funding through public or private financings or other arrangements. In such event, adequate funds may not be available when needed or may be available only on terms which could have a negative impact on our business and results of operations. In addition, if we raise additional funds by issuing equity or convertible securities, dilution to then existing stockholders may result.

During the nine months ended September 30, 2011, we repurchased approximately \$283.9 million of our outstanding securities, as described in more detail below.

*Cash Flow Summary*

|                                                      | <b>Nine Months Ended<br/>September 30,</b> |             |
|------------------------------------------------------|--------------------------------------------|-------------|
|                                                      | <b>2011</b>                                | <b>2010</b> |
| Net cash provided by operating activities            | \$ 222,507                                 | \$ 229,324  |
| Net cash used in investing activities                | (648,004)                                  | (479,001)   |
| Net cash provided by financing activities            | 299,408                                    | 253,472     |
| Foreign exchange effect on cash and cash equivalents | 1,537                                      | (8,987)     |
| Net decrease in cash and cash equivalents            | (124,552)                                  | (5,192)     |
| Cash and cash equivalents, beginning of period       | 401,306                                    | 492,773     |
| Cash and cash equivalents, end of period             | \$ 276,754                                 | \$ 487,581  |

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*Summary of Changes in Cash Position*

As of September 30, 2011, we had cash and cash equivalents of \$276.8 million; a \$124.6 million decrease from December 31, 2010. Our primary sources of cash during the nine months ended September 30, 2011 included \$222.5 million generated by our operating activities, approximately \$284.8 million of net proceeds received in connection with the refinancing of our credit facilities, \$100.0 million of net proceeds borrowed under our secured credit facility's revolving line of credit, \$11.5 million received from the disposition of a business, \$8.4 million from the sales of marketable securities and \$24.2 million from common stock issuances under employee stock option and stock purchase plans. Our primary uses of cash during the nine months ended September 30, 2011 related to \$127.1 million net cash paid for acquisitions, \$283.9 million related to the repurchase of our preferred and common stock, \$93.8 million of capital expenditures, net of proceeds from the sale of equipment, \$25.3 million related to payments of acquisition-related contingent consideration obligations, \$55.9 million related to an increase in other assets, which includes purchases of various licensing agreements totaling \$30.4 million, \$44.1 million net cash paid for equity method investments, which includes approximately \$41.2 million paid for shares of Axis-Shield, and an increase in our restricted cash balance of approximately \$347.0 million, which is almost entirely attributed to a cash balance established in connection with the Axis-Shield tender offer. Fluctuations in foreign currencies positively impacted our cash balance by \$1.5 million during the nine months ended September 30, 2011.

*Cash Flows from Operating Activities*

Net cash provided by operating activities during the nine months ended September 30, 2011 was \$222.5 million, which resulted from net income from continuing operations of \$230.5 million and \$8.9 million of non-cash items, offset by \$16.9 million of cash used to meet net working capital requirements during the period. The \$8.9 million of non-cash items included, among various other items, \$287.0 million related to depreciation and amortization, \$32.7 million of interest expense related to the amortization of deferred financing costs and original issue discounts, \$16.3 million related to non-cash stock-based compensation, partially offset by a \$288.9 million gain associated with the sale of our joint venture interest SPD, a \$31.0 million decrease related to changes in our deferred tax assets and liabilities, which partially resulted from amortization of intangible assets, and a \$8.1 million decrease related to other non-cash items.

**Table of Contents***Cash Flows from Investing Activities*

Our investing activities during the nine months ended September 30, 2011 utilized \$648.0 million of cash, including \$127.1 million net cash paid for acquisitions, an increase in our restricted cash balance of approximately \$347.0 million primarily related to a cash balance established in connection with the Axis-Shield tender offer, \$93.8 million of capital expenditures, net of proceeds from the sale of equipment, \$55.9 million related to an increase in other assets, which includes a purchase of various licensing agreements totaling \$30.4 million, \$44.1 million net cash paid for equity method investments, which includes approximately \$41.2 million paid for shares of Axis-Shield, offset by \$11.5 million received from the disposition of a business and \$8.4 million received from the sales of marketable securities.

