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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 March 31, 2014**

☐ **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 333-169785**

# LANTHEUS MEDICAL IMAGING, INC.
**(Exact name of registrant as specified in its charter)**

| **Delaware** | **51-0396366** |
|---|---|
| **(State of incorporation)** | **(IRS Employer Identification No.)** |
| **331 Treble Cove Road, North Billerica, MA** | **01862** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**(978) 671-8001**
**(Registrant's telephone number, including area code)**

**Securities registered pursuant to Section 12(b) of the Act: None**

**Securities registered pursuant to Section 12(g) of the Act: None**

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 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 | ☒ (Do not check if a smaller reporting company) | Smaller reporting company | ☐ |

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act) Yes ☐ No ☒

The registrant had one thousand shares of common stock, $0.01 par value per share, issued and outstanding as of May 5, 2014.

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## EXPLANATORY NOTE

The registrant has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, during the preceding 12 months but is not subject to such filing requirements.

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## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements (Unaudited)

**Lantheus MI Intermediate, Inc. and subsidiaries**

**Condensed Consolidated Statements of Comprehensive Loss**

**(unaudited, in thousands)**

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2014 | 2013 |
| Revenues | $ 73,336 | $ 71,018 |
| Cost of goods sold | 43,275 | 48,206 |
| Gross profit | 30,061 | 22,812 |
| Operating expenses | | |
| Sales and marketing expenses | 9,498 | 9,797 |
| General and administrative expenses | 8,852 | 10,253 |
| Research and development expenses | 3,222 | 11,998 |
| Total operating expenses | 21,572 | 32,048 |
| Operating income (loss) | 8,489 | (9,236) |
| Interest expense, net | (10,552) | (10,669) |
| Other (expense) income, net | (414) | 721 |
| Loss before income taxes | (2,477) | (19,184) |
| (Benefit) provision for income taxes | (1,192) | 628 |
| Net loss | (1,285) | (19,812) |
| Foreign currency translation | (271) | (597) |
| Total comprehensive loss | $ (1,556) | $ (20,409) |

See notes to unaudited condensed consolidated financial statements.

**Lantheus MI Intermediate, Inc. and subsidiaries**

**Condensed Consolidated Balance Sheets**

**(unaudited, in thousands, except share data)**

| | March 31, 2014 | December 31, 2013 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | $ 15,088 | $ 16,669 |
| Accounts receivable, net of allowance of $359 and $290 | 43,252 | 38,910 |
| Inventory | 18,495 | 18,310 |
| Income tax receivable | 475 | 325 |
| Deferred tax assets | 12 | 18 |
| Other current assets | 4,908 | 3,087 |
| Total current assets | 82,230 | 77,319 |
| Property, plant and equipment, net | 96,339 | 97,653 |
| Capitalized software development costs, net | 1,989 | 1,470 |
| Intangibles, net | 32,998 | 34,998 |
| Goodwill | 15,714 | 15,714 |
| Deferred financing costs | 9,030 | 9,639 |
| Deferred tax assets | 27 | 15 |
| Other long-term assets | 20,040 | 22,577 |
| Total assets | $ 258,367 | $ 259,385 |
| Liabilities and Stockholder's Deficit | | |
| Current liabilities | | |
| Line of credit | $ 8,000 | $ 8,000 |
| Accounts payable | 18,339 | 18,103 |
| Accrued expenses and other liabilities | 30,517 | 25,492 |
| Deferred tax liability | 59 | 57 |
| Deferred revenue | 2,933 | 3,979 |
| Total current liabilities | 59,848 | 55,631 |
| Asset retirement obligation | 6,861 | 6,385 |
| Long-term debt, net | 399,098 | 399,037 |
| Deferred tax liability | 7 | 12 |
| Other long-term liabilities | 31,567 | 35,408 |
| Total liabilities | 497,381 | 496,473 |
| Commitments and contingencies (See Note 13) | | |
| Stockholder's deficit | | |
| Common stock ($0.001 par value, 10,000 shares authorized; 1 share issued and outstanding) | — | — |
| Due from parent | (1,913) | (1,259) |
| Additional paid-in capital | 3,187 | 2,903 |
| Accumulated deficit | (239,623) | (238,338) |
| Accumulated other comprehensive income | (665) | (394) |
| Total stockholder's deficit | (239,014) | (237,088) |
| Total liabilities and stockholder's deficit | $ 258,367 | $ 259,385 |

See notes to unaudited condensed consolidated financial statements.

**Lantheus MI Intermediate, Inc. and subsidiaries**

**Condensed Consolidated Statements of Stockholder's Deficit**

**(unaudited, in thousands, except share data)**

| | Common Stock | | | | | | |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Due from Parent | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss) | Total Stockholder's Deficit |
| Balance at January 1, 2013 | 1 | $ — | $ (1,353) | $ 2,325 | $ (176,660) | $ 1,335 | $ (174,353) |
| Net loss | — | — | — | — | (61,678) | — | (61,678) |
| Payments from parent | — | — | 94 | — | — | — | 94 |
| Foreign currency translation | — | — | — | — | — | (1,729) | (1,729) |
| Stock-based compensation | — | — | — | 578 | — | — | 578 |
| Balance at December 31, 2013 | 1 | — | (1,259) | 2,903 | (238,338) | (394) | (237,088) |
| Net loss | — | — | — | — | (1,285) | — | (1,285) |
| Advances to parent | — | — | (45) | — | — | — | (45) |
| Committed advances to Parent | — | — | (609) | — | — | — | (609) |
| Foreign currency translation | — | — | — | — | — | (271) | (271) |
| Stock-based compensation | — | — | — | 284 | — | — | 284 |
| Balance at March 31, 2014 | 1 | $ — | $ (1,913) | $ 3,187 | $ (239,623) | $ (665) | $ (239,014) |

See notes to unaudited condensed consolidated financial statements.

**Lantheus MI Intermediate, Inc. and subsidiaries**

**Condensed Consolidated Statements of Cash Flows**

**(unaudited, in thousands)**

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2014 | 2013 |
| **Cash flows from operating activities** | | |
| Net loss | $ (1,285) | $(19,812) |
| Adjustments to reconcile net loss to cash flow from operating activities | | |
| Depreciation and amortization | 4,988 | 7,211 |
| Provision for excess and obsolete inventory | 440 | 1,123 |
| Stock-based compensation | 284 | 257 |
| Deferred income taxes | (2) | (227) |
| Other | (753) | 666 |
| Increase (decrease) in cash from operating assets and liabilities | | |
| Accounts receivable | (4,369) | 2,969 |
| Other current assets | (1,900) | (945) |
| Inventory | (884) | (258) |
| Income taxes | (148) | 3 |
| Deferred revenue | (1,055) | (4,272) |
| Accounts payable | 298 | (1,236) |
| Accrued expenses and other liabilities | 4,371 | 14,371 |
| Cash used in operating activities | (15) | (150) |
| **Cash flows from investing activities** | | |
| Capital expenditures | (1,482) | (1,449) |
| Proceeds from sale of property, plant and equipment | 20 | — |
| Cash used in investing activities | (1,462) | (1,449) |
| **Cash flows from financing activities** | | |
| Payments on note payable | (18) | (389) |
| Deferred financing costs | — | (110) |
| Payments (to)/from parent | (45) | 111 |
| Cash used in financing activities | (63) | (388) |
| Effect of foreign exchange rate on cash | (41) | (438) |
| Decrease in cash and cash equivalents | (1,581) | (2,425) |
| Cash and cash equivalents, beginning of period | 16,669 | 31,595 |
| Cash and cash equivalents, end of period | $ 15,088 | $ 29,170 |
| **Supplemental disclosure of cash flow information** | | |
| Interest paid | $ 66 | $ 6 |
| Income taxes paid, net | $ 127 | $ 178 |
| **Noncash investing and financing activities** | | |
| Property, plant and equipment included in accounts payable and accrued expenses and other liabilities | $ 1,204 | $ 513 |
| Expenses to be paid on behalf of parent included in accrued expenses and other liabilities | $ 609 | $ — |

See notes to unaudited condensed consolidated financial statements.

**Lantheus MI Intermediate, Inc. and subsidiaries**

**Notes to Unaudited Condensed Consolidated Financial Statements**

Unless the context otherwise requires, references to the "Company," "Lantheus," "our company," "we," "us" and "our" refer to Lantheus MI Intermediate, Inc. and its direct and indirect subsidiaries, references to "Lantheus Intermediate" refer to only Lantheus MI Intermediate, Inc., the parent of Lantheus Medical Imaging, Inc., references to "Holdings" refer to Lantheus MI Holdings, Inc., the parent of Lantheus Intermediate and references to "LMI" refer to Lantheus Medical Imaging, Inc., the subsidiary of Lantheus Intermediate. Solely for convenience, we refer to trademarks, service marks and trade names without the TM, SM and ® symbols. Such references are not intended to indicate, in any way, that we will not assert, to the fullest extent permitted under applicable law, our rights to our trademarks, service marks and trade names.

## 1. Business Overview

*Overview*

The Company develops, manufactures, sells and distributes innovative diagnostic medical imaging agents and products that assist clinicians in the diagnosis of cardiovascular and other diseases. The Company's commercial products are used by nuclear physicians, cardiologists, radiologists, internal medicine physicians, technologists and sonographers working in a variety of clinical settings. The Company sells its products to radiopharmacies, hospitals, clinics, group practices, integrated delivery networks, group purchasing organizations and, in certain circumstances, wholesalers. The Company sells its products globally and has operations in the United States, Puerto Rico, Canada and Australia and distribution relationships in Europe, Asia Pacific and Latin America.

The Company's portfolio of 10 commercial products is diversified across a range of imaging modalities. The Company's imaging agents include medical radiopharmaceuticals (including technetium generators) and contrast agents, including the following:

- DEFINITY is the leading ultrasound contrast imaging agent used by cardiologists and sonographers during cardiac ultrasound, or echocardiography, exams based on revenue and usage. DEFINITY is an injectable agent that, in the United States, is indicated for use in patients with suboptimal echocardiograms to assist in the visualization of the left ventricle, the main pumping chamber of the heart. The use of DEFINITY in echocardiography allows physicians to significantly improve their assessment of the function of the left ventricle.
- TechneLite is a self-contained system, or generator, of technetium (Tc99m), a radioisotope with a six hour half-life, used by radiopharmacies to prepare various nuclear imaging agents.
- Xenon Xe 133 Gas is a radiopharmaceutical gas that is inhaled and used to assess pulmonary function and also to image blood flow.
- Cardiolite is an injectable, technetium-labeled imaging agent, also known by its generic name sestamibi, used with SPECT technology in myocardial perfusion imaging, or MPI, procedures that assess blood flow distribution to the heart.
- Neurolite is an injectable, technetium-labeled imaging agent used with SPECT technology to identify the area within the brain where blood flow has been blocked or reduced due to stroke.

In the United States, the Company sells DEFINITY through its sales team that calls on healthcare providers in the echocardiography space, as well as group purchasing organizations and integrated delivery networks. The Company's radiopharmaceutical products are primarily distributed through over 350 radiopharmacies. In Canada, Puerto Rico and Australia, the Company owns nine radiopharmacies and sells its radiopharmaceuticals, as well as others, directly to end users. In Europe, Asia Pacific and Latin America, the Company utilizes distributor relationships to market, sell and distribute its products.

*Basis of Consolidation and Presentation*

The financial statements have been prepared in United States dollars, in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the Company's financial statements for interim periods in accordance with U.S. GAAP. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission, or the SEC. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the Company's consolidated financial statements and the accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, or the 2013 Form 10-K. The Company's accounting policies are described in the "Notes to Consolidated Financial Statements" in the 2013 Form 10-K and updated, as necessary, in this Form 10-Q. There were no changes to the Company's accounting policies since December 31, 2013. The year-end condensed consolidated balance sheet data presented for comparative purposes was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. The results of operations for the three months ended March 31, 2014 are not necessarily indicative of the operating results for the full year or for any other subsequent interim period.

*Recent Events*

The Company incurred a net loss of $1.3 million during the three months ended March 31, 2014 and had an accumulated deficit of $239.6 million at March 31, 2014. During 2013, the Company relied on Ben Venue Laboratories, Inc., or BVL, as its sole manufacturer of Neurolite and as one of its two manufacturers of DEFINITY and Cardiolite. Following extended operational and regulatory challenges at BVL's Bedford, Ohio facility, as of November 15, 2013, BVL ceased manufacturing for the Company any DEFINITY, Cardiolite product or Neurolite. BVL has since released for commercial distribution all of the Company's remaining manufactured product that was awaiting BVL quality approval. The supply challenges with BVL in recent years have had a negative impact on the Company's results. The Company has taken specific steps to address the supply chain risks and reduce discretionary spend.

Following extensive technology transfer activities, the Company currently relies on Jubilant HollisterStier, or JHS, as its sole source manufacturer of DEFINITY. The Company has additional ongoing technology transfer activities at JHS for its Neurolite and Cardiolite product supply. In the meantime, the Company has no other currently active supplier of Neurolite, and its Cardiolite product supply is manufactured by a single manufacturer.

The Company is also pursuing new manufacturing relationships to establish and secure additional or alternative suppliers for its commercial products. On November 12, 2013, the Company entered into a Manufacturing and Supply Agreement with Pharmalucence to manufacture and supply DEFINITY. However, the Company is uncertain about the timing of the completion of the technology transfer contemplated by the Pharmalucence agreement and whether the Pharmalucence arrangement or any other arrangements could provide meaningful quantities of product.

Based on current projections, the Company believes that it will have sufficient supply of DEFINITY from JHS and remaining BVL inventory to meet expected demand and sufficient Cardiolite product supply from its current manufacturer to meet expected demand. The Company also currently anticipates that it will have sufficient BVL-manufactured Neurolite supply for the U.S. market to last until Neurolite technology transfer and U.S. regulatory approval at JHS are completed. Currently, regulatory authorities in certain countries prohibit the Company from marketing products previously manufactured by BVL, and JHS has not yet obtained approval from those regulatory authorities that would permit the Company to market products manufactured by JHS. Accordingly, until those regulatory approvals have been obtained, the Company will not be able to sell and distribute those products in the relevant markets.

If JHS is not able to continue to manufacture and release adequate product supply on a timely and consistent basis, the Company is not successful with the remainder of its JHS technology transfer programs and cannot obtain adequate supply from JHS, or the Company is unable to continue to grow DEFINITY sales, then the Company will need to implement additional expense reductions, such as a delay or elimination of discretionary spending, in all functional areas as well as in other operating and strategic initiatives.

