

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the Quarterly Period Ended June 30, 2014

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 0-14902

MERIDIAN BIOSCIENCE, INC.

Incorporated under the laws of Ohio

31-0888197
(I.R.S. Employer Identification No.)

3471 River Hills Drive
Cincinnati, Ohio 45244
(513) 271-3700

Indicate by a 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 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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding July 31, 2014
Common Stock, no par value	41,567,521

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides a safe harbor from civil litigation for forward-looking statements accompanied by meaningful cautionary statements. Except for historical information, 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, which may be identified by words such as "estimates", "anticipates", "projects", "plans", "seeks", "may", "will", "expects", "intends", "believes", "should" and similar expressions or the negative versions thereof and which also may be identified by their context. Such statements, whether expressed or implied, are based upon current expectations of the Company and speak only as of the date made. The Company assumes no obligation to publicly update or revise any forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized. These statements are subject to various risks, uncertainties and other factors that could cause actual results to differ materially, including, without limitation, the following: Meridian's continued growth depends, in part, on its ability to introduce into the marketplace enhancements of existing products or new products that incorporate technological advances, meet customer requirements and respond to products developed by Meridian's competition, and its ability to effectively sell such products. While Meridian has introduced a number of internally developed products, there can be no assurance that it will be successful in the future in introducing such products on a timely basis. Meridian relies on proprietary, patented and licensed technologies, and the Company's ability to protect its intellectual property rights, as well as the potential for intellectual property litigation, would impact its results. Ongoing consolidations of reference laboratories and formation of multi-hospital alliances may cause adverse changes to pricing and distribution. Recessionary pressures on the economy and the markets in which our customers operate, as well as adverse trends in buying patterns from customers can change expected results. Costs and difficulties in complying with laws and regulations, including those administered by the United States Food and Drug Administration, can result in unanticipated expenses and delays and interruptions to the sale of new and existing products. The international scope of Meridian's operations, including changes in the relative strength or weakness of the U.S. dollar and general economic conditions in foreign countries, can impact results and make them difficult to predict. One of Meridian's growth strategies is the acquisition of companies and product lines. There can be no assurance that additional acquisitions will be consummated or that, if consummated, will be successful and the acquired businesses will be successfully integrated into Meridian's operations. There may be risks that acquisitions may disrupt operations and may pose potential difficulties in employee retention and there may be additional risks with respect to Meridian's ability to recognize the benefits of acquisitions, including potential synergies and cost savings or the failure of acquisitions to achieve their plans and objectives. The Company cannot predict the possible impact of U.S. healthcare legislation enacted in 2010 – the Patient Protection and Affordable Care Act, as amended by the Healthcare and Education Reconciliation Act – and any modification or repeal of any of the provisions thereof, and any similar initiatives in other countries on its results of operations. In addition to the factors described in this paragraph, Part I, Item 1A Risk Factors of our Form 10-K contains a list and description of uncertainties, risks and other matters that may affect the Company.

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations (Unaudited)
(in thousands, except per share data)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
NET REVENUES	\$47,212	\$47,108	\$142,140	\$139,724
COST OF SALES	17,970	16,477	53,298	49,554
GROSS PROFIT	<u>29,242</u>	<u>30,631</u>	<u>88,842</u>	<u>90,170</u>
OPERATING EXPENSES				
Research and development	3,146	2,711	9,185	8,039
Selling and marketing	6,249	5,440	18,787	16,604
General and administrative	<u>6,715</u>	<u>6,781</u>	<u>20,446</u>	<u>21,484</u>
Total operating expenses	<u>16,110</u>	<u>14,932</u>	<u>48,418</u>	<u>46,127</u>
OPERATING INCOME	13,132	15,699	40,424	44,043
OTHER INCOME (EXPENSE)				
Interest income	5	12	15	38
Other, net	<u>(257)</u>	<u>(160)</u>	<u>(505)</u>	<u>225</u>
Total other income (expense)	<u>(252)</u>	<u>(148)</u>	<u>(490)</u>	<u>263</u>
EARNINGS BEFORE INCOME TAXES	12,880	15,551	39,934	44,306
INCOME TAX PROVISION	<u>4,045</u>	<u>5,392</u>	<u>13,373</u>	<u>15,424</u>
NET EARNINGS	<u>\$ 8,835</u>	<u>\$10,159</u>	<u>\$ 26,561</u>	<u>\$ 28,882</u>
BASIC EARNINGS PER COMMON SHARE	\$ 0.21	\$ 0.25	\$ 0.64	\$ 0.70
DILUTED EARNINGS PER COMMON SHARE	\$ 0.21	\$ 0.24	\$ 0.63	\$ 0.69
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC	41,478	41,304	41,445	41,209
EFFECT OF DILUTIVE STOCK OPTIONS AND RESTRICTED SHARES AND UNITS	<u>618</u>	<u>679</u>	<u>669</u>	<u>654</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - DILUTED	<u>42,096</u>	<u>41,983</u>	<u>42,114</u>	<u>41,863</u>
ANTI-DILUTIVE SECURITIES:				
Common share options and restricted shares and units	<u>337</u>	<u>256</u>	<u>161</u>	<u>295</u>
DIVIDENDS DECLARED PER COMMON SHARE	<u>\$ 0.20</u>	<u>\$ 0.19</u>	<u>\$ 0.59</u>	<u>\$ 0.57</u>

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

MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income (Unaudited)
(in thousands)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
NET EARNINGS	\$ 8,835	\$ 10,159	\$26,561	\$28,882
Foreign currency translation adjustment	361	154	1,421	(817)
COMPREHENSIVE INCOME	<u>\$ 9,196</u>	<u>\$ 10,313</u>	<u>\$27,982</u>	<u>\$28,065</u>

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

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MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

<u>Nine Months Ended June 30,</u>	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 26,561	\$ 28,882
Non-cash items included in net earnings:		
Depreciation of property, plant and equipment	2,634	2,522
Amortization of intangible assets	1,549	1,715
Amortization of deferred <i>illumigene</i> instrument costs	1,281	1,131
Stock-based compensation	2,662	1,984
Deferred income taxes	(438)	(1,356)
Loss on disposition and write-down of fixed assets and other assets	22	30
Change in current assets	(6,804)	(3,125)
Change in current liabilities	(4,055)	951
Other, net	199	(220)
Net cash provided by operating activities	<u>23,611</u>	<u>32,514</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(3,968)	(2,193)
Purchases of intangible assets	(1,687)	(20)
Net cash used for investing activities	<u>(5,655)</u>	<u>(2,213)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(24,464)	(23,500)
Proceeds and tax benefits from exercises of stock options	629	2,094
Net cash used for financing activities	<u>(23,835)</u>	<u>(21,406)</u>
Effect of Exchange Rate Changes on Cash and Equivalents	882	(125)
Net (Decrease) Increase in Cash and Equivalents	(4,997)	8,770
Cash and Equivalents at Beginning of Period	44,282	31,593
Cash and Equivalents at End of Period	<u>\$ 39,285</u>	<u>\$ 40,363</u>

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

MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(in thousands)