*Cash Flows from Financing Activities*

Net cash provided in financing activities during the nine months ended September 30, 2011 was \$299.4 million. Financing activities during the nine months ended September 30, 2011 primarily included \$1.8 billion of cash received in connection with entering into our new secured credit facility in June 2011. The \$1.8 billion received in connection with the secured credit facility was offset by \$1.3 billion of cash payments related to the termination and repayment of our former secured credit facility and related interest rate swap agreement. In addition to the \$1.8 billion received in connection with entering into our new secured credit facility, we subsequently borrowed an additional \$100.0 million under the secured credit facility's revolving line of credit. We utilized approximately \$283.9 million to repurchase shares of our preferred and common stock, \$25.3 million for payments of acquisition-related contingent consideration obligations and \$3.1 million of principal payments on capital lease obligations. These cash payments were offset by \$24.2 million of cash received from common stock issuances under employee stock option and stock purchase plans and \$2.2 million related to the excess tax benefits on exercised stock options.

As of September 30, 2011, we had an aggregate of \$4.8 million in outstanding capital lease obligations which are payable through 2016.

*Income Taxes*

As of December 31, 2010, we had approximately \$156.1 million of domestic NOL and capital loss carryforwards and \$60.3 million of foreign NOL and capital loss carryforwards, respectively, which either expire on various dates through 2030 or may be carried forward indefinitely. These losses are available to reduce federal, state and foreign taxable income, if any, in future years. These losses are also subject to review and possible adjustments by the applicable taxing authorities. In addition, the domestic NOL carryforward amount at December 31, 2010 included approximately \$102.2 million of pre-acquisition losses at Matria, Quality Assured Services, ParadigmHealth, Biosite, Cholestech, Redwood, HemoSense, Ischemia, Inc. and Ostex International, Inc. Effective January 1, 2009, we adopted a new accounting standard for business combinations. Prior to adoption of this standard, the pre-acquisition losses were applied first to reduce to zero any goodwill and other non-current intangible assets related to the acquisitions, prior to reducing our income tax expense. Upon adoption of the new accounting standard, the reduction of a valuation allowance is generally recorded to reduce our income tax expense.

Furthermore, all domestic losses are subject to the Internal Revenue Code Section 382 limitation and may be limited in the event of certain cumulative changes in ownership interests of significant shareholders over a three-year period in excess of 50%. Section 382 imposes an annual limitation on the use of these losses to an amount equal to the value of the company at the time of the ownership change multiplied by the long-term tax exempt rate. We have recorded a valuation allowance against a portion of the deferred tax assets related to our NOLs and certain of our other deferred tax assets to reflect uncertainties that might affect the realization of such deferred tax assets, as these assets can only be realized via profitable operations.

**Off-Balance Sheet Arrangements**

We had no material off-balance sheet arrangements as of September 30, 2011.

**Contractual Obligations**

On June 30, 2011, we entered into a new secured credit facility, which provides for term loans in the aggregate amount of \$1.85 billion and a revolving line of credit of \$250.0 million, collectively, \$2.1 billion. As of September



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30, 2011, aggregate borrowings amounted to \$1.75 billion under the term loans and \$100.0 million under the revolving line of credit. In connection with entering into the secured credit facility on June 30, 2011, we repaid in full all outstanding indebtedness of approximately \$1.2 billion under our former secured credit facility. The table below summarizes our aggregate long-term debt obligations as of September 30, 2011.

|                                | <b>Total</b> | <b>Payments Due by Period</b> |                  |                  |                   |
|--------------------------------|--------------|-------------------------------|------------------|------------------|-------------------|
|                                |              | <b>2011</b>                   | <b>2012-2013</b> | <b>2014-2015</b> | <b>Thereafter</b> |
| <b>Contractual Obligations</b> |              |                               |                  |                  |                   |
| Long-term debt obligations     | \$ 3,077,792 | \$ 18,628                     | \$ 86,801        | \$ 85,472        | \$ 2,886,891      |

The following summarizes our principal contractual obligations as of September 30, 2011 that have changed significantly since December 31, 2010 and the effects such obligations are expected to have on our liquidity and cash flow in future periods, other than the changes described above with respect to our new secured credit facility. Other contractual obligations that were presented in our Annual Report on Form 10-K, as amended, for the year ended December 31, 2010, but omitted below, represent those that have not changed significantly since that date.