During 2013, the Company has utilized its line of credit as a source of liquidity. Borrowing capacity under the revolving credit facility, or the Facility, is calculated by reference to a borrowing base consisting of a percentage of certain eligible accounts receivable, inventory and machinery and equipment minus any reserves, or the Borrowing Base. If the Company is not successful in achieving its forecasted results, the Company's accounts receivable and inventory could be negatively affected, thus reducing the Borrowing Base and limiting the Company's borrowing capacity. As of March 31, 2014, the Borrowing Base was approximately $42.5 million, which was reduced by (i) an outstanding $8.8 million unfunded Standby Letter of Credit and (ii) an $8.0 million outstanding loan balance, resulting in a net Borrowing Base availability of approximately $25.7 million.

The Company took actions during March 2013 to substantially reduce its discretionary spending. In particular, the Company began to implement a strategic shift in how it funds its research and development, or R&D, programs. The Company reduced its internal R&D resources during 2013, while at the same time it sought to engage one or more strategic partners to assist in the further development and commercialization of its agents in development, including flurpiridaz F 18, 18F LMI 1195 and LMI 1174. The Company has completed its 301 trial for flurpiridaz F 18 with internal funding. The Company is seeking to engage strategic partners to assist with the further development and possible commercialization of that agent. For the other two agents in development, 18F LMI 1195 and LMI 1174, the Company is also seeking to engage strategic partners to assist with the ongoing development activities relating to these agents. Based on the Company's current operating plans, the Company believes its existing cash and cash equivalents, results of operations and availability under the Facility will be sufficient to continue to fund the Company's liquidity requirements for at least the next twelve months.

*Use of Estimates*

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The more significant estimates reflected in the Company's condensed consolidated financial statements include certain judgments regarding revenue recognition, goodwill, tangible and intangible asset valuation, inventory valuation and potential losses on purchase commitments, asset retirement obligations, income tax liabilities, deferred tax assets and liabilities, accrued expenses and stock-based compensation. Actual results could materially differ from those estimates or assumptions.

*Recent Accounting Standards*

In July 2013, the Financial Accounting Standards Board, or the FASB, issued Accounting Standards Update , or ASU, No. 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists," or ASU 2013-11. The amendments in ASU 2013-11 provide guidance on the financial statement presentation of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. ASU 2013-11 was effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The amendments did not have a material impact on the Company's financial position, results of operations or cash flows.

In April 2014, the FASB issued ASU No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity," or ASU 2014-08. The amendments in ASU 2014-08 change the criteria for reporting discontinued operations while enhancing disclosures in this area. The new guidance requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. The new guidance also requires disclosure of the pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting. The amendments in the ASU are effective in the first quarter of 2015 for public organizations with calendar year ends. Early adoption is permitted. The Company does not anticipate this ASU will have a material impact to the Company's financial position, results of operations or cash flows.

**2. Summary of Significant Accounting Policies**

*Revenue Recognition*

The Company recognizes revenue when evidence of an arrangement exists, title has passed, the risks and rewards of ownership have transferred to the customer, the selling price is fixed or determinable, and collectability is reasonably assured. For transactions for which revenue recognition criteria have not yet been met, the respective amounts are recorded as deferred revenue until such point in time the criteria are met and revenue can be recognized. Revenue is recognized net of reserves, which consist of allowances for returns and rebates.

Revenue arrangements with multiple elements are divided into separate units of accounting if certain criteria are met, including whether the delivered element has stand-alone value to the customer. The arrangement's consideration is then allocated to each separate unit of accounting based on the relative selling price of each deliverable. The estimated selling price of each deliverable is determined using the following hierarchy of values: (i) vendor-specific objective evidence of fair value; (ii) third-party evidence of selling price; and (iii) best estimate of selling price. The best estimate of selling price reflects the Company's best estimate of what the selling price would be if the deliverable was regularly sold by the Company

on a stand-alone basis. The consideration allocated to each unit of accounting is then recognized as the related goods or services are delivered, limited to the consideration that is not contingent upon future deliverables. Supply or service transactions may involve the charge of a nonrefundable initial fee with subsequent periodic payments for future products or services. The up-front fees, even if nonrefundable, are recognized as revenue as the products and/or services are delivered and performed over the term of the arrangement.

*Inventory*

Inventory costs associated with product that has not yet received regulatory approval are capitalized if the Company believes there is probable future commercial use of the product and future economic benefits of the asset. If future commercial use of the product is not probable, then inventory costs associated with such product are expensed during the period the costs are incurred. For the three months ended March 31, 2014, the Company expensed $1.3 million of such product costs in cost of goods sold relating to Neurolite that was manufactured by JHS. At March 31, 2014 and December 31, 2013, the Company had no capitalized inventories associated with product that did not have regulatory approval.

*Goodwill*

Goodwill is not amortized, but is instead tested for impairment at least annually and whenever events or circumstances indicate that it is more likely than not that it may be impaired. The Company has elected to perform the annual test for goodwill impairment as of October 31 of each year. All goodwill has been allocated to the U.S. operating segment.

During the first quarter of 2013, the strategic shift in how the Company funds its R&D programs significantly altered the expected future costs and revenues associated with the Company's agents in development. Accordingly, this action was deemed to be a triggering event for an evaluation of the recoverability of the Company's goodwill as of March 31, 2013. The Company performed an interim impairment test and determined that there was no goodwill impairment as of March 31, 2013. There were no events as of March 31, 2014 and December 31, 2013 that triggered an interim impairment test of goodwill.

The Company calculates the fair value of its reporting units using the income approach, which utilizes discounted forecasted future cash flows and the market approach which utilizes fair value multiples of comparable publicly traded companies. The discounted cash flows are based on the Company's most recent long-term financial projections and are discounted using a risk adjusted rate of return, which is determined using estimates of market participant risk-adjusted weighted average costs of capital and reflects the risks associated with achieving future cash flows. The market approach is calculated using the guideline company method, where the Company uses market multiples derived from stock prices of companies engaged in the same or similar lines of business. A combination of the two methods is utilized to derive the fair value of the business in order to decrease the inherent risk associated with each model if used independently.

### 3. Fair Value of Financial Instruments

The tables below present information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2014 and December 31, 2013, and indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs utilize data points from active markets that are observable, such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs utilize unobservable data points for the asset or liability.

| March 31, 2014 (in thousands) | Total fair value | Quoted prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|---|---|---|---|---|
| Money market | $ 1,208 | $ 1,208 | $ — | $ — |
| Certificates of deposit—restricted | 318 | — | 318 | — |
| Total | $1,526 | $ 1,208 | $ 318 | $ — |

| December 31, 2013 (in thousands) | Total fair value | Quoted prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|---|---|---|---|---|
| Money market | $ 1,236 | $ 1,236 | $ — | $ — |
| Certificates of deposit—restricted | 322 | — | 322 | — |
| Total | $1,558 | $ 1,236 | $ 322 | $ — |

At both March 31, 2014 and December 31, 2013, the Company has a $0.2 million certificate of deposit for which the Company's use of such cash is restricted and is included in the line item "Certificates of deposit—restricted" above. This investment is classified in other current assets on the condensed consolidated balance sheet. The remaining $0.1 million at both March 31, 2014 and December 31, 2013 represents a certificate of deposit that is collateral for a long-term lease and is included in other long-term assets on the condensed consolidated balance sheet. Certificates of deposit are classified within Level 2 of the fair value hierarchy, as these are not traded on the open market.

At March 31, 2014, the Company had total cash and cash equivalents of $15.1 million, which included approximately $1.2 million of money market funds and $13.9 million of cash on-hand. At December 31, 2013, the Company had total cash and cash equivalents of $16.7 million, which included approximately $1.2 million of money market funds and $15.5 million of cash on-hand.

The estimated fair values of the Company's financial instruments, including its cash and cash equivalents, receivables, accounts payable and accrued expenses approximate the carrying values of these instruments due to their short term nature. The estimated fair value of the debt at March 31, 2014, based on Level 2 inputs of recent market activity available to the Company, was $396.0 million compared to the face value of $400.0 million. At December 31, 2013, the estimated fair value of the debt was $356.0 million compared to the face value of $400.0 million.

**4. Income Taxes**

The Company provides for income taxes at the end of each interim period based on the estimated effective tax rate for the full fiscal year in addition to discrete events which impact the interim period. The Company's effective tax rate differs from the U.S. statutory rate principally due to the rate impact of uncertain tax positions, valuation allowance changes and state taxes. Cumulative adjustments to the tax provision are recorded in the interim period in which a change in the estimated annual effective rate is determined. The Company's tax benefit was $1.2 million and tax provision was $0.6 million for the three months ended March 31, 2014 and 2013, respectively.

In connection with the Company's acquisition of the medical imaging business from Bristol-Myers Squibb Company, or BMS, in 2008, the Company obtained a tax indemnification agreement with BMS related to certain tax obligations arising prior to the acquisition of the Company, for which the Company has the primary legal obligation. The tax indemnification receivable is recognized within other long-term assets. The changes in the tax indemnification asset are recognized within other income, net in the condensed consolidated statement of comprehensive loss. In accordance with the Company's accounting policy, the change in the tax liability and penalties and interest associated with these obligations (net of any offsetting federal or state benefit) is recognized within the tax provision. Accordingly, as these reserves change, adjustments are included in the tax provision while the offsetting adjustment is included in other (expense) income. Assuming that the receivable from BMS continues to be considered recoverable by the Company, there is no net effect on earnings related to these liabilities and no net cash outflows.

On March 13, 2014, New York State, BMS, the Company and a relator entered into a Stipulation and Settlement Agreement and other related agreements, or collectively the Settlement Documents, to resolve an investigation by the Office of the Attorney General of New York State, claims relating to certain New York State and New York City tax matters and related claims under the New York False Claims Act. The claims at issue arose during the period from January 1, 2002 through December 31, 2006, which predated the acquisition of the medical imaging business from BMS in January 2008 and are subject to the tax indemnification agreement described above. Pursuant to the Settlement Documents, BMS paid (on behalf of itself and the Company) $6.3 million, and neither BMS nor the Company admitted any liability. The Company received a full release from New York State, New York City and the relator with respect to the claims at issue.

Within the next twelve months, approximately $0.9 million of unrecognized tax benefits primarily relating to transfer pricing may be recognized due to the closing of statutes of limitation.

**5. Inventory**

The Company includes within current assets the amount of inventory that is estimated to be utilized within twelve months. Inventory that will be utilized after twelve months is classified within other long-term assets.

Inventory, classified in inventory or other long-term assets, consisted of the following:

| (in thousands) | March 31, 2014 | December 31, 2013 |
|---|---|---|
| Raw materials | $ 5,910 | $ 7,063 |
| Work in process | 6,659 | 5,849 |
| Finished goods | 5,926 | 5,398 |
| Inventory | 18,495 | 18,310 |
| Other long-term assets | 1,979 | 1,687 |
| Total | $ 20,474 | $ 19,997 |

At March 31, 2014, inventories reported as other long-term assets included $1.2 million of raw materials and $0.8 million of finished goods. At December 31, 2013, inventories reported as other long-term assets included $1.7 million of raw materials.

The Company's Ablavar product was commercially launched in January 2010. The revenues for this product through March 31, 2014 have not been significant. At March 31, 2014 and December 31, 2013, the balances of inventory on-hand reflect approximately $1.6 million and $1.5 million, respectively, of finished products and raw materials related to Ablavar. LMI has an agreement with a supplier to provide Active Pharmaceutical Ingredient and finished products for Ablavar under which LMI is required to purchase future minimum quantities through September 30, 2014. At March 31, 2014, there are no remaining future purchase commitments and $1.6 million is included in accounts payable related to the final receipts of inventory during the first quarter of 2014 under this agreement. The Company records the inventory when it takes delivery, at which time the Company assumes title and risk of loss.

**6. Property, Plant and Equipment, net**

Property, plant and equipment consisted of the following:

| (in thousands) | March 31, 2014 | December 31, 2013 |
|---|---|---|
| Land | $ 14,950 | $ 14,950 |
| Buildings | 67,044 | 65,787 |
| Machinery, equipment and fixtures | 66,157 | 65,026 |
| Construction in progress | 6,288 | 8,029 |
| Accumulated depreciation | (58,100) | (56,139) |
| Property, plant and equipment, net | $ 96,339 | $ 97,653 |

For each of the three month periods ended March 31, 2014 and 2013, depreciation expense related to property, plant and equipment was $2.2 million and $2.4 million, respectively.

Included within machinery, equipment and fixtures are spare parts of approximately $2.5 million at both March 31, 2014 and December 31, 2013. Spare parts include replacement parts relating to plant and equipment and are either recognized as an expense when consumed or re-classified and capitalized as part of the related plant and equipment and depreciated over a time period not exceeding the useful life of the related asset.

Fixed assets dedicated to R&D activities, which were impacted by the March 2013 R&D strategic shift, have a carrying value of $5.9 million as of March 31, 2014. The Company believes these fixed assets will be utilized for either internally funded ongoing R&D activities or R&D activities funded by a strategic partner. If the Company is not successful in finding a strategic partner and there are no alternative uses for these fixed assets, then they could be subject to impairment in the future.

**7. Asset Retirement Obligations**

The Company considers the legal obligation to remediate its facilities upon a decommissioning of its radioactive related operations as an asset retirement obligation. The operations of the Company have radioactive production facilities at its North Billerica, Massachusetts and San Juan, Puerto Rico sites.

The Company is required to provide the U.S. Nuclear Regulatory Commission and Massachusetts Department of Public Health financial assurance demonstrating the Company's ability to fund the decommissioning of the North Billerica, Massachusetts production facility upon closure, although the Company does not intend to close the facility. The Company has provided this financial assurance in the form of a $28.2 million surety bond and an $8.8 million letter of credit.

The fair value of a liability for asset retirement obligations is recognized in the period in which the liability is incurred. As of March 31, 2014, the liability is measured at the present value of the obligation expected to be incurred, of approximately $26.6 million, and is adjusted in subsequent periods as accretion expense is recorded. The corresponding asset retirement costs are capitalized as part of the carrying value of the related long-lived assets and depreciated over the asset's useful life.

The following is a reconciliation of the Company's asset retirement obligations for the three months ended March 31, 2014:

| (in thousands) | |
|---|---|
| Balance at January 1, 2014 | $6,385 |
| Capitalization | 277 |
| Accretion expense | 199 |
| Balance at March 31, 2014 | $6,861 |

## 8. Intangibles, net

Intangibles, net consisted of the following:

| | March 31, 2014 | | | |
|---|---|---|---|---|
| (in thousands) | Cost | Accumulated amortization | Net | Amortization Method |
| Trademarks | $ 13,540 | $ 3,753 | $ 9,787 | Straight-line |
| Customer relationships | 105,899 | 85,470 | 20,429 | Accelerated |
| Other patents | 42,780 | 39,998 | 2,782 | Straight-line |
| | $162,219 | $ 129,221 | $32,998 | |

| | December 31, 2013 | | | |
|---|---|---|---|---|
| (in thousands) | Cost | Accumulated amortization | Net | Amortization Method |
| Trademarks | $ 13,540 | $ 3,298 | $ 10,242 | Straight-line |
| Customer relationships | 106,298 | 84,476 | 21,822 | Accelerated |
| Other patents | 42,780 | 39,846 | 2,934 | Straight-line |
| | $162,618 | $ 127,620 | $34,998 | |

For the three months ended March 31, 2014 and 2013, the Company recorded amortization expense for its intangible assets of $1.9 million and $3.6 million, respectively.