ASSETS

	June 30, 2014 (Unaudited)	September 30, 2013
CURRENT ASSETS		
Cash and equivalents	\$ 39,285	\$ 44,282
Accounts receivable, less allowances of \$214 and \$233	25,806	26,183
Inventories	37,605	34,835
Prepaid expenses and other current assets	6,423	4,643
Deferred income taxes	4,331	4,145
Total current assets	<u>113,450</u>	<u>114,088</u>
PROPERTY, PLANT AND EQUIPMENT, at Cost		
Land	1,184	1,183
Buildings and improvements	26,930	26,848
Machinery, equipment and furniture	39,225	38,502
Construction in progress	2,982	554
Subtotal	70,321	67,087
Less: accumulated depreciation and amortization	43,014	40,996
Net property, plant and equipment	<u>27,307</u>	<u>26,091</u>
OTHER ASSETS		
Goodwill	23,826	23,115
Other intangible assets, net	8,472	8,057
Restricted cash	1,000	1,000
Deferred <i>illumigene</i> instrument costs, net	2,982	3,270
Deferred income taxes	1,380	823
Other assets	346	304
Total other assets	<u>38,006</u>	<u>36,569</u>
TOTAL ASSETS	<u>\$ 178,763</u>	<u>\$ 176,748</u>

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

MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(dollars in thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY

	June 30, 2014 (Unaudited)	September 30, 2013
CURRENT LIABILITIES		
Accounts payable	\$ 6,416	\$ 5,592
Accrued employee compensation costs	3,914	9,670
Other accrued expenses	5,738	5,462
Income taxes payable	875	979
Total current liabilities	<u>16,943</u>	<u>21,703</u>
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Preferred stock, no par value, 1,000,000 shares authorized, none issued	—	—
Common shares, no par value, 71,000,000 shares authorized, 41,564,271 and 41,517,839 shares issued, respectively	—	—
Additional paid-in capital	110,669	107,412
Retained earnings	48,985	46,888
Accumulated other comprehensive income	2,166	745
Total shareholders' equity	<u>161,820</u>	<u>155,045</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 178,763</u>	<u>\$ 176,748</u>

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

MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Changes in Shareholders' Equity (Unaudited)
(dollars and shares in thousands)

	Common Shares Issued	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance at September 30, 2013	41,518	\$107,412	\$ 46,888	\$ 745	\$ 155,045
Cash dividends paid	—	—	(24,464)	—	(24,464)
Exercise of stock options	44	595	—	—	595
Conversion of restricted stock units	3	—	—	—	—
Cancellation of restricted shares	(1)	—	—	—	—
Stock compensation expense	—	2,662	—	—	2,662
Net earnings	—	—	26,561	—	26,561
Foreign currency translation adjustment	—	—	—	1,421	1,421
Balance at June 30, 2014	<u>41,564</u>	<u>\$110,669</u>	<u>\$ 48,985</u>	<u>\$ 2,166</u>	<u>\$ 161,820</u>

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

MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
Dollars in Thousands, Except Per Share Amounts
(Unaudited)

1. Basis of Presentation

The interim condensed consolidated financial statements are unaudited and are prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information, and the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the interim financial statements include all normal adjustments and disclosures necessary to present fairly the Company's financial position as of June 30, 2014, the results of its operations for the three and nine month periods ended June 30, 2014 and 2013, and its cash flows for the nine month periods ended June 30, 2014 and 2013. These statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company's fiscal 2013 Annual Report on Form 10-K. Financial information as of September 30, 2013 has been derived from the Company's audited consolidated financial statements.

The results of operations for interim periods are not necessarily indicative of the results to be expected for the year.

2. Significant Accounting Policies

(a) Revenue Recognition and Accounts Receivable –

Revenue is generally recognized from sales when product is shipped and title has passed to the customer. Revenue for the Diagnostics segment is reduced at the date of sale for product price adjustments due certain distributors under local contracts. Management estimates accruals for distributor price adjustments based on local contract terms, sales data provided by distributors, estimates of inventories of certain of our products held by distributors, historical statistics, current trends, and other factors. Changes to the accruals are recorded in the period that they become known. Such accruals were \$4,074 at June 30, 2014 and \$3,866 at September 30, 2013, and have been netted against accounts receivable.

Revenue for our Diagnostics segment includes revenue for our *illumigene*[®] molecular test system. This system includes an instrument, instrument accessories and test kits. In markets where the test system is sold via multiple deliverable arrangements (i.e., the United States, Australia, Belgium, France, Holland and Italy), the cost of the instrument and instrument accessories are deferred upon placement at a customer and amortized on a straight-line basis into cost of sales over the expected utilization period, generally three years.

We evaluate whether each deliverable in the arrangement is a separate unit of accounting. The significant deliverables are an instrument, instrument accessories (e.g., printer) and test kits. An instrument and instrument accessories are delivered to the customer prior to the start of the customer utilization period, in order to accommodate customer set-up and installation. There is *de minimis* consideration received from the customer at the time of instrument placement. We have determined that the instrument and instrument accessories are not a separate unit of accounting because such equipment can only be used to process and read the results from our *illumigene* diagnostic tests (i.e., our instrument and test kits function together to deliver a diagnostic test result), and therefore the instrument and instrument accessories do not have standalone value to the customer. Consequently, there is no revenue allocated to the placement of the instrument and instrument accessories. Test kits are delivered to the customer over the utilization period of the instrument, which we estimate has a useful life of three years. Our average customer contract period, including estimated renewals, is at least equal to the estimated three-year utilization period. Revenue for the sale of test kits is recognized upon shipment and transfer of title to the customers.

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In markets where the test system is not sold via multiple deliverable arrangements (i.e., countries other than the United States, Australia, Belgium, France, Holland and Italy), the cost of the instrument and instrument accessories is charged to cost of sales at the time of shipment and transfer of title to the customer. Revenue for the sales of instruments and instrument accessories and test kits is recognized upon shipment and transfer of title to the customers. In these markets, our *illumigene* molecular test system is sold to independent distributors who inventory the instruments, instrument accessories and test kits for resale to end-users.

Our products are generally not subject to a customer right of return except for product recall events under the rules and regulations of the Food and Drug Administration or equivalent agencies outside the United States. In this circumstance, the costs to replace affected products would be accrued at the time a loss was probable and estimable.

Life Science revenue for contract services may come from research and development services or manufacturing services, including process development work, or a combination of both. Revenue is recognized based on each of the deliverables in a given arrangement having distinct and separate customer pricing. Depending on the nature of the arrangement, revenue is recognized as services are performed and billed, upon completion and acceptance by the customer, or upon delivery of product and acceptance by the customer.

Trade accounts receivable are recorded in the accompanying Condensed Consolidated Balance Sheets at invoiced amounts less provisions for distributor price adjustments under local contracts and doubtful accounts. The allowance for doubtful accounts represents our estimate of probable credit losses and is based on historical write-off experience. The allowance for doubtful accounts and related metrics, such as days' sales outstanding, are reviewed monthly. Accounts with past due balances over 90 days are reviewed individually for collectibility. Customer invoices are charged off against the allowance when we believe it is probable that the invoices will not be paid.

(b) *Comprehensive Income (Loss)* –

As reflected in the accompanying Condensed Consolidated Statements of Comprehensive Income, our comprehensive income or loss is comprised of net earnings and foreign currency translation.