*(a) Acquisition-related Contingent Consideration Obligations*

Privately-owned health management business

With respect to a privately-owned health management business which we acquired in 2008, the terms of the acquisition agreement provide for contingent consideration payable upon successfully meeting certain revenue and EBITDA targets. The final earn-out was achieved during the fourth quarter of 2010, resulting in an accrual of approximately 23.9 million (\$31.8 million). A cash payment totaling 24.1 million (\$34.0 million) was made during the first quarter of 2011.

Bioeasy

With respect to Bioeasy Diagnostica Ltda., or Bioeasy, the terms of the acquisition agreement require us to pay earn-outs upon successfully meeting certain revenue and EBITDA targets during each of the calendar years 2011 through 2013. The maximum amount of the earn-out payments is approximately \$7.5 million.

Colibri

With respect to Colibri Medical AB, or Colibri, the terms of the acquisition agreement require us to pay an earn-out upon successfully meeting certain operational and EBITDA targets during the calendar years 2011 through 2012. The maximum amount of the earn-out payments is SEK 3.0 million (approximately \$0.4 million at September 30, 2011).

Alere Wellbeing

With respect to Alere Wellbeing, the terms of the acquisition agreement require us to pay an earn-out upon successfully meeting certain revenue and EBITDA targets during fiscal year 2010. A payment of approximately \$11.5 million was made during the second quarter of 2011, which was previously accrued.

Alere Healthcare

With respect to Jinsung Meditech, Inc., now known as Alere Healthcare Inc., or 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 2010 portion of the earn-out totaling approximately \$0.6 million was earned and accrued as of December 31, 2010. Payment of the 2010 earn-out was made during the third quarter of 2011. The maximum remaining amount of the earn-out payments is approximately \$2.4 million.

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**LDS**

With respect to Laboratory Data Systems, Inc., or LDS, 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 twelve-month periods ending June 30, 2012 and 2013. The maximum amount of the earn-out payments is \$20.0 million.

**Mologic**

With respect to Mologic Limited, or Mologic, the terms of the acquisition agreement require us to pay earn-outs, in shares of our common stock or cash, at our election, upon successfully meeting nine research and development project milestones during the five years following the acquisition. A portion of the earn-out was determined to have been achieved during the third quarter of 2011, resulting in an accrual of \$3.0 million. Payment of this portion of the earn-out was made in cash during the fourth quarter of 2011. The maximum remaining amount of the earn-out payments is \$16.0 million.

**Alere Home Monitoring**

With respect to Alere Home Monitoring, Inc., or Alere Home Monitoring, 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 2010 and 2011. Cash payment for the 2010 portion of the earn-out totaling \$12.7 million was paid during the first quarter of 2011. The maximum remaining amount of the earn-out payments is \$12.3 million, which, if earned, will be paid in shares of our common stock.

**Standing Stone**

With respect to Standing Stone, Inc., or Standing Stone, the terms of the acquisition agreement require us to pay earn-outs and employee bonuses upon successfully meeting certain operational, product development and revenue targets during the period from the date of acquisition through calendar year 2013. The maximum amount of the earn-out payments is approximately \$10.9 million. The maximum amount of the employee bonuses is \$0.6 million.

**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 2011 through 2014. The maximum amount of the earn-out payments is £10.5 million (approximately \$16.4 million at September 30, 2011).