Expected future amortization expense related to the intangible assets is as follows:

| (in thousands) | |
|---|---|
| Remainder of 2014 | $ 5,704 |
| 2015 | 6,019 |
| 2016 | 5,335 |
| 2017 | 3,520 |
| 2018 | 2,791 |
| 2019 and thereafter | 9,629 |
| | $32,998 |

**9. Accrued Expenses and Other Liabilities**

Accrued expenses and other liabilities are comprised of the following:

| (in thousands) | March 31, 2014 | December 31, 2013 |
|---|---|---|
| Compensation and benefits | $ 5,909 | $ 10,209 |
| Accrued interest | 14,719 | 4,989 |
| Accrued professional fees | 1,696 | 1,361 |
| Research and development services | 53 | 338 |
| Freight, distribution and operations | 3,648 | 3,432 |
| Accrued loss on firm purchase commitment | — | 1,315 |
| Marketing expense | 1,134 | 749 |
| Accrued rebates, discounts and chargebacks | 2,322 | 1,739 |
| Other | 1,036 | 1,360 |
| | $ 30,517 | $ 25,492 |

As of December 31, 2013, the Company had accrued a contract loss of $1.3 million associated with the portion of the committed purchases of Ablavar product from the Company's supplier that the Company did not believe it would sell prior to expiry. As of March 31, 2014, the accrued contract loss has been reclassified to a reserve against the Ablavar inventory balance, because the Company received the remaining purchase commitments in the first quarter of 2014.

**10. Financing Arrangements**

*Senior Notes*

LMI has $400.0 million in aggregate principal amount of Senior Notes, or the Notes, outstanding. The Notes bear interest at a rate of 9.750% per year, payable on May 15 and November 15 of each year. The Notes mature on May 15, 2017.

*Revolving Line of Credit*

As of March 31, 2014, LMI has a Facility with an aggregate principal amount not to exceed $42.5 million. The revolving loans under the Facility bear interest subject to a pricing grid based on average historical excess availability under the Facility, with pricing based from time to time at the election of the Company at (i) LIBOR plus a spread ranging from 2.00% to 2.50% or (ii) the Reference Rate (as defined in the agreement) plus a spread ranging from 1.00% to 1.50%. The Facility also includes an unused line fee of 0.375% or 0.5%, depending on the average unused revolving credit commitments. The Facility expires on the earlier of (i) July 3, 2018 or (ii) if the outstanding Notes are not refinanced in full, the date that is 91 days before the maturity thereof, at which time all outstanding borrowings are due and payable.

As of March 31, 2014 and December 31, 2013, the Company has an unfunded Standby Letter of Credit for up to $8.8 million. The unfunded Standby Letter of Credit requires annual fees, payable quarterly, between 2.00% and 2.50% of the face amount, and expires on February 5, 2015, which will automatically renew for a one year period at each anniversary date, unless the Company elects not to renew in writing within 60 days prior to that expiration.

The Facility is secured by a pledge of substantially all of the assets of each of the Company, LMI and Lantheus Real Estate, including each entity's accounts receivable, inventory and machinery and equipment, and is guaranteed by each of Lantheus Intermediate and Lantheus Real Estate. Borrowing capacity is determined by reference to a Borrowing Base, which is based on a percentage of certain eligible accounts receivable, inventory and machinery and equipment minus any reserves. As of March 31, 2014, the aggregate Borrowing Base was approximately $42.5 million, which was reduced by (i) an outstanding $8.8 million unfunded Standby Letter of Credit and (ii) an $8.0 million outstanding loan balance, resulting in a net Borrowing Base availability of approximately $25.7 million.

**11. Stock-Based Compensation**

The Company's employees are eligible to receive awards under the Holdings 2013 Equity Incentive Plan, or the 2013 Plan. The 2013 Plan is administered by the Holdings Board of Directors and permits the granting of nonqualified stock options, stock appreciation rights, or SARs, restricted stock and restricted stock units to employees, officers, directors and consultants of Holdings or any subsidiary of Holdings (including Lantheus Intermediate and LMI). On August 5, 2013, the Holdings Board of Directors adopted a resolution providing that no further grants be made under the Holdings 2008 Equity Incentive Plan, or the 2008 Plan. At the same time, the maximum number of shares that may be issued pursuant to awards under the 2013 Plan was increased from 1,500,000 to 2,700,000. Option awards under the 2013 Plan are granted with an exercise price equal to the fair value of Holdings' stock at the date of grant, as determined by the Board of Directors of Holdings. Time based option awards vest based on time, either four or five years, and performance based option awards vest based on the performance criteria specified in the grant. All option awards have a ten-year contractual term. The Company

recognizes compensation costs for its time based awards on a straight-line basis equal to the vesting period. The compensation cost for performance based awards is recognized on a graded vesting basis, based on the probability of achieving the performance targets over the requisite service period for the entire award. The fair value of each option award is estimated on the date of grant using a Black-Scholes valuation model that uses the assumptions noted in the following table. Expected volatilities are based on the historic volatility of a selected peer group. Expected dividends represent the dividends expected to be issued at the date of grant. The expected term of options represents the period of time that options granted are expected to be outstanding. The risk-free interest rate assumption is the U.S. Treasury rate at the date of the grant which most closely resembles the expected life of the options.

The Company uses the following Black-Scholes inputs to determine the fair value of new stock option grants.

| | Three Months Ended March 31, | |
|---|---|---|
| | 2014 | 2013 |
| Expected volatility | 35% | 36% |
| Expected dividends | — | — |
| Expected life (in years) | 5.5 | 5.5 - 6.3 |
| Risk-free interest rate | 1.5 – 1.6% | 0.8 - 1.0% |

A summary of option activity for 2014 is presented below:

| | Time Based | Performance Based | Total | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term | Aggregate Intrinsic Value |
|---|---|---|---|---|---|---|
| Outstanding at January 1, 2014 | 2,761,037 | 1,097,425 | 3,858,462 | $ 4.89 | 6.9 | $ 6,777,000 |
| Options granted | 49,423 | — | 49,423 | 6.07 | | |
| Options cancelled | (13,900) | (4,270) | (18,170) | 5.40 | | |
| Options exercised | (4,500) | (1,737) | (6,237) | 2.00 | | |
| Options forfeited or expired | (11,600) | (5,480) | (17,080) | 7.67 | | |
| Outstanding at March 31, 2014 | 2,780,460 | 1,085,938 | 3,866,398 | 4.89 | 6.7 | $6,275,000 |
| Vested and expected to vest at March 31, 2014 | 2,696,860 | 704,745 | 3,401,605 | 4.63 | 6.4 | $6,275,000 |
| Exercisable at March 31, 2014 | 1,536,874 | 523,325 | 2,060,199 | 3.09 | 4.6 | $6,275,000 |

The weighted average grant-date fair value of options granted during the three months ended March 31, 2014 and 2013 was $2.11 and $2.78, respectively.

Stock-based compensation expense for both time based and performance based awards was recognized in the condensed consolidated statements of comprehensive loss as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| (in thousands) | 2014 | 2013 |
| Cost of goods sold | $ 41 | $ 27 |
| Sales and marketing | 44 | 14 |
| General and administrative | 169 | 196 |
| Research and development | 30 | 20 |
| Total stock-based compensation expense | $ 284 | $ 257 |

Stock-based compensation expense recognized in the condensed consolidated statement of comprehensive loss for the three months ended March 31, 2014 and 2013 are based on awards ultimately expected to vest as well as any changes in the probability of achieving certain performance features as required.

Upon termination of employment, Holdings has the right to call shares held by employees that were purchased or acquired through option exercise. As a result of this right, upon termination of service, vested stock-based awards are reclassified to liability-based awards when it is probable the employee will exercise the option and that Holdings will exercise its call right. As of March 31, 2014 and December 31, 2013, the Company did not have any liability-based awards outstanding.

The Company did not recognize an income tax benefit for the three months ended March 31, 2014 and 2013. As of March 31, 2014, there was approximately $2.6 million of total unrecognized compensation costs related to non-vested stock options granted under the 2013 and 2008 Plans. These costs are expected to be recognized over a weighted-average remaining period of 1.5 years. In addition, performance based awards contain certain contingent features, such as change in control provisions, which allow for the vesting of previously forfeited and unvested awards. As of March 31, 2014, there was approximately $1.0 million of unrecognized compensation expense relating to these features, which could be recognized through 2023.

### 12. Other (Expense) Income, net

Other (expense) income, net consisted of the following:

| | Three Months Ended March 31, | |
|---|---|---|
| (in thousands) | 2014 | 2013 |
| Foreign currency losses | $ (238) | $ (85) |
| Tax indemnification (expense) income | (175) | 439 |
| Other (expense) income | (1) | 367 |
| Total other (expense) income, net | $ (414) | $721 |

### 13. Legal Proceedings and Contingencies

From time to time, the Company is a party to various legal proceedings arising in the ordinary course of business. In addition, the Company has in the past been, and may in the future be, subject to investigations by governmental and regulatory authorities, which expose it to greater risks associated with litigation, regulatory or other proceedings, as a result of which the Company could be required to pay significant fines or penalties. The outcome of litigation, regulatory or other proceedings cannot be predicted with certainty, and some lawsuits, claims, actions or proceedings may be disposed of unfavorably to the Company. In addition, intellectual property disputes often have a risk of injunctive relief which, if imposed against the Company, could materially and adversely affect its financial condition or results of operations. As of March 31, 2014, the Company had no material ongoing litigation in which the Company was a defendant or any material ongoing regulatory or other proceedings and had no knowledge of any investigations by government or regulatory authorities in which the Company is a target that could have a material adverse effect on its current business.

On December 16, 2010, LMI filed suit against one of its insurance carriers seeking to recover business interruption losses associated with the NRU reactor shutdown and the ensuing global Moly supply shortage. The claim is the result of the shutdown of the NRU reactor in Chalk River, Ontario. The NRU reactor was off-line from May 2009 until August 2010 due to a “heavy water” leak in the reactor vessel. The defendant answered the complaint on January 21, 2011, denying substantially all of the allegations, presenting certain defenses and requesting dismissal of the case with costs and disbursements. Discovery has commenced and is continuing. At a hearing held on March 28, 2014, the court granted the defendant leave to file a summary judgment motion on June 30, 2014, and the court granted the Company until August 4, 2014 to respond to that motion. The Company cannot be certain what amount, if any, or when, if ever, it will be able to recover for business interruption losses related to this matter.

### 14. Related Party Transactions

At March 31, 2014 and December 31, 2013, LMI had outstanding receivables from Holdings in the amount of $1.9 million and $1.3 million, respectively, which was included in due from parent within stockholder’s deficit.

Avista, the majority shareholder of LMI Holdings, provides certain advisory services to the Company pursuant to an advisory services and monitoring agreement. The Company is required to pay an annual fee of $1.0 million and other reasonable and customary advisory fees, as applicable, paid on a quarterly basis. The initial term of the agreement is seven years. Upon termination, all remaining amounts owed under the agreement shall become due immediately. During each of the

three months ended March 31, 2014 and 2013, the Company incurred costs associated with this agreement totaling $0.3 million. At March 31, 2014 and December 31, 2013, $8,000 and $30,000, respectively, was included in accrued expenses.

The Company has a Master Contract Research Organization Services Agreement with INC Research, LLC, or INC, to provide clinical development services in connection with the flurpiridaz F 18 Phase III program. Avista and certain of its affiliates are principal owners of both INC and the Company. The agreement has a term of five years, and the Company did not incur any costs associated with this agreement in the three months ended March 31, 2014. The Company incurred costs associated with this agreement totaling $0.4 million in the three months ended March 31, 2013. At both March 31, 2014 and December 31, 2013, there was no balance due to INC.

The Company purchases inventory supplies from VWR Scientific, or VWR. Avista and certain of its affiliates are principal owners of both VWR and the Company. The Company made purchases of $60,000 and $38,000 during each of the three months ended March 31, 2014 and 2013, respectively. At March 31, 2014 and December 31, 2013, $3,000 and $1,000, respectively, was included in accounts payable and accrued expenses.

The Company retains Marsh for insurance brokering and risk management. In November 2013, Donald Bailey, brother of the Company's President and Chief Executive Officer, Jeffrey Bailey, was appointed head of sales for Marsh's U.S. and Canada division. In 2014, the Company expects to pay Marsh approximately $0.3 million. At both March 31, 2014 and December 31, 2013, there was a prepaid of $43,000 included in other current assets.

At both March 31, 2014 and December 31, 2013, the Company had $0.1 million due from an officer of the Company included in accounts receivable, net. These amounts represent federal and state tax withholdings paid by the Company on behalf of the officer.

**15. Segment Information**

The Company reports two operating segments, U.S. and International, based on geographic customer base. The results of these operating segments are regularly reviewed by our chief operating decision maker, the President and Chief Executive Officer. The Company's segments derive revenues through the manufacturing, marketing, selling and distribution of medical imaging products, focused primarily on cardiovascular diagnostic imaging. The U.S. segment comprised 77.5% and 76.4% of consolidated revenues for the three months ended March 31, 2014 and 2013, respectively, and 90.4% and 89.8% of consolidated assets at March 31, 2014 and December 31, 2013, respectively. All goodwill has been allocated to the U.S. operating segment.

Selected information for each business segment is as follows (in thousands):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2014 | 2013 |
| ***Revenues*** | | |
| U.S. | $ 61,387 | $ 58,934 |
| International | 16,525 | 16,763 |
| Total revenue, including inter-segment | 77,912 | 75,697 |
| Less inter-segment revenue | (4,576) | (4,679) |
| | $ 73,336 | $ 71,018 |
| ***Revenues from external customers*** | | |
| U.S. | $ 56,811 | $ 54,255 |
| International | 16,525 | 16,763 |
| | $ 73,336 | $ 71,018 |
| ***Operating income (loss)*** | | |
| U.S. | $ 7,020 | $ (9,024) |
| International | 1,299 | (231) |
| Total operating income (loss), including inter-segment | 8,319 | (9,255) |
| Inter-segment operating income | 170 | 19 |
| Operating income (loss) | 8,489 | (9,236) |
| Interest expense, net | (10,552) | (10,669) |
| Other (expense) income, net | (414) | 721 |
| (Loss) income before income taxes | $ (2,477) | $ (19,184) |

| | March 31, 2014 | December 31, 2013 |
|---|---|---|
| ***Total assets*** | | |
| U.S. | $ 233,635 | $ 232,973 |
| International | 24,732 | 26,412 |
| | $258,367 | $ 259,385 |

**16. Guarantor Financial Information**

The Notes, issued by LMI, are guaranteed by Lantheus Intermediate, or the Parent Guarantor, and Lantheus Real Estate, one of Lantheus Intermediate's wholly-owned consolidated subsidiaries, or the Guarantor Subsidiary. The guarantees are full and unconditional and joint and several. The following supplemental financial information sets forth, on a condensed consolidating basis, balance sheet information as of March 31, 2014 and December 31, 2013, comprehensive (loss) income information for the three months ended March 31, 2014 and 2013 and cash flow information for the three months ended March 31, 2014 and 2013 for Lantheus Intermediate, LMI, the Guarantor Subsidiary and Lantheus Intermediate's other subsidiaries, or the Non-Guarantor Subsidiaries. The condensed consolidating financial statements have been prepared on the same basis as the condensed consolidated financial statements of Lantheus Intermediate. The equity method of accounting is followed within this financial information.