Assets and liabilities of foreign operations are translated using period-end exchange rates with gains or losses resulting from translation included as a separate component of comprehensive income or loss. Revenues and expenses are translated using exchange rates prevailing during the period. We also recognize foreign currency transaction gains and losses on certain assets and liabilities that are denominated in non-functional currencies. These gains and losses are included in other income and expense in the accompanying Condensed Consolidated Statements of Operations.

(c) *Income Taxes* –

The provision for income taxes includes federal, foreign, state and local income taxes currently payable and those deferred because of temporary differences between income for financial reporting and income for tax purposes. We prepare estimates of permanent and temporary differences between income for financial reporting purposes and income for tax purposes. These differences are adjusted to actual upon filing of our tax returns, typically occurring in the third and fourth quarters of the current fiscal year for the preceding fiscal year's estimates.

We account for uncertain tax positions using a benefit recognition model with a two-step approach: (i) a more-likely-than-not recognition criterion; and (ii) a measurement attribute that measures the position as the largest amount of tax benefit that is greater than 50% likely of being ultimately realized upon settlement. If it is not more likely than not that the benefit will be sustained on its technical merits, no benefit is recorded. We recognize accrued interest and penalties related to unrecognized tax benefits as a portion of our income tax provision in the Condensed Consolidated Statements of Operations.

In September 2013, the Internal Revenue Service issued Treasury Decision 9636, which enacted final tax regulations regarding the capitalization and expensing of amounts paid to acquire, produce, or improve tangible property. The regulations also include guidance regarding the retirement of depreciable property. The regulations are required to be effective in taxable years beginning on or after January 1, 2014, although taxpayers may choose to apply them in taxable years beginning on or after January 1, 2012. Our adoption of these regulations on October 1, 2014 is not expected to have a significant impact on the Company's consolidated results of operations, cash flows or financial position.

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(d) **Stock-based Compensation –**

We recognize compensation expense for all share-based awards made to employees, based upon the fair value of the share-based award on the date of the grant. Awards are expensed over their requisite service periods.

(e) **Cash and Cash Equivalents –**

Cash and cash equivalents include the following components:

	<u>June 30, 2014</u>		<u>September 30, 2013</u>	
	<u>Cash and Equivalents</u>	<u>Other</u>	<u>Cash and Equivalents</u>	<u>Other</u>
Overnight repurchase agreements	\$ 24,074	\$ —	\$ 32,103	\$ —
Cash on hand -				
Restricted	—	1,000	—	1,000
Unrestricted	15,211	—	12,179	—
Total	<u>\$ 39,285</u>	<u>\$1,000</u>	<u>\$ 44,282</u>	<u>\$1,000</u>

(f) **Recent Accounting Pronouncements –**

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes and replaces nearly all currently-existing U.S. GAAP revenue recognition guidance including related disclosure requirements. This guidance will be effective for the Company beginning October 1, 2017. The Company has not yet assessed the impact that adoption of this guidance will have on its financial statements.

(g) **Reclassifications –**

Certain reclassifications have been made to the prior period financial statements to conform to the current fiscal period presentation. Such reclassifications had no impact on net earnings or shareholders' equity.

3. **Inventories**

Inventories are comprised of the following:

	<u>June 30, 2014</u>	<u>September 30, 2013</u>
Raw materials	\$ 5,960	\$ 7,170
Work-in-process	10,457	8,585
Finished goods - <i>illumigene</i> instruments	1,993	1,980
Finished goods - kits and reagents	19,195	17,100
Total	<u>\$37,605</u>	<u>\$ 34,835</u>

4. Reportable Segment and Major Customers Information

Meridian was formed in 1976 and functions as a fully-integrated research, development, manufacturing, marketing and sales organization with primary emphasis in the fields of in vitro diagnostics and life science. Our principal businesses are (i) the development, manufacture and distribution of diagnostic test kits primarily for gastrointestinal, viral, respiratory and parasitic infectious diseases; and (ii) the manufacture and distribution of bulk antigens, antibodies, PCR/qPCR reagents, nucleotides, competent cells and bioresearch reagents used by researchers and other diagnostic manufacturers, and the contract development and manufacture of proteins and other biologicals for use by biopharmaceutical and biotechnology companies engaged in research for new drugs and vaccines.

In the fourth quarter of fiscal 2013, we aggregated our Diagnostics operating segments into a single reportable segment, thereby resulting in our reportable segments being Diagnostics and Life Science. The prior period information reflected herein has been conformed to the current period presentation.

The Diagnostics segment is headquartered in Cincinnati, Ohio, which also serves as the base of manufacturing operations and research and development. The Diagnostics segment has sales and distribution facilities in the United States, Europe and Australia. The Life Science segment consists of manufacturing operations in Memphis, Tennessee; Boca Raton, Florida; London, England; Luckenwalde, Germany; and Sydney, Australia, and the sale and distribution of bulk antigens, antibodies, PCR/qPCR reagents, nucleotides, competent cells and bioresearch reagents domestically and abroad, including a sales and business development location in Singapore. The Life Science segment also includes the contract development and manufacture of cGMP clinical grade proteins and other biologicals for use by biopharmaceutical and biotechnology companies engaged in research for new drugs and vaccines.

Amounts due from two Diagnostics distributor customers accounted for 15% and 17% of consolidated accounts receivable at June 30, 2014 and September 30, 2013, respectively. Revenue from these two distributor customers accounted for 36% and 40% of the Diagnostics segment third-party revenue during the three months ended June 30, 2014 and 2013, respectively, and 36% and 43% during the nine months ended June 30, 2014 and 2013, respectively. In addition, approximately \$3,400 and \$3,500 of our accounts receivable at June 30, 2014 and September 30, 2013, respectively, is due from Italian hospital customers whose funding ultimately comes from the Italian government, representing 13% of consolidated accounts receivable in each of the respective periods.

Within our Life Science segment, two diagnostic manufacturing customers accounted for 15% and 18% of the segment's third-party revenue during the three months ended June 30, 2014 and 2013, respectively, and 16% and 18% during the nine months ended June 30, 2014 and 2013, respectively.

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Segment information for the interim periods is as follows:

	<u>Diagnostics</u>	<u>Life Science</u>	<u>Eliminations(1)</u>	<u>Total</u>
Three Months Ended June 30, 2014				
Net revenues -				
Third-party	\$ 35,168	\$12,044	\$ —	\$ 47,212
Inter-segment	99	374	(473)	—
Operating income	10,526	2,676	(70)	13,132
Goodwill (June 30, 2014)	1,250	22,576	—	23,826
Other intangible assets, net (June 30, 2014)	2,853	5,619	—	8,472
Total assets (June 30, 2014)	111,208	68,200	(645)	178,763
Three Months Ended June 30, 2013				
Net revenues -				
Third-party	\$ 35,305	\$11,803	\$ —	\$ 47,108
Inter-segment	185	356	(541)	—
Operating income	12,296	3,543	(140)	15,699
Goodwill (September 30, 2013)	1,250	21,865	—	23,115
Other intangible assets, net (September 30, 2013)	1,561	6,496	—	8,057
Total assets (September 30, 2013)	111,719	65,393	(364)	176,748
Nine Months Ended June 30, 2014				
Net revenues -				
Third-party	\$ 107,066	\$35,074	\$ —	\$142,140
Inter-segment	362	858	(1,220)	—
Operating income	32,211	8,243	(30)	40,424
Nine Months Ended June 30, 2013				
Net revenues -				
Third-party	\$ 107,377	\$32,347	\$ —	\$139,724
Inter-segment	388	864	(1,252)	—
Operating income	36,130	8,223	(310)	44,043

(1) Eliminations consist of inter-segment transactions.