***(b) Contingent Obligations***

**Agreements with Epocal**

In November 2009, we entered into a distribution agreement with Epocal, Inc., or Epocal, to distribute the epoc® Blood Analysis System for blood gas and electrolyte testing for \$20.0 million, which is recorded on our accompanying consolidated balance sheet in other intangible assets, net. We also entered into a definitive agreement to acquire all of the issued and outstanding equity securities of Epocal for a total potential purchase price of up to \$255.0 million, including a base purchase price of up to \$172.5 million if Epocal achieves certain gross margin and other financial milestones on or prior to October 31, 2014, plus additional payments of up to \$82.5 million if Epocal achieves certain other milestones relating to its gross margin and product development efforts on or prior to this date. The agreement contains a working capital adjustment whereby the purchase price is increased or decreased to the extent that Epocal's working capital at closing is more or less than a specified amount. We also agreed that, if the acquisition is consummated, we will provide \$12.5 million in management incentive arrangements, 25% of which will vest over three years and 75% of which will be payable only upon the achievement of certain milestones. The acquisition will also be subject to other closing conditions, including the receipt of any required antitrust or other approvals. In April 2011, we entered into a license agreement with Epocal and amended some of the terms of the definitive agreement to acquire Epocal. The license agreement provides Alere with royalty-free access to certain Epocal intellectual property for use in Alere home-use products and provided for an upfront license payment of \$18.0 million, which was paid in 2011. The amendment of the definitive agreement increased the working capital target by \$18.0 million, which may have the effect of reducing the purchase price of the acquisition. The amendment of the agreement also added an additional potential milestone payment of \$8.0 million. As a result, the maximum purchase price under the acquisition agreement increased to \$263.0 million.

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**Standing Stone**

The terms of the acquisition agreement require us to purchase the remaining 19.08% of the issued and outstanding capital stock of Standing Stone, the holders of which are officers and employees of Standing Stone, in May 2012 for an aggregate purchase price of approximately \$2.6 million. The redeemable non-controlling interest was recorded at its fair value of \$2.5 million, as of the consummation of the transaction on May 16, 2011. The fair value of the redeemable non-controlling interest was determined using both a market approach and an income approach which utilizes a discounted cash flow model including assumptions of projected revenue, expenses, capital expenditures, other costs and a discount rate appropriate for the risk of achieving the projected cash flows.

**Critical Accounting Policies**

The discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements in accordance with generally accepted accounting principles requires us to make estimates and judgments that may affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On a quarterly basis, we evaluate our estimates, including those related to revenue recognition and related allowances, bad debt, inventory, valuation of long-lived assets, including intangible assets and goodwill, income taxes, including any valuation allowance for our net deferred tax assets, contingencies and litigation, and stock-based compensation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

There have been no significant changes in our critical accounting policies or management estimates since the year ended December 31, 2010. A comprehensive discussion of our critical accounting policies and management estimates is included in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K, as amended, for the year ended December 31, 2010.

**Recent Accounting Pronouncements**

See Note 17 in the notes to the consolidated financial statements included in this Quarterly Report on Form 10-Q, regarding the impact of certain recent accounting pronouncements on our consolidated financial statements.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our market risks, and the ways we manage them, are summarized in Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" of our 2010 Form 10-K, as amended. Market risks that were presented in our 2010 Form 10-K, as amended, but omitted below, represent those that have not changed significantly since that date. The following discussion about our market risk disclosures involves forward-looking statements. Actual results could differ materially from those discussed in the forward-looking statements.

**Table of Contents****Interest Rate Risk**

We are exposed to market risk from changes in interest rates primarily through our investing and financing activities. In addition, our ability to finance future acquisition transactions or fund working capital requirements may be impacted if we are not able to obtain appropriate financing at acceptable rates.

Our investing strategy to manage interest rate exposure is to invest in short-term, highly-liquid investments. Our investment policy also requires investment in approved instruments with an initial maximum allowable maturity of eighteen months and an average maturity of our portfolio that should not exceed six months, with at least \$500,000 cash available at all times. Currently, our short-term investments are in money market funds with original maturities of 90 days or less. At September 30, 2011, our short-term investments approximated market value.