**Condensed Consolidating Balance Sheet Information**

**March 31, 2014**

| (in thousands) | Lantheus Intermediate | LMI | Guarantor Subsidiary | Non-Guarantor Subsidiaries | Eliminations | Total |
|---|---|---|---|---|---|---|
| Assets: | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | $ — | $ 12,284 | $ — | $ 2,804 | $ — | $ 15,088 |
| Accounts receivable, net | — | 32,218 | — | 11,034 | — | 43,252 |
| Intercompany accounts receivable | — | 1,698 | — | — | (1,698) | — |
| Inventory | — | 15,422 | — | 3,073 | — | 18,495 |
| Income tax receivable | — | 356 | — | 119 | — | 475 |
| Deferred tax assets | — | — | — | 12 | — | 12 |
| Other current assets | — | 4,428 | — | 480 | — | 4,908 |
| Total current assets | — | 66,406 | — | 17,522 | (1,698) | 82,230 |
| Property, plant and equipment, net | — | 75,276 | 15,595 | 5,468 | — | 96,339 |
| Capitalized software development costs, net | — | 1,987 | — | 2 | — | 1,989 |
| Intangibles, net | — | 30,101 | — | 2,897 | — | 32,998 |
| Goodwill | — | 15,714 | — | — | — | 15,714 |
| Deferred financing costs | — | 9,030 | — | — | — | 9,030 |
| Deferred tax assets | — | — | — | 27 | — | 27 |
| Investment in subsidiaries | (239,014) | 39,854 | — | — | 199,160 | — |
| Intercompany note receivable | — | — | — | 5,453 | (5,453) | — |
| Other long-term assets | — | 19,843 | — | 197 | — | 20,040 |
| Total assets | $ (239,014) | $258,211 | $15,595 | $ 31,566 | $ 192,009 | $258,367 |
| Liabilities and (deficit) equity: | | | | | | |
| Current liabilities | | | | | | |
| Line of Credit | $ — | $ 8,000 | $ — | $ — | $ — | $ 8,000 |
| Accounts payable | — | 16,531 | — | 1,808 | — | 18,339 |
| Intercompany accounts payable | — | — | — | 1,698 | (1,698) | — |
| Accrued expenses and other liabilities | — | 27,205 | — | 3,312 | — | 30,517 |
| Deferred tax liability | — | — | — | 59 | — | 59 |
| Deferred revenue | — | 2,933 | — | — | — | 2,933 |
| Total current liabilities | — | 54,669 | — | 6,877 | (1,698) | 59,848 |
| Asset retirement obligations | — | 6,681 | — | 180 | — | 6,861 |
| Long-term debt, net | — | 399,098 | — | — | — | 399,098 |
| Intercompany note payable | — | 5,453 | — | — | (5,453) | — |
| Deferred tax liability | — | — | — | 7 | — | 7 |
| Other long-term liabilities | — | 31,324 | — | 243 | — | 31,567 |
| Total liabilities | — | 497,225 | — | 7,307 | (7,151) | 497,381 |
| (Deficit) equity | (239,014) | (239,014) | 15,595 | 24,259 | 199,160 | (239,014) |
| Total liabilities and (deficit) equity | $ (239,014) | $258,211 | $15,595 | $ 31,566 | $ 192,009 | $258,367 |

**Condensed Consolidating Balance Sheet Information**

**December 31, 2013**

| (in thousands) | Lantheus Intermediate | LMI | Guarantor Subsidiary | Non-Guarantor Subsidiaries | Eliminations | Total |
|---|---|---|---|---|---|---|
| Assets: | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | $ — | $ 11,995 | $ — | $ 4,674 | $ — | $ 16,669 |
| Accounts receivable, net | — | 28,099 | — | 10,811 | — | 38,910 |
| Intercompany accounts receivable | — | 2,671 | — | — | (2,671) | — |
| Inventory | — | 15,414 | — | 2,896 | — | 18,310 |
| Income tax receivable | — | 297 | — | 28 | — | 325 |
| Deferred tax assets | — | — | — | 18 | — | 18 |
| Other current assets | — | 2,906 | — | 181 | — | 3,087 |
| Total current assets | — | 61,382 | — | 18,608 | (2,671) | 77,319 |
| Property, plant and equipment, net | — | 76,068 | 15,615 | 5,970 | — | 97,653 |
| Capitalized software development costs, net | — | 1,468 | — | 2 | — | 1,470 |
| Intangibles, net | — | 31,838 | — | 3,160 | — | 34,998 |
| Goodwill | — | 15,714 | — | — | — | 15,714 |
| Deferred financing costs | — | 9,639 | — | — | — | 9,639 |
| Deferred tax assets | — | — | — | 15 | — | 15 |
| Investment in subsidiaries | (237,088) | 40,289 | — | — | 196,799 | — |
| Intercompany note receivable | — | — | — | 5,396 | (5,396) | — |
| Other long-term assets | — | 22,370 | — | 207 | — | 22,577 |
| Total assets | $ (237,088) | $ 258,768 | $ 15,615 | $ 33,358 | $ 188,732 | $ 259,385 |
| Liabilities and (deficit) equity: | | | | | | |
| Current liabilities | | | | | | |
| Line of credit | $ — | $ 8,000 | $ — | $ — | $ — | $ 8,000 |
| Accounts payable | — | 16,672 | — | 1,431 | — | 18,103 |
| Intercompany accounts payable | — | — | — | 2,671 | (2,671) | — |
| Accrued expenses and other liabilities | — | 21,409 | — | 4,083 | — | 25,492 |
| Deferred tax liability | — | — | — | 57 | — | 57 |
| Deferred revenue | — | 3,979 | — | — | — | 3,979 |
| Total current liabilities | — | 50,060 | — | 8,242 | (2,671) | 55,631 |
| Asset retirement obligations | — | 6,212 | — | 173 | — | 6,385 |
| Long-term debt, net | — | 399,037 | — | — | — | 399,037 |
| Intercompany note payable | — | 5,396 | — | — | (5,396) | — |
| Deferred tax liability | — | — | — | 12 | — | 12 |
| Other long-term liabilities | — | 35,151 | — | 257 | — | 35,408 |
| Total liabilities | — | 495,856 | — | 8,684 | (8,067) | 496,473 |
| (Deficit) equity | (237,088) | (237,088) | 15,615 | 24,674 | 196,799 | (237,088) |
| Total liabilities and (deficit) equity | $ (237,088) | $ 258,768 | $ 15,615 | $ 33,358 | $ 188,732 | $ 259,385 |

**Condensed Consolidating Statement of Comprehensive Loss**

**Three Months Ended March 31, 2014**

| (in thousands) | Lantheus Intermediate | LMI | Guarantor Subsidiary | Non-Guarantor Subsidiaries | Eliminations | Total |
|---|---|---|---|---|---|---|
| Revenues | $ — | $ 63,857 | $ — | $ 14,055 | $ (4,576) | $ 73,336 |
| Cost of goods sold | — | 35,539 | — | 12,312 | (4,576) | 43,275 |
| Gross profit | — | 28,318 | — | 1,743 | — | 30,061 |
| Operating expenses | | | | | | |
| Sales and marketing expenses | — | 8,489 | — | 1,009 | — | 9,498 |
| General and administrative expenses | — | 8,261 | 20 | 571 | — | 8,852 |
| Research and development expenses | — | 3,114 | — | 108 | — | 3,222 |
| Operating income (loss) | — | 8,454 | (20) | 55 | — | 8,489 |
| Interest expense, net | — | (10,618) | — | 66 | — | (10,552) |
| Other (expense) income, net | — | (177) | — | (237) | — | (414) |
| Equity in earnings (losses) of affiliates | (1,285) | (164) | — | — | 1,449 | — |
| Income (loss) before income taxes | (1,285) | (2,505) | (20) | (116) | 1,449 | (2,477) |
| (Benefit) provision for income taxes | — | (1,220) | — | 28 | — | (1,192) |
| Net income (loss) | (1,285) | (1,285) | (20) | (144) | 1,449 | (1,285) |
| Foreign currency translation | — | — | — | (271) | — | (271) |
| Equity in other comprehensive income (loss) of subsidiaries | (271) | (271) | — | — | 542 | — |
| Total comprehensive (loss) income | $ (1,556) | $ (1,556) | $ (20) | $ (415) | $ 1,991 | $ (1,556) |

**Condensed Consolidating Statement of Comprehensive Loss**

**Three Months Ended March 31, 2013**

| (in thousands) | Lantheus Intermediate | LMI | Guarantor Subsidiary | Non-Guarantor Subsidiaries | Eliminations | Total |
|---|---|---|---|---|---|---|
| Revenues | $ — | $ 60,151 | $ — | $ 15,546 | $ (4,679) | $ 71,018 |
| Cost of goods sold | — | 38,350 | — | 14,535 | (4,679) | 48,206 |
| Gross profit | — | 21,801 | — | 1,011 | — | 22,812 |
| Operating expenses | | | | | | |
| Sales and marketing expenses | — | 8,862 | — | 935 | — | 9,797 |
| General and administrative expenses | — | 9,678 | 20 | 555 | — | 10,253 |
| Research and development expenses | — | 11,950 | — | 48 | — | 11,998 |
| Operating loss | — | (8,689) | (20) | (527) | — | (9,236) |
| Interest expense, net | — | (10,710) | — | 41 | — | (10,669) |
| Other (expense) income, net | — | 783 | — | (62) | — | 721 |
| Equity in earnings (losses) of affiliates | (19,812) | (449) | — | — | 20,261 | — |
| Income (loss) before income taxes | (19,812) | (19,065) | (20) | (548) | 20,261 | (19,184) |
| (Benefit) provision for income taxes | — | 747 | — | (119) | — | 628 |
| Net income (loss) | (19,812) | (19,812) | (20) | (429) | 20,261 | (19,812) |
| Foreign currency translation | — | — | — | (597) | — | (597) |
| Equity in other comprehensive income (loss) of subsidiaries | (597) | (597) | — | — | 1,194 | — |
| Total comprehensive (loss) income | $ (20,409) | $ (20,409) | $ (20) | $ (1,026) | $ 21,455 | $ (20,409) |

**Condensed Consolidating Cash Flow Information**

**Three Months Ended March 31, 2014**

| | Lantheus Intermediate | LMI | Guarantor Subsidiary | Non-Guarantor Subsidiaries | Eliminations | Total |
|---|---|---|---|---|---|---|
| **Cash provided by operating activities** | $ — | $ 1,797 | $ — | $ (1,812) | $ — | $ (15) |
| **Cash flows from investing activities** | | | | | | |
| Capital expenditures | — | (1,465) | — | (17) | — | (1,482) |
| Payments from subsidiary | 45 | — | — | — | (45) | — |
| Proceeds from sale of property, plant and equipment | — | 20 | — | — | — | 20 |
| Cash used in investing activities | 45 | (1,445) | — | (17) | (45) | (1,462) |
| **Cash flows from financing activities** | | | | | | |
| Payments on note payable | — | (18) | — | — | — | (18) |
| Payments to parent | (45) | (45) | — | — | 45 | (45) |
| Cash used in financing activities | (45) | (63) | — | — | 45 | (63) |
| Effect of foreign exchange rate on cash | — | — | — | (41) | — | (41) |
| Increase (decrease) in cash and cash equivalents | — | 289 | — | (1,870) | — | (1,581) |
| Cash and cash equivalents, beginning of period | — | 11,995 | — | 4,674 | — | 16,669 |
| Cash and cash equivalents, end of period | $ — | $ 12,284 | $ — | $ 2,804 | $ — | $ 15,088 |

**Condensed Consolidating Cash Flow Information**

**Three Months Ended March 31, 2013**

| | Lantheus Intermediate | LMI | Guarantor Subsidiary | Non-Guarantor Subsidiaries | Eliminations | Total |
|---|---|---|---|---|---|---|
| **Cash provided by operating activities** | $ — | $ 2,546 | $ — | $ (958) | $ (1,738) | $ (150) |
| **Cash flows from investing activities** | | | | | | |
| Capital expenditures | — | (1,439) | — | (10) | — | (1,449) |
| Payments to subsidiary | — | — | — | — | — | — |
| Proceeds from dividend | — | 784 | — | — | (784) | — |
| Cash used in investing activities | — | (655) | — | (10) | (784) | (1,449) |
| **Cash flows from financing activities** | | | | | | |
| Payments on note payable | — | (389) | — | — | — | (389) |
| Payments of deferred financing costs | — | (110) | — | — | — | (110) |
| Payments from parent | — | 111 | — | — | — | 111 |
| Payment of dividend | — | — | — | (2,522) | 2,522 | — |
| Cash used in financing activities | — | (388) | — | (2,522) | 2,522 | (388) |
| Effect of foreign exchange rate on cash | — | — | — | (438) | — | (438) |
| Increase (decrease) in cash and cash equivalents | — | 1,503 | — | (3,928) | — | (2,425) |
| Cash and cash equivalents, beginning of period | — | 17,635 | — | 13,960 | — | 31,595 |
| Cash and cash equivalents, end of period | $ — | $ 19,138 | $ — | $ 10,032 | $ — | $ 29,170 |

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Cautionary Note Regarding Forward-Looking Statements