Transactions between segments are accounted for at established intercompany prices for internal and management purposes, with all intercompany amounts eliminated in consolidation.

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5. Intangible Assets

A summary of our acquired intangible assets subject to amortization, as of June 30, 2014 and September 30, 2013 is as follows:

	<u>June 30, 2014</u>		<u>September 30, 2013</u>	
	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>
Manufacturing technologies, core products and cell lines	\$11,762	\$ 10,512	\$11,676	\$ 10,097
Trademarks, licenses and patents	6,543	2,663	4,748	2,130
Customer lists and supply agreements	12,584	9,242	12,353	8,493
	<u>\$30,889</u>	<u>\$ 22,417</u>	<u>\$28,777</u>	<u>\$ 20,720</u>

During the first quarter of fiscal 2014, we acquired the remaining licensing rights related to patents that are part of our *illumigene* molecular technology for \$1,638. These rights are being amortized over a weighted average period of approximately 8.5 years.

The actual aggregate amortization expense for these intangible assets was \$507 and \$550 for the three months ended June 30, 2014 and 2013, respectively, and \$1,549 and \$1,715 for the nine months ended June 30, 2014 and 2013, respectively. The estimated aggregate amortization expense for these intangible assets for each of the fiscal years through fiscal 2019 is as follows: remainder of fiscal 2014 – \$482, fiscal 2015 – \$1,797, fiscal 2016 – \$1,451, fiscal 2017 – \$1,177, fiscal 2018 – \$1,154 and fiscal 2019 – \$1,113.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Refer to "Forward Looking Statements" following the Table of Contents in front of this Form 10-Q. In the discussion that follows, all dollar amounts are in thousands (both tables and text), except per share data.

Following is a discussion and analysis of the financial statements and other statistical data that management believes will enhance the understanding of Meridian's financial condition, changes in financial condition and results of operations. This discussion should be read in conjunction with the financial statements and notes thereto beginning on page 1.

Results of Operations

Three Months Ended June 30, 2014

Net earnings for the third quarter of fiscal 2014 decreased 13% to \$8,835, or \$0.21 per diluted share, from net earnings for the third quarter of fiscal 2013 of \$10,159, or \$0.24 per diluted share. This decrease reflects the combined effects of slightly increased revenues, decreased gross profit margins and increased operating expenses. Consolidated revenues increased less than 1% to \$47,212 for the third quarter of fiscal 2014 compared to the same period of the prior year.

Included within the third quarter 2014 results were revenues from our *illumigene*[®] molecular platform of products totaling \$9,578, representing a 9% increase over the fiscal 2013 third quarter. Also contributing to the consolidated revenue increase were increased revenues in our *H. pylori* focus product family and our respiratory product family, as well as in our Life Science segment's molecular component product line. Serving to substantially offset these revenue increases were decreased revenues in our largest diagnostic focus product family (*C. difficile*), our foodborne focus product family and our Life Science segment's immunoassay component product line.

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Revenues for the Diagnostics segment for the third quarter of fiscal 2014 decreased less than 1% compared to the third quarter of fiscal 2013, reflecting the following for each of our focus product families: 10% decline in our *C. difficile* products, 9% growth in our *H. pylori* products, and 5% decline in our foodborne products. In addition, we experienced a 9% increase in revenues from our respiratory products, which include both molecular and immunoassay products, compared to the prior year fiscal third quarter. With 6% growth in its molecular component product sales and a 1% decline in its immunoassay component product sales, revenues from our Life Science segment increased by 2% during the third quarter of fiscal 2014 compared to the third quarter of fiscal 2013.

Nine Months Ended June 30, 2014

For the nine month period ended June 30, 2014, net earnings decreased 8% to \$26,561, or \$0.63 per diluted share, from net earnings for the comparable fiscal 2013 period of \$28,882, or \$0.69 per diluted share. This decrease reflects the combined effects of increased revenues, decreased gross profit margins and modestly increased operating expenses, along with a \$450 (pre-tax) negative effect from medical device tax that did not exist during the first quarter of fiscal 2013 (see discussion in Medical Device Tax below). Consolidated revenues increased 2% to \$142,140 for the first nine months of fiscal 2014 compared to the same period of the prior fiscal year.

Included within the nine month year-to-date fiscal 2014 results were revenues from our *illumigene* molecular platform of products totaling \$27,926, representing a 15% increase over the first nine months of fiscal 2013. Also contributing to the consolidated revenue increase were increased revenues in our *H. pylori* focus product family, as well as in both of our Life Science segment's business lines (i.e., molecular component and immunoassay component). Serving to substantially offset these revenue increases were decreased revenues in our largest diagnostic focus product family (*C. difficile*) and our respiratory product family.

During the first nine months of fiscal 2014, revenues for the Diagnostics segment decreased less than 1% from the comparable fiscal 2013 period, reflecting the following for each of our focus product families: 9% decline in our *C. difficile* products, 10% growth in our *H. pylori* products, and 1% decline in our foodborne products. In addition, we experienced an 8% decline in revenues from our respiratory products from the comparable fiscal 2013 period. With 12% growth in its molecular component product sales and 6% growth in its immunoassay component product sales, revenues from our Life Science segment increased by 8% during the nine months ended June 30, 2014 over the comparable fiscal 2013 period.

REVENUE OVERVIEW

Below are analyses of the Company's revenue, provided for each of the following:

- By Reportable Segment & Geographic Region
- By Product Platform/Type
- By Disease Family (Diagnostics only)

Revenue Overview- By Reportable Segment & Geographic Region

Our reportable segments are Diagnostics and Life Science. The Diagnostics segment is headquartered in Cincinnati, Ohio, which also serves as the base of manufacturing operations and research and development. The Diagnostics segment sells diagnostic test kits in the U.S. and Canada ("North America"); Europe, Middle East and Africa ("EMEA"); and other countries outside of North America and EMEA (rest of the world, or "ROW"). The Life Science segment consists of manufacturing operations in Memphis, Tennessee; Boca Raton, Florida; London, England; Luckenwalde, Germany; and Sydney, Australia, and the sale and distribution of bulk antigens, antibodies, PCR/qPCR reagents, nucleotides, competent cells and bioresearch reagents domestically and abroad, including a sales and business development location in Singapore. The Life Science segment also includes the contract development and manufacture of cGMP clinical grade proteins and other biologicals for use by biopharmaceutical and biotechnology companies engaged in research for new drugs and vaccines.

Revenues for the Diagnostics segment, in the normal course of business, may be affected from quarter to quarter by buying patterns of major distributors, seasonality and strength of certain diseases, and foreign currency exchange rates. Revenues for the Life Science segment, in the normal course of business, may be affected from quarter to quarter by the timing and nature of arrangements for contract services work, which may have longer production

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cycles than bioresearch reagents and bulk antigens and antibodies, as well as buying patterns of major customers, and foreign currency exchange rates. We believe that the overall breadth of our product lines serves to reduce the variability in consolidated revenues.