At September 30, 2011, under the credit agreement for our secured credit facility we had (i) term loans in an aggregate outstanding principal amount of \$1.55 billion (consisting of A term loans in the aggregate outstanding principal amount of \$625.0 million and B term loans in the aggregate outstanding principal amount of \$925.0 million), (ii) subject to our continued compliance with the credit agreement, the ability to borrow delayed-draw term loans in the aggregate principal amount of \$300.0 million, of which \$200.0 million was outstanding as of September 30, 2011 and (iii) subject to our continued compliance with the credit agreement, the ability to borrow under a \$250.0 million revolving line of credit, which includes a \$50.0 million sublimit for the issuance of letters of credit. As of September 30, 2011, \$100.0 million was outstanding under the revolving line of credit. Loans can be either Base Rate Loans or Eurodollar Rate Loans at our election, and interest accrues on loans and our other Obligations under the terms of the credit agreement as follows (with the terms referenced above and below in this paragraph having the meanings given to them in the credit agreement): (i) in the case of loans that are Base Rate Loans, at a rate *per annum* equal to the sum of the Base Rate and the Applicable Margin, each as in effect from time to time, (ii) in the case of loans that are Eurodollar Rate Loans, at a rate *per annum* equal to the sum of the Eurodollar Rate and the Applicable Margin, each as in effect for the applicable Interest Period, and (iii) in the case of other Obligations, at a rate *per annum* equal to the sum of the Base Rate and the Applicable Margin for Revolving Loans that are Base Rate Loans, each as in effect from time to time. The Base Rate is a floating rate which approximates the U.S. prime rate as in effect from time to time. The Eurodollar Rate is equal to the LIBOR rate and is set for a period of one, two, three or six months at our election. Applicable Margins for our A term loans, delayed-draw term loans and revolving line-of-credit loans range from (i) with respect to such loans that are Base Rate Loans, 1.75% to 2.50% and (ii) with respect to such loans that are Eurodollar Rate Loans, 2.75% to 3.50%, in each case, depending upon our consolidated secured leverage ratio (as determined under the credit agreement). Applicable Margins for our B term loans range from (i) with respect to such loans that are Base Rate Loans, 2.50% to 3.25% and (ii) with respect to such loans that are Eurodollar Rate Loans, 3.50% to 4.25%, in each case, depending upon our consolidated secured leverage ratio. Interest on B term loans based on the Eurodollar Rate is subject to a 1.00% floor.

Assuming no changes in our consolidated secured leverage ratio, the effect of interest rate fluctuations on outstanding borrowings as of September 30, 2011 over the next twelve months is quantified and summarized as follows (in thousands):

|                                             | <b>Interest<br/>Expense<br/>Increase</b> |
|---------------------------------------------|------------------------------------------|
| Interest rates increase by 100 basis points | \$ 18,500                                |
| Interest rates increase by 200 basis points | \$ 37,000                                |

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**ITEM 4. CONTROLS AND PROCEDURES**

*Evaluation of Disclosure Controls and Procedures*

Our management evaluated, with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective at that time. We and our management understand nonetheless that controls and procedures, no matter how well designed and operated, can provide only reasonable assurances of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating and implementing possible controls and procedures. In reaching their conclusions stated above regarding the effectiveness of our disclosure controls and procedures, our CEO and CFO concluded that such disclosure controls and procedures were effective as of such date at the reasonable assurance level.

*Changes in Internal Control over Financial Reporting*

There was no change in our internal control over financial reporting that occurred during the most recent fiscal quarter covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II OTHER INFORMATION**

**ITEM 1A. RISK FACTORS**

There have been no material changes from the Risk Factors previously disclosed in Part I, Item 1A, Risk Factors, of our Annual Report on Form 10-K, as amended, for the fiscal year ending December 31, 2010, or in Part II, Item 1A, Risk Factors of any Quarterly Report filed subsequent to the Annual Report on Form 10-K. We note, however, that the risk factors relating to our substantial indebtedness and the agreements governing our indebtedness which are set forth in our Annual Report on Form 10-K, as amended, apply also to the secured credit facility we entered into on June 30, 2011. The secured credit facility provides for term loans in the aggregate amount of \$1.85 billion (consisting of A term loans in the aggregate principal amount of \$625.0 million, B term loans in the aggregate principal amount of \$925.0 million, and delayed draw term loans in the aggregate principal amount of \$300.0 million) and, subject to our continued compliance with the secured credit facility, a \$250.0 million revolving line-of-credit (which revolving line-of-credit includes a \$50.0 million sublimit for the issuance of letters of credit. A further description of the secured credit facility can be found on page 55.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

During the period covered by this report, we issued 415 shares of our common stock upon the net exercise of warrants to purchase 800 shares of our common stock, resulting in aggregate non-cash consideration to us of \$10,832. The warrants were issued in 2002 as part of a \$20 million private placement. The shares issued upon exercise of the warrants were offered and sold pursuant to the exemption from registration afforded by Section 4(2) of the Securities Act of 1933, as amended, or the Securities Act.