Some of the statements contained in this quarterly report are forward-looking statements. Such forward-looking statements, including, in particular, statements about our plans, strategies, prospects and industry estimates are subject to risks and uncertainties. These statements identify prospective information and include words such as "anticipates," "intends," "plans," "seeks," "believes," "estimates," "expects," "should," "could," "predicts," "hopes" and similar expressions. Examples of forward-looking statements include, but are not limited to, statements we make regarding: (i) our liquidity, including our belief that our existing cash, cash equivalents, anticipated revenues and availability under a revolving line of credit are sufficient to fund our existing operating expenses, capital expenditures and liquidity requirements for at least the next twelve months; (ii) our outlook and expectations including, without limitation, in connection with continued market expansion and penetration for our commercial products, particularly DEFINITY; (iii) expected new product launch dates and market exclusivity periods; and (iv) outlook and expectations related to product manufactured at Ben Venue Laboratories, Inc., or BVL and Jubilant HollisterStier, or JHS. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward- looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. The matters referred to in the forward-looking statements contained in this quarterly report may not in fact occur. We caution you therefore against relying on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- our dependence upon third parties for the manufacture and supply of a substantial portion of our products;
- risks associated with the technology transfer programs to secure production of our products at alternate contract manufacturer sites;
- the instability of the global supply of Molybdenum-99, or Moly, one of our key radioisotopes;
- risks associated with the manufacturing and distribution of our products and the regulatory requirements related thereto;
- our ability to continue to increase segment penetration for DEFINITY in suboptimal echocardiograms;
- risks associated with both supply and demand for Xenon;
- our dependence on key customers, primarily Cardinal Health, Inc., or Cardinal, United Pharmacy Partners Inc., or UPPI, and GE Healthcare, for our nuclear imaging products, and our ability to maintain and profitably renew our contracts and relationships with those key customers;
- continued pricing pressures from our large customers;
- our ability to compete effectively, including in connection with new market entrants;
- the dependence of certain of our customers upon third party healthcare payors and the uncertainty of third party coverage and reimbursement rates;
- uncertainties regarding the impact of U.S. healthcare reform on our business, including related reimbursements for our current and potential future products;
- our being subject to extensive government regulation and our potential inability to comply with those regulations;
- potential liability associated with our marketing and sales practices;
- the occurrence of any side effects with our products;
- our exposure to potential product liability claims and environmental liability;

- risks associated with our lead agent in development, flurpiridaz F 18, including our ability to:
  - attract strategic partners to successfully complete the Phase 3 clinical program and possibly commercialize the agent;
  - obtain U.S. Food and Drug Administration, or FDA, approval; and
  - gain post-approval market acceptance and adequate reimbursement;
- risks associated with being able to negotiate in a timely manner relationships with potential strategic partners to advance our other development programs on acceptable terms, or at all;
- the extensive costs, time and uncertainty associated with new product development, including further product development relying on external development partners;
- our inability to introduce new products and adapt to an evolving technology and diagnostic landscape;
- our inability to protect our intellectual property and the risk of claims that we have infringed on the intellectual property of others;
- risks related to our outstanding indebtedness and our ability to satisfy those obligations;
- risks associated with the current economic environment, including the U.S. credit markets;
- risks associated with our international operations;
- our inability to adequately protect our facilities, equipment and technology infrastructure;
- our inability to hire or retain skilled employees and key personnel; and
- costs and other risks associated with the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 risks related to the ownership of our common stock.

Factors that could cause or contribute to such differences include, but are not limited to, those that are discussed in other documents we file with the Securities and Exchange Commission, including our 2013 Form 10-K. Any forward-looking statement made by us in this quarterly report speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward- looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

*The following discussion and analysis of our financial condition and results of operations should be read together with the consolidated financial statements and the related notes included in Item 1 of this Quarterly Report on Form 10-Q as well as the other factors described in "Risk Factors" under Part II—Item 1A of this report and the information provided in our 2013 Form 10-K.*

***Our Products***

Our principal products include the following:

DEFINITY is an ultrasound contrast agent used in ultrasound exams of the heart, also known as echocardiography exams. DEFINITY contains perflutren-containing lipid microspheres and is indicated in the United States for use in patients with suboptimal echocardiograms to assist in imaging the left ventricular chamber and left endocardial border of the heart in ultrasound procedures. We launched DEFINITY in 2001, and its last patent in the United States will currently expire in 2021 and in numerous foreign jurisdictions in 2019.

TechneLite is a technetium generator which provides the essential nuclear material used by radiopharmacies to radiolabel Cardiolite and other technetium-based radiopharmaceuticals used in nuclear medicine procedures. TechneLite uses Moly as its main active ingredient.

Xenon is a radiopharmaceutical gas that is inhaled and used to assess pulmonary function and also for imaging blood flow. Xenon is manufactured by a third party and packaged by us.

Cardiolite is a technetium-based radiopharmaceutical imaging agent used in MPI procedures to detect coronary artery disease using SPECT. Cardiolite was approved by the FDA in 1990, and its market exclusivity expired in July 2008.

Sales of our contrast agent, DEFINITY, are made through our sales team of approximately 80 employees. In the United States, our nuclear imaging products, including TechneLite and Cardiolite, are primarily distributed through over 350 radiopharmacies that are controlled by or associated with Cardinal, GE Healthcare, UPPI and Triad Isotopes Inc., or Triad. A small portion of our nuclear imaging product sales in the United States are made through our direct sales force to hospitals and clinics that maintain their own in-house radiopharmaceutical capabilities. Outside the United States, we own five radiopharmacies in Canada and two radiopharmacies in each of Puerto Rico and Australia. We also maintain a direct sales force in each of these countries. In Europe, Asia Pacific and Latin America, we rely on third party distributors to market, sell and distribute our nuclear imaging and contrast agent products, either on a country-by-country basis or on a multicountry regional basis.

The following table sets forth our revenue derived from our principal products:

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| (dollars in thousands) | 2014 | % | 2013 | % |
| DEFINITY | $22,359 | 30.5 | $ 17,030 | 24.0 |
| TechneLite | 23,041 | 31.4 | 22,426 | 31.5 |
| Xenon | 9,709 | 13.2 | 8,321 | 11.7 |
| Cardiolite | 4,680 | 6.4 | 10,910 | 15.4 |
| Other | 13,547 | 18.5 | 12,331 | 17.4 |
| Revenues | $ 73,336 | 100.0 | $ 71,018 | 100.0 |

Included in Cardiolite revenue are sales of branded Cardiolite and generic sestamibi, some of which we produce and some of which we procure from third parties.

**Key Factors Affecting Our Results**

Our business and financial performance have been, and continue to be, affected by the following:

***Inventory Supply***

Our products consist of radiopharmaceuticals and other imaging agents. The radiopharmaceuticals are decaying radioisotopes with half-lives ranging from a few hours to several days. These products cannot be kept in inventory because of their limited useful lives and are subject to just-in-time manufacturing, processing and distribution. We obtain a substantial portion of our other imaging agents from third party suppliers. JHS is currently our sole source manufacturer of DEFINITY, and we have ongoing technology transfer activities at JHS for our Neurolite supply. In the meantime, we have no other currently active supplier of Neurolite, and our Cardiolite product supply is manufactured by a single manufacturer.

Historically, we relied on BVL in Bedford, Ohio as our sole manufacturer of DEFINITY and Neurolite and as one of two manufacturers of Cardiolite. Our products were manufactured at the South Complex, where BVL also manufactured products for a number of other pharmaceutical customers. In July 2010, BVL temporarily shutdown the South Complex, in order to upgrade the facility to meet certain regulatory requirements. BVL had originally planned for the shutdown of the South Complex to run through March 2011 and to resume production of our products in April 2011. In anticipation of the shutdown, BVL manufactured for us additional inventory of these products to meet our expected needs during this period. A series of unexpected delays at BVL, however, resulted in a stockout for Neurolite from the third quarter 2011 until the third quarter 2013, product outages and shortages for DEFINITY in much of 2012 and product outages and shortages for Cardiolite in 2012 and 2013. Until JHS is approved by certain foreign regulatory authorities to manufacture our products, we will also face continued limitations on where we can sell our products outside the United States.

Because of BVL's ongoing regulatory issues and our mutual desire to enter into a new contractual relationship to replace the original arrangement, in March 2012 we terminated the original manufacturing agreement and entered into a new set of contracts with BVL which provided, among other things, cash payments to us of $35 million and an undertaking by BVL to continue to manufacture for us through December 2013.

Although BVL was able to resume some manufacturing under the new agreements, BVL continued to face regulatory and supply challenges and, in October 2013, it announced that it would cease to manufacture further new batches of our products in its Bedford, Ohio facility. In November 2013, in connection with the termination of our manufacturing agreement, we and BVL entered into a settlement agreement which provided, among other things, that BVL pay us an additional $8.9 million. BVL was also obligated to use commercially reasonable efforts to finalize specific batches of DEFINITY, Cardiolite and saline manufactured and not yet released by the BVL quality function for commercial distribution. BVL has since released for commercial distribution all of our remaining manufactured product that was awaiting quality approval.

We are also currently working to secure additional alternative suppliers for our key products as part of our ongoing supply chain diversification strategy. On November 12, 2013, we entered into a Manufacturing and Supply Agreement with Pharmalucence to manufacture and supply DEFINITY.

***Growth of DEFINITY***

We believe the market opportunity for our contrast agent, DEFINITY, remains significant. DEFINITY is currently our fastest growing and highest margin commercial product. We believe that DEFINITY sales will continue to grow and that DEFINITY will constitute a greater share of our overall product mix. As a result of DEFINITY's continued growth, we believe that our gross profit will increase, and our gross margin will continue to expand. As we better educate the physician and healthcare provider community about the benefits and risks of this product, we believe we will experience further penetration of suboptimal echocardiograms.

Prior to the supply issues with BVL in 2012, sales of DEFINITY continually increased year-over-year since June 2008, when the boxed warning on DEFINITY was modified. Unit sales of DEFINITY had decreased substantially in late 2007 and early 2008 as a result of an FDA request in October 2007 that all manufacturers of ultrasound contrast agents add a boxed warning to their products to notify physicians and patients about potentially serious safety concerns or risks posed by the products. However, in May 2008, the FDA boxed warning was modified in response to the substantial advocacy efforts of prescribing physicians. In October 2011, we received FDA approval of further modifications to the DEFINITY label, including: further relaxing the boxed warning; eliminating the sentence in the Indication and Use section "The safety and efficacy of DEFINITY with exercise stress or pharmacologic stress testing have not been established" (previously added in October 2007 in connection with the imposition of the box warning); and including summary data from the post-approval CaRES (Contrast echocardiography Registry for Safety Surveillance) safety registry and the post-approval pulmonary hypertension study. However, as discussed above under "Inventory Supply," the future growth of our DEFINITY sales will be dependent on the ability of JHS and, if approved, Pharmalucence to continue to manufacture and release DEFINITY on a timely and consistent basis and our ability to continue to increase segment penetration for DEFINITY in suboptimal echocardiograms.

***Global Isotope Supply***

Currently, our largest supplier of Moly and our only supplier of Xenon is Nordion, which relies on the NRU reactor in Chalk River, Ontario. For Moly, we currently have a supply agreement with Nordion that runs through December 31, 2015, subject to certain early termination provisions (that cannot be effective prior to October 1, 2014) and supply agreements with NTP of South Africa, ANSTO of Australia, and IRE of Belgium, each running through December 31, 2017. For Xenon, we have a purchase order relationship with Nordion. The Canadian government requires the NRU reactor to shut down for at least four weeks at least once a year for inspection and maintenance. The 2014 shutdown period is currently scheduled to run from mid-April 2014 to mid-May 2014. We currently believe that we will be able to source all of our standing order customer demand for Moly during this time period from our other suppliers. However, because Xenon is a by-product of the Moly production process and is currently captured only by NRU, during this shutdown period, we do not currently believe that we will be able to supply all of our standing order customer demand for Xenon during the outage. Because the month-long NRU shutdown was fully anticipated in our 2014 budgeting process, we do not believe the shutdown will have a material adverse effect on our results of operations, financial condition and cash flows.

We believe we are well-positioned with our current supply partners to have a secure supply of Moly, including LEU Moly, when the NRU reactor commercial operations cease in 2016. We are currently pursuing alternative sources of Xenon on a global basis. If we are not able to secure a new producer of Xenon prior to the 2016 and obtain regulatory approval to sell Xenon from that new producer, we will no longer be able to offer Xenon. In addition, Nordion recently announced that it has entered into a definitive agreement to be acquired by Sterigenics. As a result of this transaction, our supplier could change the terms on which we obtain Xenon.

### *Demand for TechneLite*

Since the global Moly supply shortage in 2009 to 2010, we have experienced reduced demand for TechneLite generators from pre-shortage levels even though volume has increased in absolute terms from levels during the shortage following the return of our normal Moly supply in August 2010. However, we do not know if overall industry demand for technetium will ever return to pre-shortage levels.

We also believe that there has been an overall decline in the MPI study market because decreased levels of patient studies during the Moly shortage period have not returned to pre-shortage levels and industry-wide cost-containment initiatives that have resulted in a transition of where imaging procedures are performed, from free standing imaging centers to the hospital setting. We expect these factors will continue to affect technetium demand in the future.

In November 2013, the Centers for Medicare and Medicaid Services, or CMS, announced the 2014 final Medicare payment rules for hospital outpatient settings and physician offices. Under the final rules, each technetium dose produced from a generator for a diagnostic procedure in a hospital outpatient setting is reimbursed by Medicare at a higher rate if that technetium dose is produced from a generator containing Moly sourced from at least 95 percent LEU. We currently understand that CMS expects to continue this incentive program for the foreseeable future. In January 2013, we began to offer a TechneLite generator which contains Moly sourced from at least 95 percent LEU and which satisfies the requirements for reimbursement under this incentive program. Although demand for LEU generators appears to be growing, it is too early to tell whether this incremental reimbursement for LEU Moly generators will result in a material increase in our generator sales.

### *Cardiolite Competitive Pressures*

Cardiolite's market exclusivity expired in July 2008. In September 2008, the first of several competing generic products to Cardiolite was launched. With continued pricing and unit volume pressures from generic competitors, we also sell our Cardiolite product in the form of a generic sestamibi at the same time as we continue to sell branded Cardiolite throughout the MPI segment. We believe this strategy of selling branded as well as generic sestamibi has slowed our market share loss by having multiple sestamibi offerings that are attractive in terms of brand, as well as price.

In addition to pressures due to generics, our Cardiolite products have also faced a volume decline in the MPI segment due to a change in professional society appropriateness guidelines, ongoing reimbursement pressures, the limited availability of Moly during the NRU reactor shutdown, the limited availability of Cardiolite products to us during the BVL outage, and the increase in use of other diagnostic modalities as a result of a shift to more available imaging agents and modalities. We believe the continuing effects from the BVL outage and continued generic competition will result in further market share and margin erosion for our Cardiolite products.

### *Research and Development Expenses*

To remain a leader in the marketplace, we have historically made substantial investments in new product development. As a result, the positive contributions of those internally funded research and development programs have been a key factor in our historical results and success. In March 2013, we implemented a strategic shift in how we intend to fund our important R&D programs. We have reduced our internal R&D resources while at the same time we are seeking to engage strategic partners to assist us in the further development and commercialization of our important agents in development, including flurpiridaz F 18, 18F LMI 1195 and LMI 1174. As a result of this shift, we are seeking strategic partners to assist us with the further development and possible commercialization of flurpiridaz F 18. For our other two important agents in development, 18F LMI 1195 and LMI 1174, we will also seek to engage strategic partners to assist us with the ongoing development activities relating to these agents.