	Three Months Ended June 30,			Nine Months Ended June 30,		
	2014	2013	Inc (Dec)	2014	2013	Inc (Dec)
Diagnostics-						
North America	\$28,543	\$28,307	1%	\$ 86,438	\$ 86,003	1%
EMEA	5,464	5,535	(1)%	16,756	16,622	1%
ROW	1,161	1,463	(21)%	3,872	4,752	(19)%
Total Diagnostics	<u>35,168</u>	<u>35,305</u>	<u>— %</u>	<u>107,066</u>	<u>107,377</u>	<u>— %</u>
Life Science-						
North America	4,749	4,737	— %	14,078	13,299	6%
EMEA	5,278	5,124	3%	15,287	13,721	11%
ROW	2,017	1,942	4%	5,709	5,327	7%
Total Life Science	<u>12,044</u>	<u>11,803</u>	<u>2%</u>	<u>35,074</u>	<u>32,347</u>	<u>8%</u>
Consolidated	<u>\$47,212</u>	<u>\$47,108</u>	<u>— %</u>	<u>\$142,140</u>	<u>\$139,724</u>	<u>2%</u>
% of total revenues-						
Diagnostics	74%	75%		75%	77%	
Life Science	26%	25%		25%	23%	
Total	<u>100%</u>	<u>100%</u>		<u>100%</u>	<u>100%</u>	
Ex-North America	<u>29%</u>	<u>30%</u>		<u>29%</u>	<u>29%</u>	

Revenue Overview- By Product Platform/Type

The revenues generated by each of our reportable segments result primarily from the sale of the following segment-specific categories of products:

Diagnostics

- 1) Molecular tests that operate on our *illumigene* platform
- 2) Immunoassay tests

Life Science

- 1) Molecular components
- 2) Immunoassay components

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Revenue for each product platform/type, as well as its relative percentage of segment revenue, is shown below.

	Three Months Ended June 30,			Nine Months Ended June 30,		
	2014	2013	Inc (Dec)	2014	2013	Inc (Dec)
Diagnostics-						
Molecular	\$ 9,578	\$ 8,818	9%	\$ 27,926	\$ 24,245	15%
Immunoassay	25,590	26,487	(3)%	79,140	83,132	(5)%
Total Diagnostics	<u>\$35,168</u>	<u>\$35,305</u>	<u>— %</u>	<u>\$107,066</u>	<u>\$107,377</u>	<u>— %</u>
Life Science-						
Molecular components	\$ 5,476	\$ 5,158	6 %	\$ 15,369	\$ 13,723	12%
Immunoassay components	6,568	6,645	(1)%	19,705	18,624	6%
Total Life Science	<u>\$12,044</u>	<u>\$11,803</u>	<u>2 %</u>	<u>\$ 35,074</u>	<u>\$ 32,347</u>	<u>8%</u>
% of Diagnostics revenues-						
Molecular	27%	25%		26%	23%	
Immunoassay	73%	75%		74%	77%	
Total Diagnostics	<u>100%</u>	<u>100%</u>		<u>100%</u>	<u>100%</u>	
% of Life Science revenues-						
Molecular components	45%	44%		44%	42%	
Immunoassay components	55%	56%		56%	58%	
Total Life Science	<u>100%</u>	<u>100%</u>		<u>100%</u>	<u>100%</u>	

Following is a discussion of the revenues generated by each of these product platforms/types:

Diagnostics Products

illumigene Molecular Platform Products

We have 1,265 customer account placements. Of these account placements, approximately 1,130 accounts have completed evaluations and validations and are regularly purchasing product, with the balance of our account placements being in some stage of product evaluation and/or validation. Of our account placements, we have approximately 275 accounts that are regularly purchasing, evaluating and/or validating two or more assays. Upon receiving FDA clearance on March 25, 2014, we launched our *Bordetella pertussis* molecular diagnostic test in early April – the most recent test available on our *illumigene* molecular testing platform.

We continue to invest in new product development for our *illumigene* molecular testing platform, and with the launch of the *Bordetella pertussis* test, now have five commercialized tests on the platform and three additional tests expected to be available for sale in fiscal 2015:

1. *illumigene*® *C. difficile* – commercialized in August 2010
2. *illumigene*® Group B *Streptococcus* (Group B Strep or GBS) – commercialized in December 2011
3. *illumigene*® Group A *Streptococcus* (Group A Strep) – commercialized in September 2012
4. *illumigene*® *Mycoplasma (M. pneumonia; walking pneumonia)* – commercialized in June 2013
5. *illumigene*® *Bordetella pertussis* (whooping cough) – commercialized in March 2014
6. *illumigene*® *Chlamydia trachomatis* – expected fiscal 2015 (launch outside of U.S.)
7. *illumigene*® *Neisseria gonorrhoea* – expected fiscal 2015 (launch outside of U.S.)
8. *illumigene*® Herpes Simplex Virus I & II – expected fiscal 2015

Additional *illumigene* tests in early-stage research and development include enteric parasites such as *Giardia*, foodborne pathogens such as *E. coli*, and bloodborne pathogens such as malaria.

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We believe that the diagnostic testing market is continuing to move away from culture and immunoassay testing to molecular testing for diseases where there is a favorable cost/benefit position for the total cost of healthcare. While this market is competitive, with molecular companies such as Cepheid and Becton Dickinson and new entrants such as Quidel, Great Basin, Nanosphere, and others, we believe we are well positioned to capitalize on the migration to molecular testing. Our simple, easy-to-use, *illumigene* platform, with its expanding menu, requires no expensive equipment purchase and little to no maintenance cost. These features, along with its small footprint and the performance of the *illumigene* assays, make *illumigene* an attractive molecular platform to any size hospital or physician office laboratory.

Immunoassay Products

Revenues from our Diagnostics segment's immunoassay products decreased 3% in the third quarter of fiscal 2014 and decreased 5% on a nine month, year-to-date basis. As described in the product discussions below, the quarterly decrease results primarily from the decline in revenues from our *C. difficile* products, partially offset by the revenue growth of our *H. pylori* and respiratory products; while the year-to-date decrease results primarily from the decline in revenues from our *C. difficile* and respiratory products, partially offset by the revenue growth of our *H. pylori* products.

Life Science Products

During the third quarter of fiscal 2014, revenues from our Life Science segment increased 2%, with revenues from molecular component sales increasing 6% over the comparable fiscal 2013 quarter and revenues from immunoassay component sales decreasing 1%. For the first nine months of fiscal 2014, revenues from our Life Science segment increased 8%, with revenues from molecular component sales increasing 12% over the comparable prior year period and revenues from immunoassay component sales increasing 6%. Our molecular component revenues continue to benefit from new product launches and advancements – most notably SensiFAST™ and MyTaq™ PCR components.