The following table provides information regarding shares of our common stock and Series B preferred stock that we repurchased during the third quarter of 2011.

Table of Contents**Issuer Purchases of Equity Securities**

|                                    |                                                  |                                             |                                                                                                           | Approximate<br>Dollar<br>Value of Shares<br>that May Yet be<br>Purchased Under<br>the<br>Plans or<br>Programs |
|------------------------------------|--------------------------------------------------|---------------------------------------------|-----------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| Period                             | Total<br>Number<br>of Shares<br>Purchased<br>(1) | Average<br>Price<br>Paid<br>Per<br>Share(2) | Total Number<br>of<br>Shares<br>Purchased as<br>Part of Publicly<br>Announced<br>Plans or<br>Programs (3) | (3)                                                                                                           |
| July 1, 2011 – July 31, 2011       |                                                  |                                             |                                                                                                           |                                                                                                               |
| Series B preferred stock           |                                                  |                                             |                                                                                                           |                                                                                                               |
| Common stock                       |                                                  |                                             |                                                                                                           |                                                                                                               |
| <b>As of July 31, 2011</b>         |                                                  |                                             |                                                                                                           | \$ 200,000,000                                                                                                |
| August 1, 2011 – August 31, 2011   |                                                  |                                             |                                                                                                           |                                                                                                               |
| Series B preferred stock           |                                                  |                                             |                                                                                                           |                                                                                                               |
| Common stock                       | 6,866,397                                        | \$ 24.24                                    | 6,866,397                                                                                                 |                                                                                                               |
| <b>As of August 31, 2011</b>       |                                                  |                                             |                                                                                                           | \$ 33,576,105                                                                                                 |
| September 1, 2011 – Sept. 30, 2011 |                                                  |                                             |                                                                                                           |                                                                                                               |
| Series B preferred stock           |                                                  |                                             |                                                                                                           |                                                                                                               |
| Common stock                       | 763,829                                          | \$ 22.93                                    | 763,829                                                                                                   |                                                                                                               |
| <b>As of September 30, 2011</b>    |                                                  |                                             |                                                                                                           | \$ 16,058,968                                                                                                 |
| Third Quarter 2011                 |                                                  |                                             |                                                                                                           |                                                                                                               |
| Series B preferred stock           | 0                                                | \$ 0                                        | 0                                                                                                         |                                                                                                               |
| Common stock                       | 7,630,226                                        | \$ 24.11                                    | 7,630,226                                                                                                 |                                                                                                               |

(1) In the third quarter of 2011, we repurchased an aggregate of 7,630,226 shares of our common stock in the open market and in privately negotiated transactions. All repurchases were made pursuant to an authorized share repurchase plan that we publicly announced on May 31, 2011.

(2) Includes commission cost.

(3) On May 19, 2011, the Board of Directors authorized the repurchase of up to an additional \$200.0 million of our common stock or preferred stock in the open market or through privately negotiated transactions, of which \$16,058,968 remained available as of September 30, 2011.

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**ITEM 6. EXHIBITS**

**Exhibits:**

| <b>Exhibit No.</b> | <b>Description</b>                                                                                                                                                                                                                                                                                                                                                                                   |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.1               | First Amendment to Credit Agreement dated as of July 27, 2011 among Alere Inc., as Borrower, the Lenders party thereto, and General Electric Capital Corporation, as Administrative Agent (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q, for the quarter ended June 30, 2011).                                                                           |
| *31.1              | Certification by Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.                                                                                                                                                                                                                                                                                                  |
| *31.2              | Certification by Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.                                                                                                                                                                                                                                                                                                  |
| *32.1              | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.                                                                                                                                                                                                                                                                              |
| *101               | Interactive Data Files regarding (a) our Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2011 and 2010, (b) our Consolidated Balance Sheets as of September 30, 2011 and December 31, 2010, (c) our Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2011 and 2010 and (d) the Notes to such Consolidated Financial Statements. |

\* Filed herewith

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALERE INC.

Date: November 8, 2011

/s/ David Teitel  
David Teitel  
Chief Financial Officer and an authorized officer

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