## Segments

We report our results of operations in two operating segments: United States and International. We generate a greater proportion of our revenue and net income in the United States segment, which consists of all regions of the United States. We expect our percentage of revenue and net income derived from our International segment to continue to increase in future periods as we continue to expand globally.

**Executive Overview**

Our results in the three months ended March 31, 2014 reflect the following:

- increased revenues and segment penetration for DEFINITY in the suboptimal echocardiogram segment as a result of sustained availability of product supply;
- decreased revenues from our Cardiolite products resulting from continued generic competition;
- increased revenues resulting from the return of Neurolite product supply in the third quarter of 2013;
- under-absorption of manufacturing overhead due to lower production and low lot yields resulting from the continued supply challenges with BVL during 2013;
- the impact of certain cost savings actions taken in March 2013 as we finish implementing the strategic shift in how we fund our research and development, or R&D, programs; and
- lower material costs incurred for the production of TechneLite.

**Results of Operations**

| (dollars in thousands) | For the Three Months Ended March 31, 2014 | 2013 |
|---|---|---|
| Revenues | $ 73,336 | $ 71,018 |
| Cost of goods sold | 43,275 | 48,206 |
| Gross profit | 30,061 | 22,812 |
| Operating expenses | | |
| Sales and marketing expenses | 9,498 | 9,797 |
| General and administrative expenses | 8,852 | 10,253 |
| Research and development expenses | 3,222 | 11,998 |
| Total operating expenses | 21,572 | 32,048 |
| Operating income (loss) | 8,489 | (9,236) |
| Interest expense, net | (10,552) | (10,669) |
| Other (expense) income, net | (414) | 721 |
| Loss before income taxes | (2,477) | (19,184) |
| (Benefit) provision for income taxes | (1,192) | 628 |
| Net loss | (1,285) | (19,812) |
| Foreign currency translation | (271) | (597) |
| Total comprehensive loss | $ (1,556) | $ (20,409) |

**Revenues**

Revenues are summarized as follows:

| (dollars in thousands) | Three Months Ended March 31, 2014 | 2013 |
|---|---|---|
| United States | | |
| DEFINITY | $ 21,984 | $ 16,746 |
| TechneLite | 20,100 | 19,572 |
| Xenon | 9,705 | 8,306 |
| Cardiolite | 521 | 6,430 |
| Other | 4,501 | 3,201 |
| Total U.S. revenues | $ 56,811 | $ 54,255 |
| International | | |
| DEFINITY | $ 375 | $ 284 |
| TechneLite | 2,941 | 2,854 |
| Xenon | 4 | 15 |
| Cardiolite | 4,159 | 4,480 |
| Other | 9,046 | 9,130 |
| Total International revenues | $ 16,525 | $ 16,763 |
| Revenues | $ 73,336 | $ 71,018 |

Total revenues increased $2.3 million, or 3.3%, to $73.3 million in the three months ended March 31, 2014, as compared to $71.0 million in the three months ended March 31, 2013. U.S. segment revenue increased $2.6 million, or 4.7%, to $56.8 million in the three months ended March 31, 2014, as compared to $54.3 million in the prior year. The increase in the U.S. segment over the prior year is primarily driven by a $5.2 million increase in DEFINITY as a result of higher unit volumes, a $1.8 million increase in Neurolite as the product returned to market in September 2013 and a $1.4 million increase in Xenon primarily due to favorable pricing with a customer. Offsetting these increases was a decrease in Cardiolite revenues of $5.9 million over the prior period as a result of a contract with a significant customer that reduced unit pricing and volume commitments and a $1.0 million decrease in Quadramet revenues due to less unit volume since we transitioned to being the direct manufacturer at the end of 2013.

The International segment revenues decreased $0.2 million, or 1.4%, to $16.5 million in the three months ended March 31, 2014, as compared to $16.8 million in the three months ended March 31, 2013. The decrease in the International segment over the prior year period is due to $1.3 million unfavorable foreign exchange. Offsetting this decrease, in part, was a $0.6 million increase relating to other marketed products, which is driven by the return of Neurolite finished product to certain international markets and increased Thallium sales in Asia Pacific. In addition, TechneLite revenues increased $0.3 million primarily driven by increased volume.

*Rebates and Allowances*

Estimates for rebates and allowances represent our estimated obligations under contractual arrangements with third parties. Rebate accruals and allowances are recorded in the same period the related revenue is recognized, resulting in a reduction to revenue and the establishment of a liability which is included in accrued expenses. These rebates result from performance-based offers that are primarily based on attaining contractually specified sales volumes and growth, Medicaid rebate programs for certain products, administration fees of group purchasing organizations and certain distributor related commissions. The calculation of the accrual for these rebates and allowances is based on an estimate of the third party's buying patterns and the resulting applicable contractual rebate or commission rate(s) to be earned over a contractual period.

An analysis of the amount of, and change in, reserves is summarized as follows:

| (dollars in thousands) | Rebates | Allowances | Total |
|---|---|---|---|
| Balance, as of January 1, 2013 | $ 1,542 | $ 66 | $ 1,608 |
| Current provisions relating to revenues in current year | 4,696 | 243 | 4,939 |
| Adjustments relating to prior years' estimate | (21) | — | (21) |
| Payments/credits relating to revenues in current year | (3,438) | (220) | (3,658) |
| Payments/credits relating to revenues in prior years | (1,040) | (69) | (1,109) |
| Balance, as of December 31, 2013 | 1,739 | 20 | 1,759 |
| Current provisions relating to revenues in current year | 1,637 | 76 | 1,713 |
| Adjustments relating to prior years' estimate | 42 | — | 42 |
| Payments/credits relating to revenues in current year | (443) | (51) | (494) |
| Payments/credits relating to revenues in prior years | (652) | (20) | (672) |
| Balance, as of March 31, 2014 | $ 2,323 | $ 25 | $ 2,348 |

Accrued sales rebates were approximately $2.3 million and $1.7 million at March 31, 2014 and December 31, 2013, respectively. The $0.6 million increase in accrued sales rebates is primarily associated with a new rebate program associated with the Quadramet product.

**Costs of Goods Sold**

Cost of goods sold consists of manufacturing, distribution, intangible asset amortization and other costs related to our commercial products. In addition, it includes the write-off of excess and obsolete inventory.

Cost of goods sold is summarized as follows:

| (dollars in thousands) | Three Months Ended March 31, 2014 | 2013 |
|---|---|---|
| United States | $31,265 | $ 34,063 |
| International | 12,010 | 14,143 |
| Total Cost of Goods Sold | $ 43,275 | $48,206 |

Total cost of goods sold decreased $4.9 million, or 10.2%, to $43.3 million in the three months ended March 31, 2014, as compared to $48.2 million in the three months ended March 31, 2013. U.S. segment cost of goods sold decreased approximately $2.8 million, or 8.2%, to $31.3 million in the three months ended March 31, 2014, as compared to $34.1 million in the prior year period. The decrease in the U.S. segment cost of goods sold was primarily due to a decrease of $3.7 million in cost of goods associated with Cardiolite as a result of lower unit volumes sold and lower amortization expense due to a write-down in the Cardiolite trademark intangible asset in the fourth quarter of 2013. Offsetting these decreases was a $1.0 million increase in Neurolite cost of goods due to higher technology transfer costs.

For the three months ended March 31, 2014, the International segment cost of goods sold decreased $2.1 million, or 15.1%, to $12.0 million, as compared to $14.1 million in the prior year period. Cost of goods sold in our International segment decreased primarily due to $1.0 million favorable foreign exchange impact. Additionally, cost of goods sold decreased by $1.0 million as compared to the prior year period primarily due to lower volume of the more expensive substitute products being sold in the current period as a result of the return of supply and reduced costs associated with increased operating efficiencies.

**Gross Profit**

| (dollars in thousands) | Three Months Ended March 31, 2014 | 2013 |
|---|---|---|
| United States | $25,546 | $20,192 |
| International | 4,515 | 2,620 |
| Total Gross Profit | $ 30,061 | $22,812 |

Total gross profit increased $7.2 million, or 31.8%, to $30.1 million in the three months ended March 31, 2014, as compared to $22.8 million in the three months ended March 31, 2013. U.S. segment gross profit increased $5.4 million, or 26.5%, to $25.5 million, as compared to $20.2 million in the prior year period. The increase in the U.S. segment gross profit primarily due to a $4.7 million increase for DEFINITY gross profit due to higher unit volumes. In addition, Xenon gross profit increased by $1.6 million due to favorable pricing with a customer and Neurolite gross profit increased by $1.8 million since the product returned to market in September 2013. Technelite gross profit increased by $0.6 million primarily due to lower material costs and Ablavar gross profit increased by $0.4 million due to higher unit volumes. Offsetting these increases was a decrease in Cardiolite gross profit of $2.2 million primarily due to lower unit volumes, a $1.1 million decrease in Quadramet gross profit due to lower unit volumes and a $1.0 million decrease in Neurolite gross profit due to higher technology transfer costs.

For the three months ended March 31, 2014, the International segment gross profit increased $1.9 million, or 72.3%, to $4.5 million, as compared to $2.6 million in the prior year period. Gross profit in the International segment increased due to the return of Neurolite finished product to certain international markets, lower volume of the more expensive substitute products sold in the current period as a result of the return of supply and reduced costs associated with increased operating efficiencies. These increases were partially offset by unfavorable foreign exchange impact of $0.3 million.

**Sales and Marketing**

| (dollars in thousands) | Three Months Ended March 31, 2014 | 2013 |
|---|---|---|
| United States | $ 8,300 | $ 8,711 |
| International | 1,198 | 1,086 |
| Total Sales and Marketing | $9,498 | $9,797 |

Sales and marketing expenses consist primarily of salaries and other related costs for personnel in field sales, marketing, business development and customer service functions. Other costs in sales and marketing expenses include the development and printing of advertising and promotional material, professional services, market research and sales meetings.

Total sales and marketing expenses decreased $0.3 million, or 3.1%, to $9.5 million in the three months ended March 31, 2014, as compared to $9.8 million in the three months ended March 31, 2013. In the U.S. segment, sales and marketing expense decreased $0.4 million, or 4.7%, to $8.3 million in the same period, as compared to $8.7 million in the prior year. The decrease in the U.S. segment was primarily due to lower headcount related to the reduction in force in the first quarter of 2013 and lower variable compensation.

For the three months ended March 31, 2014, the International segment sales and marketing expenses increased $0.1 million or 10.3%, to $1.2 million as compared to $1.1 million in the prior year period primarily due to higher headcount and employee related expenses.

**General and Administrative**

| (dollars in thousands) | Three Months Ended March 31, 2014 | 2013 |
|---|---|---|
| United States | $8,281 | $9,698 |
| International | 571 | 555 |
| Total General and Administrative | $8,852 | $10,253 |

General and administrative expenses consist of salaries and other related costs for personnel in executive, finance, legal, information technology and human resource functions. Other costs included in general and administrative expenses are professional fees for information technology services, external legal fees, consulting and accounting services as well as bad debt expense, certain facility and insurance costs, including director and officer liability insurance.

Total general and administrative expenses decreased approximately $1.4 million, or 13.7%, to $8.9 million in the three months ended March 31, 2014, as compared to $10.3 million in the three months ended March 31, 2013. In the U.S. segment, general and administrative expenses decreased $1.4 million, or 14.6%, to $8.3 million, as compared to $9.7 million in the prior year period. The decrease in the U.S. segment was primarily due to higher severance expense in the prior year period related to the reduction in force in the first quarter of 2013, lower legal expense due to a reduced amount of services and cost savings achieved through the renegotiation of certain information technology related contracts.

For the three months ended March 31, 2014, general and administrative expenses in the International segment remained flat as compared to the prior year period.

**Research and Development**

| (dollars in thousands) | Three Months Ended March 31, 2014 | 2013 |
|---|---|---|
| United States | $3,114 | $11,950 |
| International | 108 | 48 |
| Total Research and Development | $3,222 | $11,998 |

Research and development expenses relate primarily to the development of new products to add to our portfolio and costs related to its medical affairs, medical information and regulatory functions. We do not allocate research and development expenses incurred in the United States to our International segment.

Total research and development expense decreased $8.8 million, or 73.1%, to $3.2 million for the three months ended March 31, 2014, as compared to $12.0 million in the three months ended March 31, 2013. In the U.S. segment, research and development expense decreased approximately $8.8 million, or 73.9%, to $3.1 million, as compared to $12.0 million in the prior year period. The decrease in the U.S. segment was driven by lower headcount related to the reduction in force in the first quarter of 2013 as a result of a strategic shift to use fewer internal resources and lower external expense as we seek

strategic partners to assist in the future development and commercialization of our development candidates. Additionally, we had a decline in external expense associated with Phase 3 clinical trial for flurpiridaz F 18 as we completed patient enrollment during the third quarter of 2013.

For the three months ended March 31, 2014, research and development expenses in the International segment remained flat as compared to the prior year period.

**Other (Expense) Income, Net**

| (dollars in thousands) | Three Months Ended March 31, 2014 | 2013 |
|---|---|---|
| Interest expense | $ (10,560) | $(10,711) |
| Interest income | 8 | 42 |
| Other (expense) income, net | (414) | 721 |
| Total other (expense) income, net | $(10,966) | $ (9,948) |

*Interest Expense*

For the three ended March 31, 2014, compared to the same period in 2013, interest expense decreased by $151,000 as a result of decreased amortization related to the capitalization of deferred financing costs.

*Interest Income*

For the three ended March 31, 2014, compared to the same period in 2013, interest income decreased by $34,000 as a result of the change in balances in interest bearing accounts.

*Other (Expense) Income, net*

For the three months ended March 31, 2014, compared to the same period in 2013, other expense increased by $1.1 million primarily due to a net $1.2 million impact associated with a state tax settlement indemnified by BMS. In addition, during the three months ended March 31, 2013, we received $0.4 million in consideration from the extinguishment of our membership interests in a mutual insurance company.

**(Benefit) provision for Income Taxes**

| (dollars in thousands) | Three Months Ended March 31, 2014 | 2013 |
|---|---|---|
| (Benefit) provision for income taxes | $(1,192) | $628 |

For the three months ended March 31, 2014 and 2013, our effective tax rate was 48.1% and (3.3)%, respectively. The $1.8 million decrease in the tax provision for the three months ended March 31, 2014, as compared to the same period in 2013, was impacted primarily by discrete events which included a reversal of an uncertain tax position resulting in a $1.8 million tax benefit attributable to a state tax settlement and a $0.7 million tax expense for current year additions. Our tax rate is also affected by recurring items, such as tax rates in foreign jurisdictions, which we expect to be fairly consistent in the near term, as well as other discrete events that may not be consistent from year-to-year. The following items had the most significant impact on the differences between our statutory U.S. federal income tax rate of 35% and our effective tax rate during the three months ended:

***March 31, 2014***

- A $1.1 million decrease in our uncertain tax positions relating to a state tax settlement and state tax nexus and transfer pricing matters.