Diagnostic Revenue Overview- By Disease Family

Revenues from our focus families (*C. difficile*, foodborne and *H. pylori*) comprised 63% of our Diagnostics segment's revenue during the third quarter of fiscal 2014 and 61% during the first nine months of the fiscal year. This compared to 65% and 61% during the fiscal 2013 quarterly and year-to-date periods, respectively. Following is a discussion of the revenues generated by each product family:

***C. difficile* Products**

Revenues for our *C. difficile* product family decreased 10% to \$8,900 for the fiscal 2014 third quarter, and decreased 9% to \$26,800 for the nine month, year-to-date period. Revenues for our *illumigene* product decreased 5% and 1% during the three and nine month periods ended June 30, 2014, respectively, and revenues for our *C. difficile* immunoassay products continued to significantly decline as expected. The *C. difficile* market has become highly competitive, with over 10 suppliers in the United States. Certain of these suppliers choose to compete solely on price. We believe that two factors will help us respond to these challenging market conditions. First, our marketing programs emphasize that we are the only company that can offer a full range of high performing, FDA cleared, *C. difficile* testing formats, including toxin, GDH and molecular tests. Second, our *illumigene* molecular platform, with its expanding menu, requires no expensive equipment purchase or maintenance contract, which makes it an attractive and affordable option for any size hospital.

***Foodborne* Products**

Revenues for our foodborne products (Enterohemorrhagic *E. coli* ("EHEC") and *Campylobacter*), all of which are immunoassay products, totaled \$5,800 during the fiscal 2014 third quarter, a 5% decrease from the fiscal 2013 third quarter. During the nine months ended June 30, 2014, foodborne revenues totaled \$16,900, a 1% decrease from the fiscal 2013 year-to-date period. We are once again disappointed in the results for this product family and are continuing to re-emphasize the benefits of increased sensitivity and faster turnaround time versus culture methods in our marketing programs. While historically the primary competition for our foodborne products has been laboratory culture methods, during 2012 one of our competitors cleared through the FDA a shiga toxin test that competes with our EHEC test. We believe that our test offers better workflow, less hands-on time and quicker results, in addition to being fully CDC-compliant.

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H. pylori Products

During the third quarter of fiscal 2014, revenues from our *H. pylori* products, all of which are immunoassay products, increased 9% to \$7,400; and increased 10% to \$21,000 during the first nine months of fiscal 2014. These increases continue to reflect the benefits of our partnerships with managed care companies in promoting the health and economic benefits of a test and treat strategy, and the ongoing effects of such strategy moving physician behavior away from serology-based testing toward direct antigen testing. A significant amount of the *H. pylori* product revenues are to reference labs, whose buying patterns may not be consistent period to period.

Respiratory Products

Total respiratory revenues from our Diagnostics segment increased 9% to \$3,700 during the fiscal 2014 third quarter; and decreased 8% to \$13,800 for the nine month year-to-date period. Contributing to the quarterly increase was growth in our *illumigene* Group A Strep, *illumigene* Mycoplasma and *illumigene* Pertussis products. Lower sales of influenza products contributed to the year-to-date decline in revenue. Partially offsetting the impact of lower influenza product revenues was growth in the aforementioned respiratory-related *illumigene* products.

Foreign Currency

During the third quarter of fiscal 2014, currency exchange rates had a \$350 favorable impact on revenue; \$200 favorable within the Diagnostics segment and \$150 favorable in the Life Science segment. On a nine month year-to-date basis, currency exchange rates had a \$700 favorable impact on revenue; \$600 favorable within the Diagnostics segment and \$100 favorable in the Life Science segment.

Significant Customers

Two U.S. distributors accounted for 36% and 40% of our Diagnostics segment's total revenues for the third quarter of fiscal 2014 and 2013, respectively, and 36% and 43% during the nine months ended June 30, 2014 and 2013, respectively. These customers represented 26% and 30% of consolidated revenues for the fiscal 2014 and 2013 third quarters, respectively, and 27% and 33% for the respective year-to-date nine month periods.

Within our Life Science segment, two diagnostic manufacturing customers accounted for 15% and 18% of the segment's total revenues for the third quarter of fiscal 2014 and 2013, respectively, and 16% and 18% during the nine months ended June 30, 2014 and 2013, respectively.

Medical Device Tax

On January 1, 2013, the medical device tax established as part of the U.S. healthcare reform legislation became effective, and as a result, the Company made its first required tax deposit near the end of January 2013. The Company recorded approximately \$450 of medical device tax expense during each of the fiscal 2014 and 2013 third quarters, which is reflected as a component of cost of sales in the accompanying Condensed Consolidated Statements of Operations. During the nine month periods ended June 30, 2014 and 2013, medical device tax expense totaling approximately \$1,350 and \$900, respectively, was recorded.

Gross Profit

	Three Months Ended June 30,			Nine Months Ended June 30,		
	2014	2013	Change	2014	2013	Change
Gross Profit	\$29,242	\$30,631	(5)%	\$88,842	\$90,170	(1)%
Gross Profit Margin	<u>62%</u>	<u>65%</u>	<u>-3 points</u>	<u>63%</u>	<u>65%</u>	<u>-2 points</u>

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The overall gross profit margin decrease for the three and nine months ended June 30, 2014 primarily results from the combined effects of (i) mix of revenues from the Company's segments; (ii) mix of products sold; (iii) declines in pricing on selected products; (iv) manufacturing facility utilization; and for the nine month period only (v) the medical device tax, which did not exist during the first quarter of fiscal 2013 (see discussion in Medical Device Tax above).

Our overall operations consist of the sale of diagnostic test kits for various disease states and in alternative test formats, as well as bioresearch reagents, bulk antigens and antibodies, PCR/qPCR reagents, nucleotides, competent cells, proficiency panels, and contract research and development, and contract manufacturing services. Product revenue mix shifts, in the normal course of business, can cause the consolidated gross profit margin to fluctuate by several points.

Operating Expenses

	Three Months Ended June 30, 2014			
	Research & Development	Selling & Marketing	General & Administrative	Total Operating Expenses
2013 Expenses	\$ 2,711	\$ 5,440	\$ 6,781	\$ 14,932
% of Revenues	6%	12%	14%	32%
Fiscal 2014 Increases (Decreases):				
Diagnostics	419	446	93	958
Life Science	16	363	(159)	220
2014 Expenses	\$ 3,146	\$ 6,249	\$ 6,715	\$ 16,110
% of Revenues	7%	13%	14%	34%
% Increase (Decrease)	16%	15%	(1)%	8%

	Nine Months Ended June 30, 2014			
	Research & Development	Selling & Marketing	General & Administrative	Total Operating Expenses
2013 Expenses	\$ 8,039	\$ 16,604	\$ 21,484	\$ 46,127
% of Revenues	6%	12%	15%	33%
Fiscal 2014 Increases (Decreases):				
Diagnostics	1,134	1,329	(370)	2,093
Life Science	12	854	(668)	198
2014 Expenses	\$ 9,185	\$ 18,787	\$ 20,446	\$ 48,418
% of Revenues	6%	13%	14%	34%
% Increase (Decrease)	14%	13%	(5)%	5%

Overall, total operating expenses increased during both the third quarter and first nine months of fiscal 2014 relative to the comparable prior fiscal year periods, increasing slightly as a percentage of quarterly and year-to-date consolidated revenues. These levels of operating expenses result in large part from the combined effects of our (i) ongoing efforts to control spending in each of our segments while investing the necessary resources in our strategic areas of growth, including increased investment in Research & Development for our molecular platform products; and (ii) overall decreased incentive compensation expense in light of the decline in corporate-wide operating profits.