***March 31, 2013***

- A $6.6 million increase to our valuation allowance against net domestic deferred tax assets.
- A $0.7 million increase in our uncertain tax positions relating to state tax nexus and transfer pricing matters.

## Liquidity and Capital Resources

*Cash Flows*

The following table provides information regarding our cash flows:

| (dollars in thousands) | Three Months Ended March 31, 2014 | 2013 | $ Change |
|---|---|---|---|
| Cash used in: | | | |
| Operating activities | $ (15) | $ (150) | $ 135 |
| Investing activities | $(1,462) | $(1,449) | $ (13) |
| Financing activities | $ (63) | $ (388) | $ 325 |

*Net Cash Used in Operating Activities*

Cash used in operating activities is primarily driven by our earnings and changes in working capital. The decrease in cash used in operating activities for the three months ended March 31, 2014 as compared to 2013 was primarily driven by the decrease in net loss. This increase was offset by cash flow decreases in accrued expenses and other liabilities primarily for the payment of variable compensation and severance during the first quarter of 2014 and cash flow decreases in accounts receivable primarily due to an increase in revenues.

*Net Cash Used in Investing Activities*

The increase in net cash used in investing activities in the three months ended March 31, 2014 as compared to 2013 primarily reflects increased spending on the purchase of property and equipment.

*Net Cash Used in Financing Activities*

Our primary historical uses of cash in financing activities are principal payments on our term loan and financing costs. The decrease in net cash used financing activities in the three months ended March 31, 2014 as compared to 2013 was primarily driven by a decrease in payments on a note payable.

*External Sources of Liquidity*

Since 2010, in addition to revenues provided by the sales of our products, our primary source of external liquidity has been the proceeds from the issuance of the $400.0 million 9.750% Senior Notes due in May of 2017, or the Notes. We also have outstanding a revolving credit facility, or the Facility, that has a borrowing capacity of $42.5 million.

The revolving loans under our Facility bear interest subject to a pricing grid based on average historical excess availability under our Facility, with pricing based from time to time at our election at (i) LIBOR plus a spread ranging from 2.00% to 2.50% or (ii) the Reference Rate (as defined in our Facility) plus a spread ranging from 1.00% to 1.50%. Our Facility also includes an unused line fee of 0.375% or 0.5%, depending on the average unused revolving credit commitments. Our Facility expires on the earlier of (i) July 3, 2018 or (ii) if the outstanding Notes are not refinanced in full, the date that is 91 days before the maturity thereof, at which time all outstanding borrowings are due and payable.

As of March 31, 2014 and December 31, 2013, we had an unfunded Standby Letter of Credit for up to $8.8 million. The unfunded Standby Letter of Credit requires annual fees, payable quarterly, between 2.00% and 2.50% of the face amount, and expires on February 5, 2015, which will automatically renew for a one year period at each anniversary date, unless we elect not to renew in writing within 60 days prior to that expiration.

Our Facility is secured by a pledge of substantially all of our assets together with the assets of Lantheus Intermediate and Lantheus MI Real Estate, LLC, or Lantheus Real Estate, including each such entity's accounts receivable, inventory and machinery and equipment, and is guaranteed by each of Lantheus Intermediate and Lantheus Real Estate. Borrowing capacity is determined by reference to a borrowing base, or the Borrowing Base, which is based on (i) a percentage of certain eligible accounts receivable, inventory and machinery and equipment minus (ii) any reserves. As of March 31, 2014, the aggregate borrowing base was approximately $42.5 million, which was reduced by (i) an outstanding $8.8 million unfunded Standby Letter of Credit and (ii) an $8.0 million outstanding loan balance, resulting in a net borrowing base availability of approximately $25.7 million.

Our Facility contains affirmative and negative covenants, as well as restrictions on the ability of Lantheus Intermediate, us and our subsidiaries to: (i) incur additional indebtedness or issue preferred stock; (ii) repay subordinated indebtedness prior to its stated maturity; (iii) pay dividends on, repurchase or make distributions in respect of capital stock or make other restricted payments; (iv) make certain investments; (v) sell certain assets; (vi) create liens; (vii) consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and (viii) enter into certain transactions with our affiliates. Our Facility also contains customary default provisions as well as cash dominion provisions which allow the lender to sweep our accounts during the period (x) certain specified events of default are continuing under our Facility or (y) excess availability under our Facility falls below (i) the greater of $5.0 million or 15% of the then-current Borrowing Base for a period of more than five consecutive Business Days or (ii) $3.5 million. During a covenant trigger period, we are required to comply with a consolidated fixed charge coverage ratio of not less than 1:00:1:00. The fixed charge coverage ratio is calculated on a consolidated basis for Lantheus Intermediate and its subsidiaries for a trailing four-fiscal quarter period basis, as (i) EBITDA (as defined in the agreement) minus capital expenditures minus certain restricted payments, divided by (ii) interest plus taxes paid or payable in cash plus certain restricted payments made in cash plus scheduled principal payments paid or payable in cash.

We may from time to time repurchase or otherwise retire our debt and take other steps to reduce our debt or otherwise improve our balance sheet. These actions may include open market repurchases of any Notes outstanding, prepayments of our term loans or other retirements or refinancing of outstanding debt, privately negotiated transactions or otherwise. The amount of debt that may be repurchased or otherwise retired, if any, would be decided at the sole discretion of our Board of Directors and will depend on market conditions, trading levels of our debt from time to time, our cash position and other considerations.

*Funding Requirements*

Our future capital requirements will depend on many factors, including:

- our ability to have product manufactured and released from JHS and other manufacturing sites in a timely manner in the future;
- the level of product sales of our currently marketed products, particularly DEFINITY, and any additional products that we may market in the future;
- the costs of further commercialization of our existing products, particularly in international markets, including product marketing, sales and distribution and whether we obtain local partners to help share such commercialization costs;
- the costs of investing in our facilities, equipment and technology infrastructure;
- the costs and timing of establishing manufacturing and supply arrangements for commercial supplies of our products;
- the extent to which we acquire or invest in products, businesses and technologies;
- the extent to which we choose to establish collaboration, co- promotion, distribution or other similar arrangements for our marketed products;
- the legal costs relating to maintaining, expanding and enforcing our intellectual property portfolio, pursuing insurance or other claims and defending against product liability, regulatory compliance or other claims; and
- the cost of interest on any additional borrowings which we may incur under our financing arrangements.

If JHS is not able to continue to manufacture and release product supply on a timely and consistent basis, or we are unable to continue to grow DEFINITY sales, then we will need to implement certain additional expense reductions, such as a delay or elimination of discretionary spending in all functional areas, as well as other operating and strategic initiatives.

If our capital resources become insufficient to meet our future capital requirements, we would need to finance our cash needs through public or private equity offerings, assets securitizations, debt financings, sale-leasebacks or other financing or strategic alternatives, to the extent such transactions are permissible under the covenants of our Facility and the Indenture.

Additional equity or debt financing, or other transactions, may not be available on acceptable terms, if at all. If any of these transactions require an amendment or waiver under the covenants in our Facility and under the Indenture, which could result in additional expenses associated with obtaining the amendment or waiver, we will seek to obtain such a waiver to remain in compliance with the covenants of our Facility and the Indenture. However, we cannot be assured that such an amendment or waiver would be granted, or that additional capital will be available on acceptable terms, if at all.

At March 31, 2014, our only current committed external source of funds is our borrowing availability under our Facility. We generated a net loss of $1.3 million during the three months ended March 31, 2014 and had $15.1 million of cash and cash equivalents at March 31, 2014. Availability under our Facility is calculated by reference to the Borrowing Base. If we are not successful in achieving our forecasted results, our accounts receivable and inventory could be negatively affected, reducing the Borrowing Base and limiting our borrowing availability.

We took actions during March 2013 to substantially reduce our discretionary spending in order to reposition us to focus our resources on our higher growth products. In particular, we implemented a strategic shift in how we intend to fund our important R&D programs. We have reduced our internal R&D resources during 2013 while at the same time we seek to engage one or more strategic partners to assist us in the further development and commercialization of our important agents in development, including flurpiridaz F 18, 18F LMI 1195 and LMI 1174. Based on our current operating plans, we believe that our existing cash and cash equivalents, results of operations and availability under our Facility will be sufficient to continue to fund our liquidity requirements for at least the next twelve months.

**Critical Accounting Estimates**

The discussion and analysis of our financial position and results of operations is based on our condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements in accordance with U.S. GAAP 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 an ongoing basis, we evaluate our estimates and judgments, including those related to revenue recognition and related allowances, inventory, impairments of long-lived assets including intangible assets, impairments of goodwill, income taxes including the valuation allowance for deferred tax assets, valuation of investments, research and development expenses, contingencies and litigation, and share-based payments.

Goodwill is not amortized, but is instead tested for impairment at least annually and whenever events or circumstances indicate that it is more likely than not that it may be impaired. We have elected to perform the annual test for goodwill impairment as of October 31 of each year. All goodwill has been allocated to our U.S. operating segment.

During the first quarter of 2013, the strategic shift in how we will fund our R&D programs significantly altered the expected future costs and revenues associated with our agents in development. Accordingly, this action was deemed to be a triggering event for an evaluation of the recoverability of our goodwill as of March 31, 2013. We performed an interim impairment test and determined that there was no impairment of goodwill as of March 31, 2013. There were no events as of March 31, 2014 and December 31, 2013 that triggered an interim impairment test. At each annual and interim impairment test date, the fair value of our reporting unit, which includes goodwill, was substantially in excess of our carrying value.

We calculate the fair value of our reporting units using the income approach, which utilizes discounted forecasted future cash flows and the market approach which utilizes fair value multiples of comparable publicly traded companies. The discounted cash flows are based on our most recent long-term financial projections and are discounted using a risk adjusted rate of return, which is determined using estimates of market participant risk-adjusted weighted average costs of capital and reflects the risks associated with achieving future cash flows. The market approach is calculated using the guideline company method, where we use market multiples derived from stock prices of companies engaged in the same or similar lines of business. There is not a quoted market price for our reporting units or the company as a whole, therefore, a combination of the two methods is utilized to derive the fair value of the business. We evaluate and weigh the results of these approaches as well as ensure we understand the basis of the results of these two methodologies. We believe the use of these two methodologies ensures a consistent and supportable method of determining our fair value that is consistent with the objective of measuring fair value. If the fair value were to decline, then we may be required to incur material charges relating to the impairment of those assets.

We test intangible and long-lived assets for recoverability whenever events or changes in circumstances suggest that the carrying value of an asset or group of assets may not be recoverable. We measure the recoverability of assets to be held and used by comparing the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If those assets are considered to be impaired, the impairment equals the amount by which the carrying amount of

the assets exceeds the fair value of the assets. Any impairments are recorded as permanent reductions in the carrying amount of the assets. Long-lived assets, other than goodwill and other intangible assets, that are held for sale are recorded at the lower of the carrying value or the fair market value less the estimated cost to sell.

Fixed assets dedicated to R&D activities, which were impacted by the March 2013 R&D strategic shift, have a carrying value of $5.9 million as of March 31, 2014. We believe these fixed assets will be utilized for either internally funded ongoing R&D activities or R&D activities funded by a strategic partner. If we are not successful in finding a strategic partner, and there are no alternative uses for those fixed assets, they could be subject to impairment in the future.

Please read Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2013 Form 10-K for the year ended December 31, 2013, for a discussion of our critical accounting estimates. There have been no material changes to our critical accounting policies in the three months ended March 31, 2014.

**Off-Balance Sheet Arrangements**

We are required to provide the U.S. Nuclear Regulatory Commission and Massachusetts Department of Public Health financial assurance demonstrating our ability to fund the decommissioning of our North Billerica, Massachusetts production facility upon closure, though we do not intend to close the facility. We have provided this financial assurance in the form of a $28.2 million surety bond and an $8.8 million letter of credit.

Since inception, we have not engaged in any other off-balance sheet arrangements, including structured finance, special purpose entities or variable interest entities.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to market risk from changes in interest rates and foreign currency exchange rates. We do not hold or issue financial instruments to reduce these risks or for trading purposes.

**Interest Rate Risk**

We are subject to interest rate risk in connection with the Facility, which is variable rate indebtedness. Interest rate changes could increase the amount of our interest payments and thus negatively impact our future earnings and cash flows. As of March 31, 2014, there was $8.0 million outstanding under the Facility and an $8.8 million unfunded Standby Letter of Credit, which reduced availability to $25.7 million on the Facility. Any increase in the interest rate under the Facility may have a negative impact on our future earnings to the extent we have outstanding borrowings under the Facility. The effect of a 100 basis points adverse change in market interest rates on our interest expense would be approximately $20,000. Historically, we have not used derivative financial instruments or other financial instruments to hedge such economic exposures.

**Foreign Currency Risk**

We face exposure to movements in foreign currency exchange rates whenever we, or any of our subsidiaries, enter into transactions with third parties that are denominated in currencies other than ours, or its, functional currency. Intercompany transactions between entities that use different functional currencies also expose us to foreign currency risk. During the three months ended March 31, 2014 and 2013, the net impact of foreign currency changes on transactions was a loss of $0.2 million and $0.1 million, respectively. Historically, we have not used derivative financial instruments or other financial instruments to hedge such economic exposures.

Gross margins of products we manufacture at our U.S. plants and sell in currencies other than the U.S. Dollar are also affected by foreign currency exchange rate movements. Our gross margin on revenues for the three month periods ended March 31, 2014 and 2013 was 41.0% and 32.1%, respectively. If the U.S. Dollar had been stronger by 1%, 5% or 10%, compared to the actual rates during the three months ended March 31, 2014, we estimate our gross margin on revenues would have been 41.0%, 41.2% and 41.5%, respectively. If the U.S. Dollar had been stronger by 1%, 5% or 10%, compared to the actual rates during the three months ended March 31, 2013, we estimate our gross margin on revenues would have been 32.2%, 32.3% and 32.6%, respectively.

In addition, a portion of our earnings is generated by our foreign subsidiaries, whose functional currencies are other than the U.S. Dollar. Our earnings could be materially impacted by movements in foreign currency exchange rates upon the translation of the earnings of such subsidiaries into the U.S. Dollar.