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Operating expenses for the Diagnostics segment increased \$958 for the third quarter of fiscal 2014 compared to the fiscal 2013 third quarter, and in the first nine months of fiscal 2014, increased \$2,093 over the comparable prior year period. These overall increases result largely from the combined effects of (i) currency exchange rates (increases of \$100 and \$200 for the quarter and year-to-date, respectively); and (ii) the following:

Research & Development

Overall increase in spending on new product development activities, related primarily to the previously noted products for our *illumigene* molecular platform, as well as immunoassay products in development.

Selling & Marketing

Addition of field sales force personnel, including the filling of open territorial positions, since the prior year quarter, resulting in an approximate \$300 increase in personnel-related expenses on a quarterly basis (\$900 on a year-to-date basis), along with increased product sample expense of approximately \$100 for the quarter (\$250 year-to-date).

General & Administrative

A decrease in bonus expense as a result of the previously noted decline in corporate-wide operating profits, partially offset by an approximate \$100 and \$700 increase in stock-based compensation during the third quarter and first nine months of fiscal 2014, respectively, and other less significant general operating expense increases.

Operating expenses for the Life Science segment increased \$220 and \$198 for the third quarter and first nine months of fiscal 2014, respectively. This activity reflects in large part the net effects of (i) currency exchange rates (increases of \$100 and \$50 for the quarter and year-to-date, respectively); (ii) ongoing increased sales and marketing investments; and (iii) decreased bonus expenses resulting from the decline in corporate-wide operating profits.

Operating Income

Operating income decreased 16% to \$13,132 for the third quarter of fiscal 2014, and decreased 8% to \$40,424 for the first nine months of fiscal 2014, as a result of the factors discussed above.

Income Taxes

The effective rate for income taxes was 31% and 35% for the third quarter of fiscal 2014 and 2013, respectively, and 33% and 35% for the nine month, year-to-date periods ended June 30, 2014 and 2013, respectively. The lower current year rates primarily result from the positive effects of research credits in certain foreign jurisdictions and a net U.S. foreign tax credit resulting from a recent restructuring of our legal entities. For the fiscal year ending September 30, 2014, we expect the effective tax rate to approximate 34%.

In September 2013, the Internal Revenue Service issued Treasury Decision 9636, which enacted final tax regulations regarding the capitalization and expensing of amounts paid to acquire, produce, or improve tangible property. The regulations also include guidance regarding the retirement of depreciable property. The regulations are required to be effective in taxable years beginning on or after January 1, 2014, although taxpayers may choose to apply them in taxable years beginning on or after January 1, 2012. Our adoption of these regulations on October 1, 2014 is not expected to have a significant impact on the Company's consolidated results of operations, cash flows or financial position.

Liquidity and Capital Resources

Comparative Cash Flow Analysis

Our cash flow and financing requirements are determined by analyses of operating and capital spending budgets, consideration of acquisition plans, and consideration of common share dividends. We have historically maintained a credit facility to augment working capital requirements and to respond quickly to acquisition opportunities. Our investment portfolio presently consists of overnight repurchase agreements.

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We have an investment policy that guides the holdings of our investment portfolio. Our objectives in managing the investment portfolio are to (i) preserve capital; (ii) provide sufficient liquidity to meet working capital requirements and fund strategic objectives such as acquisitions; and (iii) capture a market rate of return commensurate with market conditions and our policy's investment eligibility criteria. As we look forward, we will continue to manage the holdings of our investment portfolio with preservation of capital being the primary objective.

We do not expect current conditions in the financial markets, or overall economic conditions, to have a significant impact on our liquidity needs, financial condition, or results of operations, although no assurances can be made in this regard. We intend to continue to fund our working capital requirements and dividends from current cash flows from operating activities and cash on hand. If needed, we also have an additional source of liquidity through our \$30,000 bank credit facility. Approximately \$3,400 of our accounts receivable at June 30, 2014 is due from Italian hospital customers whose funding ultimately comes from the Italian government, which is down from approximately \$3,500 due on such accounts at September 30, 2013. Our liquidity needs may change if overall economic conditions change and/or liquidity and credit within the financial markets tightens for an extended period of time, and such conditions impact the collectibility of our customer accounts receivable or impact credit terms with our vendors, or disrupt the supply of raw materials and services.

Net cash provided by operating activities decreased 27% for the first nine months of fiscal 2014 to \$23,611, reflecting the 8% decrease in net earnings, along with the effects of the payment of incentive bonus payments related to fiscal 2013, the timing of federal income tax payments, inventory purchases, and the timing of payments from and to customers and suppliers, respectively. Net cash flows from operating activities and cash on hand are anticipated to be adequate to fund working capital requirements, capital expenditures and dividends during the next 12 months.

Capital Resources

We have a \$30,000 credit facility with a commercial bank that expires on September 15, 2015. As of July 31, 2014, there were no borrowings outstanding on this facility and we had 100% borrowing capacity available to us. We have had no borrowings outstanding under this facility during the first nine months of fiscal 2014 or during the full year of fiscal 2013.

Our capital expenditures are estimated to range between approximately \$5,000 to \$6,000 for fiscal 2014, with the actual amount depending upon actual operating results and the phasing of certain projects. Such expenditures may be funded with cash and equivalents on hand, operating cash flows, and/or availability under the \$30,000 credit facility discussed above. This range of capital expenditures includes approximately \$4,000 related to an expansion of our molecular diagnostic manufacturing capacity in Cincinnati, Ohio.

We do not utilize any special-purpose financing vehicles or have any undisclosed off-balance sheet arrangements.

Recent Accounting Pronouncements

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes and replaces nearly all currently-existing U.S. GAAP revenue recognition guidance including related disclosure requirements. This guidance will be effective for the Company beginning October 1, 2017. The Company has not yet assessed the impact that adoption of this guidance will have on its financial statements.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the Company's exposure to market risk since September 30, 2013.

ITEM 4. CONTROLS AND PROCEDURES

As of June 30, 2014, an evaluation was completed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) and 15d-15(b) promulgated under the Securities Exchange Act of 1934, as amended. Based on that evaluation, our management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective as of June 30, 2014. There have been no changes in our internal control over financial reporting identified in connection with the evaluation of internal control that occurred during the third fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting, or in other factors that could materially affect internal control subsequent to June 30, 2014.

PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

There have been no material changes from risk factors as previously disclosed in the Registrant's Form 10-K in response to Item 1A to Part I of Form 10-K.

ITEM 6. EXHIBITS

The following exhibits are being filed or furnished as a part of this Quarterly Report on Form 10-Q.

- 10.1 Second Amended and Restated Agreement Concerning Disability and Death effective as of June 19, 2014 by and between Meridian Bioscience, Inc., Fifth Third Bank, Trustee of the Motto Family Irrevocable Wealth Accumulation Trust Agreement dated September 22, 2006, and William J. Motto
- 31.1 Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a)
- 31.2 Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a)
- 32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101 The following financial information from Meridian Bioscience Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 filed with the SEC on August 11, 2014, formatted in XBRL includes: (i) Condensed Consolidated Statements of Operations for the three and nine months ended June 30, 2014 and 2013, (ii) Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended June 30, 2014 and 2013, (iii) Condensed Consolidated Statements of Cash Flows for the nine months ended June 30, 2014 and 2013, (iv) Condensed Consolidated Balance Sheets as of June 30, 2014 and September 30, 2013, (v) Condensed Consolidated Statement of Shareholders' Equity for the nine months ended June 30, 2014, and (vi) the Notes to Condensed Consolidated Financial Statements

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SIGNATURE

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.

MERIDIAN BIOSCIENCE, INC.

Date: August 11, 2014

By: /s/ Melissa A. Lueke

Melissa A. Lueke
Executive Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

**SECOND AMENDED AND RESTATED
AGREEMENT CONCERNING DISABILITY AND DEATH**

The Agreement entered into September 10, 2013 (“**Agreement**”) by and **between MERIDIAN BIOSCIENCE, INC.**, an Ohio corporation (“**Meridian**”), the **FIFTH THIRD BANK, TRUSTEE OF THE MOTTO FAMILY IRREVOCABLE WEALTH ACCUMULATION TRUST AGREEMENT DATED SEPTEMBER 22, 2006** (the “**Motto Trust**”), and **WILLIAM J. MOTTO** (“**Motto**”) is hereby amended and restated in its entirety effective this 19th day of June, 2014.

WHEREAS, Motto has been employed by Meridian and has rendered faithful and competent services to Meridian; and

WHEREAS, Meridian and Motto entered into this Agreement to replace Split Dollar Agreements dated February 8, 1996 and May 1, 1995;

WHEREAS, Meridian desires to have a death and disability program for Motto to provide protection to Motto and his family should his death or disability occur while employed by Meridian; and

WHEREAS, Meridian, Motto and the Motto Trust desire to arrange for the transfer of the life insurance policy identified on the statement of account attached hereto (the “**Policy**”) from Meridian to the Motto Trust and provide increased financial and tax planning allowances beginning in fiscal 2015.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereafter set forth, the parties agree as follows:

1. Meridian shall make a monthly payment to Motto for up to 60 months if Motto meets the definition of “Disability” in Section 5 below while employed by Meridian. The gross amount of each monthly payment shall be equal to 60% of the average total annual salary and bonus paid by Meridian to Motto during Meridian’s three fiscal years ending immediately before Motto’s Disability commenced divided by twelve. Any such payments to Motto shall be reduced by the gross amount of any payments made to Motto through any group or other disability insurance policy or program maintained by Meridian. Provided, however, that no such monthly payment shall be made after either the month of Motto’s death or the month that Motto ceases to meet the definition of “Disability” in Section 5 below. Meridian may fulfill its obligation under this Section by purchasing insurance coverage. For the sake of clarity, Disability payments are intended to be in lieu of salary. In no event would Motto receive both disability payments and salary.

2. The Motto Trust hereby purchases from Meridian and Meridian hereby sells, assigns, transfers and conveys to the Motto Trust the Policy for a purchase price paid on the date hereof in the amount of \$65,000. Beginning in fiscal 2015, Meridian hereby agrees to increase Motto’s professional fee allowance for financial and tax planning by \$71,000 (from \$60,000 to \$131,000), to allow for increased estate planning activities.

3. Meridian shall maintain a Medicare Advantage Plan or its equivalent health plan for Motto and his spouse and the survivor of them for the remainder of their lives after Motto’s employment with Meridian ends because of Motto’s retirement, death or Disability. To obtain benefits, Motto and spouse must be enrolled in both Medicare Part A and Part B. Motto and spouse remain responsible for Medicare Part A and B monthly premiums. Meridian shall pay premiums related to the Medicare Advantage Plan or its equivalent. Additionally, after Motto’s employment with Meridian ends because of Motto’s retirement, death or Disability, Motto and his spouse and the survivor of them shall remain under

Meridian's dental and vision plans provided to its then current employees This shall satisfy Meridian's obligation to provide continuation coverage to Motto and his spouse under Section 4980B of the Internal Revenue Code of 1986.

Upon successfully meeting underwriting requirements, Meridian shall provide individual long-term care insurance policies for Motto and spouse. The benefit provided shall not be less than \$353 per day and shall extend for a maximum five-year period. The daily benefit will increase 5% per year. The policy shall include a standard 180 day elimination period during which time benefits are not available.

4. Motto or, after his death, his estate or heirs, shall have the right to cause Meridian, on three separate occasions after September 30, 2003, to register for public sale under the Securities Act of 1933 those shares of Meridian Common Stock beneficially owned by Motto during his lifetime or at his death which may not, at the time of request, be publicly sold without registration. The right to request such registration shall end five years after Motto's death. This registration right is conditioned upon Meridian being able to utilize the SEC's short-form registration statement, Form S-3, or its equivalent. Meridian shall bear all costs of the registration except discounts and underwriting commissions which shall be the responsibility of the seller.

5. For purposes of this Agreement, "**Disability**" shall be defined as in the group disability policy under which Meridian covers Motto or his successor. In the absence of such a policy, "Disability" shall mean an injury or disease which was not intentionally self-inflicted and which Meridian at its sole discretion, determines, on the basis of such evidence and information as it deems satisfactory, causes Motto to be completely and indefinitely incapable of performing his regular duties for Meridian.

6. Motto shall be responsible for all taxes, including, without limitation, federal, state or local taxes, related to any action taken by Meridian pursuant to this Agreement.

7. The parties' Split Dollar Agreements dated February 8, 1996 and May 1, 1995 were cancelled by Meridian and Motto effective September 10, 2003.

8. This Agreement may not be amended or modified except by written instrument signed by Meridian, the Motto Trust and Motto.

9. This Agreement shall be binding upon the parties hereto and their successors, assigns, executors, administrators and beneficiaries.

10. This Agreement shall be subject to and construed under the laws of the State of Ohio.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

[Remainder of page intentionally left blank. Signature page follows]

MERIDIAN BIOSCIENCE, INC.

BY: /s/ Melissa Lueke
Melissa A. Lueke
Executive Vice President, Chief Financial Officer and
Secretary

/s/ William J. Motto
William J. Motto

**MOTTO FAMILY IRREVOCABLE WEALTH
ACCUMULATION TRUST AGREEMENT DATED
SEPTEMBER 22, 2006**

BY: /s/ David Frye
Fifth Third Bank, Trustee
Title: V.P. & Trust Officer Team Lead

Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rule 13a-14(a)

I, John A. Kraeutler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Meridian Bioscience, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2014

/s/ John A. Kraeutler

John A. Kraeutler
Chief Executive Officer

Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rule 13a-14(a)

I, Melissa A. Lueke, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Meridian Bioscience, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2014

/s/ Melissa A. Lueke

Melissa A. Lueke

Executive Vice President and Chief Financial Officer

Meridian Bioscience, Inc.
Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the filing with the Securities and Exchange Commission of the Quarterly Report of Meridian Bioscience, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2014 (the "Report"), the undersigned officers of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of their knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John A. Kraeutler

John A. Kraeutler
Chief Executive Officer
August 11, 2014

/s/ Melissa A. Lueke

Melissa A. Lueke
Executive Vice President and
Chief Financial Officer
August 11, 2014