If the U.S. Dollar had been uniformly stronger by 1%, 5% or 10%, compared to the actual average exchange rates used to translate the financial results of our foreign subsidiaries, our revenues and net income for the three months ended March 31, 2014 would have been impacted by approximately the following amounts:

| Increase in U.S. Dollar to Applicable Foreign Currency Exchange Rate | Approximate Decrease in Revenues | Approximate Decrease in Net Loss |
|---|---|---|
| | (dollars in thousands) | |
| 1% | $ (112) | $ (5) |
| 5% | (558) | (24) |
| 10% | (1,116) | (49) |

If the U.S. Dollar had been uniformly stronger by 1%, 5% or 10%, compared to the actual average exchange rates used to translate the financial results of our foreign subsidiaries, our revenues and net income for the three months ended March 31, 2013 would have been impacted by approximately the following amounts:

| Increase in U.S. Dollar to Applicable Foreign Currency Exchange Rate | Approximate Decrease in Revenues | Approximate Decrease in Net Loss |
|---|---|---|
| | (dollars in thousands) | |
| 1% | $ (122) | $ (5) |
| 5% | (609) | (24) |
| 10% | (1,218) | (48) |

## Item 4. Controls and Procedures

### Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) or 15d-15(e) promulgated under the Exchange Act. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

### Changes in Internal Control Over Financial Reporting

There have been no changes during the quarter ended March 31, 2014 in our internal control over financial reporting (as defined in Rule 13a-15(f) promulgated under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

From time to time, we are a party to various legal proceedings arising in the ordinary course of business. In addition, we have in the past been, and may in the future be, subject to investigations by governmental and regulatory authorities, which exposes us to greater risks associated with litigation, regulatory or other proceedings, as a result of which we could be required to pay significant fines or penalties. The outcome of litigation, regulatory or other proceedings cannot be predicted with certainty, and some lawsuits, claims, actions or proceedings may be disposed of unfavorably to us. In addition, intellectual property disputes often have a risk of injunctive relief which, if imposed against us, could materially and adversely affect our financial condition or results of operations.

On December 16, 2010, we filed suit against one of our insurance carriers seeking to recover business interruption losses associated with the NRU reactor shutdown and the ensuing global Moly supply shortage (Lantheus Medical Imaging, Inc., Plaintiff v. Zurich American Insurance Company, Defendant, United States District Court, Southern District of New York, Case No. 10 Civ 9371). The claim is the result of the shutdown of the NRU reactor in Chalk River, Ontario. The NRU reactor was off-line from May 2009 until August 2010 due to a "heavy water" leak in the reactor vessel. The defendant answered the complaint on January 21, 2011, denying substantially all of the allegations, presenting certain defenses and requesting dismissal of the case with costs and disbursements. Discovery has commenced and is continuing. At a hearing held on March 28, 2014, the court granted the defendant leave to file a summary judgment motion on June 30, 2014, and the court granted us until August 4, 2014 to respond to that motion. We cannot be certain what amount, if any, or when, if ever, we will be able to recover for business interruption losses related to this matter.

Except as noted above, as of March 31, 2014, we had no material ongoing litigation, regulatory or other proceeding and had no knowledge of any investigations by governmental or regulatory authorities in which we are a target that could have a material adverse effect on our current business.

### Item 1A. Risk Factors

There have been no changes in the risk factors set forth in our 2013 Form 10-K for the fiscal year ended December 31, 2013 except as set forth below. For further information, refer to Part I—Item IA. "Risk Factors," in our 2013 Form 10-K for the fiscal year ended December 31, 2013.

***Our dependence upon third parties for the manufacture and supply of a substantial portion of our products could prevent us from delivering our products to our customers in the required quantities, within the required timeframes, or at all, which could result in order cancellations and decreased revenues.***

We obtain a substantial portion of our products from third party manufacturers and suppliers. Historically, we relied on Ben Venue Laboratories, Inc., or BVL, in Bedford, Ohio as our sole manufacturer of DEFINITY and Neurolite and as one of two manufacturers of Cardiolite. Our products were manufactured at BVL's south complex facility, or the South Complex, where BVL also manufactured products for a number of other pharmaceutical customers. In July 2010, BVL temporarily shutdown the South Complex, in order to upgrade the facility to meet certain regulatory requirements. BVL had originally planned for the shutdown of the South Complex to run through March 2011 and to resume production of our products in April 2011. In anticipation of the shutdown, BVL manufactured for us additional inventory of these products to meet our expected needs during this period. A series of unexpected delays at BVL, however, resulted in a stockout for Neurolite from the third quarter 2011 until the third quarter 2013, product outages and shortages for DEFINITY in much of 2012 and product outages and shortages for Cardiolite in 2012 and 2013.

Although we entered into new agreements with BVL in March 2012, which provided, among other things, $35.0 million of cash payments to us, and BVL was able to resume some manufacturing under the new agreement, BVL continued to face regulatory issues and supply challenges. In October 2013, BVL announced that it would cease manufacturing further new batches of our products in its Bedford, Ohio facility and, in November 2013, BVL terminated our arrangement, and, among other things, paid us an additional $8.9 million.

Following extensive technology transfer activities, we now rely on Jubilant HollisterStier, or JHS as our sole source manufacturer of DEFINITY. We currently have additional ongoing technology transfer activities at JHS for our Neurolite product and at Pharmalucence for DEFINITY, but we can give no assurances as to when that technology transfer will be completed and when we will actually receive supply of Neurolite from JHS or DEFINITY from Pharmalucence. In the meantime, we have no other currently active manufacturer of Neurolite, and our DEFINITY and Cardiolite product supply is currently manufactured by a single manufacturer. In addition, Mallinckrodt Pharmaceuticals, or Mallinckrodt, is our sole manufacturer for Ablavar.

Based on our current estimates, we believe that we will have sufficient supply of DEFINITY from JHS and remaining BVL inventory to meet expected demand, sufficient Cardiolite product supply from our current manufacturer to meet expected demand, and sufficient Ablavar product supply to meet expected demand. We also currently anticipate that we will have sufficient BVL-manufactured Neurolite supply for the U.S. market to last until Neurolite technology transfer and U.S. regulatory approval at JHS are completed. However, we can give no assurances that JHS or our other manufacturing partners will be able to manufacture and distribute our products in a high quality and timely manner and in sufficient quantities to allow us to avoid product stock-outs and shortfalls. Currently, the regulatory authorities in certain countries prohibit us from marketing products previously manufactured by BVL, and JHS has not yet obtained approval of those regulatory authorities that would permit us to market products manufactured by JHS. Accordingly, until those regulatory approvals have been obtained, our international business, results of operations, financial condition and cash flows will continue to be adversely affected.

Our manufacturing agreement for Ablavar runs until 2014, although we do not foresee the need to order any additional active pharmaceutical ingredients, or APIs, or finished drug product under this agreement, other than our outstanding purchase commitment. We do not have any current plans to initiate technology transfer activities for Ablavar. If we do not engage in Ablavar technology transfer activities in the future with a new manufacturing partner for Ablavar, then our existing Ablavar inventory will expire in 2016 and we will have no further Ablavar inventory that we will be able to sell.

In addition to the products described above, for reasons of quality assurance or cost-effectiveness, we purchase certain components and raw materials from sole suppliers (including, for example, the lead casing for our TechneLite generators). Because we do not control the actual production of many of the products we sell and many of the raw materials and components that make up the products we sell, we may be subject to delays caused by interruption in production based on events and conditions outside of our control. At our North Billerica, Massachusetts facility, we manufacture TechneLite on a relatively new, highly automated production line, as well as Thallium and Gallium using our older cyclotron technology. If we or one of our manufacturing partners experiences an event, including a labor dispute, natural disaster, fire, power outage, security problem, failure to meet regulatory requirements, product quality issue, technology transfer issue or other issue, we may be unable to manufacture the relevant products at previous levels or on the forecasted schedule, if at all. Due to the stringent regulations and requirements of the governing regulatory authorities regarding the manufacture of our products, we may not be able to quickly restart manufacturing at a third party or our own facility or establish additional or replacement sources for certain products, components or materials.

In addition to our existing manufacturing relationships, we are also pursuing new manufacturing relationships to establish and secure additional or alternative suppliers for our commercial products. On November 12, 2013, we entered into a Manufacturing and Supply Agreement with Pharmalucence to manufacture and supply DEFINITY. We cannot assure you, however, that these supply diversification activities will be successful, or that before those alternate manufacturers or sources of product are fully functional and qualified, that we will be able to avoid or mitigate interim supply shortages. In addition, we cannot assure you that our existing manufacturers or suppliers or any new manufacturers or suppliers can adequately maintain either their financial health or regulatory compliance to allow continued production and supply. A reduction or interruption in manufacturing, or an inability to secure alternative sources of raw materials or components, could eventually have a material adverse effect on our business, results of operations, financial condition and cash flows.

***We face potential supply and demand challenges for Xenon.***

Currently, Nordion is our sole supplier, and we believe the principal supplier on a global basis, of Xenon, which is captured by the NRU reactor as a by-product of the Moly production process. We are currently pursuing alternative sources of Xenon on a global basis. If we are not able to secure a new producer of Xenon prior to the expiration of the NRU reactor's license in October 2016 and obtain regulatory approval to sell Xenon from that new producer, we will no longer be able to offer Xenon in our portfolio of commercial products, which would have a negative effect on our business, results of operations, financial condition and cash flows. For the three months ended March 31, 2014 and year ended December 31, 2013, Xenon represented approximately 13% and 11%, respectively, of our revenues.

Currently, we obtain Xenon from Nordion on a purchase order basis. Nordion recently announced that it has entered into a definitive agreement to be acquired by Sterigenics. As a result of this transaction, our supplier could change the terms on which we obtain Xenon. If we are not able to pass along to our customers any change of terms from our supplier, there could be a negative effect on our business, results of operations, financial condition and cash flows.

Currently, we are the leading provider of packaged Xenon in the United States. If other providers obtained regulatory approval and began to sell packaged Xenon in the United States without otherwise increasing market penetration for the agent, or if there is an increase in the use of other imaging modalities in place of using packaged Xenon, our current sales volumes would decrease, which could have a negative effect on our business, results of operations, financial condition and cash flows.

Xenon is frequently administered as part of a ventilation scan to evaluate pulmonary function prior to a perfusion scan with microaggregated albumin, or MAA, a technetium-based radiopharmaceutical used to evaluate blood flow to the lungs. Currently, Draxis is the sole supplier of MAA on a global basis. Recently, Draxis encountered supply challenges and announced substantial price increases for MAA. If supply challenges for MAA or the increased price of MAA decreases the frequency that MAA is used for lung perfusion evaluation, which, in turn, decreases the frequency that Xenon is used for pulmonary function evaluation, the MAA supply challenges or price increase would have a negative effect on our business, results of operations, financial condition and cash flows.

***In the United States, we are heavily dependent on a few large customers to generate a majority of our revenues for our nuclear imaging products. Outside of the United States, we rely on distributors to generate a substantial portion of our revenue.***

In the United States, we rely on a limited number of radiopharmacy customers, primarily Cardinal, GE Healthcare, UPPI and Triad, to distribute our current largest volume nuclear imaging products and generate a majority of our revenues. Three customers accounted for approximately 39% of our revenues in the fiscal year ended December 31, 2013, with Cardinal, UPPI and GE Healthcare accounting for 19%, 10% and 10%, respectively. Among the existing radiopharmacies in the United States, continued consolidations, divestitures and reorganizations may have a negative effect on our business, results of operations, financial condition or cash flows. We generally have distribution arrangements with our major radiopharmacy customers pursuant to multi-year contracts, each of which is subject to renewal. Our current contract with Cardinal expires in December 2014. If these contracts are terminated prior to expiration of their term, or are not renewed, or are renewed on terms that are less favorable to us, then such an event could have a material adverse effect on our business, results of operations, financial condition and cash flows.

We have experienced significant pricing pressures from our large customers and any significant, additional pricing pressures from our large customers could lead to a reduction in revenue which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Outside of the United States, Canada, Australia and Puerto Rico, we have no radiopharmacies or sales force and, consequently, rely on third party distributors, either on a country-by-country basis or on a multicountry, regional basis, to market, sell and distribute our products. These distributors accounted for approximately 13%, 16% and 19% of non-U.S. revenues for the fiscal years ended December 31, 2013, 2012 and 2011, respectively. In certain circumstances, these distributors may also sell competing products to our own or products for competing diagnostic modalities, and may have incentives to shift sales towards those competing products. As a result, we cannot assure you that our international distributors will increase or maintain our current levels of unit sales or increase or maintain our current unit pricing, which, in turn, could have a material adverse effect on our business, results of operations, financial condition and cash flows.

***We will not be able to further develop or commercialize our agents in development without successful strategic partners.***

In March 2013, we implemented a strategic shift in how we intend to fund our important R&D programs. We have reduced our internal R&D resources, while at the same time we are seeking to engage strategic partners to further develop and commercialize our important agents in development, including flurpiridaz F 18, 18F LMI 1195 and LMI 1174. However, different strategic partners may have different time horizons, risk profiles, return expectations and amounts of capital to deploy, and we may not be able to negotiate relationships with potential strategic partners on acceptable terms, or at all. In addition, because we failed to meet one of our two co-primary endpoints in the first of our two flurpiridaz F 18 Phase 3 trials, we have initiated discussions about potential next steps in the flurpiridaz F 18 development process with the FDA. If we are unable to establish or maintain these strategic partnerships, we will have to limit the size or scope of, or delay, our development programs.

In addition, our dependence on strategic partnerships is subject to a number of risks, including:

- the inability to control the amount or timing of resources that our partners may devote to developing the agents;
- the possibility that we may be required to relinquish important rights, including intellectual property, marketing and distribution rights;

- the receipt of lower revenues than if we were to commercialize those agents ourselves;
- our failure to receive future milestone payments or royalties if a partner fails to commercialize one of our agents successfully;
- the possibility that a partner could separately move forward with competing agents developed either independently or in collaboration with others, including our competitors;
- the possibility that our strategic partners may experience financial or operational difficulties;
- business combinations or significant changes in a partner's business strategy that may adversely affect that partner's willingness or ability to complete its obligations under any arrangement with us; and
- the possibility that our partners may operate in countries where their operations could be negatively impacted by changes in the local regulatory environment or by political unrest.

Any of these factors either alone or taken together could have a material adverse effect on our business, results of operations, financial condition and cash flows.

**Item 4. Mine Safety Disclosures.**

None.

**Item 6. Exhibits**

| | |
|---|---|
| 31.1* | Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), pursuant to section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), pursuant to section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1* | Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS* | XBRL Instance Document |
| 101.SCH* | XBRL Taxonomy Extension Schema Document |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.LAB* | XBRL Taxonomy Extension Labels Linkbase Document |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase Document |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase Document |

* Filed herewith.

## 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.

LANTHEUS MEDICAL IMAGING, INC.

By: /s/ JEFFREY BAILEY
Name: Jeffrey Bailey
Title: *President and Chief Executive Officer*
Date: May 5, 2014

LANTHEUS MEDICAL IMAGING, INC.

By: /s/ JOHN GOLUBIESKI
Name: John Golubieski
Title: *Interim Chief Financial Officer*
Date: May 5, 2014

## EXHIBIT INDEX

| Exhibit Number | Description |
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**Exhibit 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jeffrey Bailey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lantheus Medical Imaging, 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 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 control 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 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 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 the 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.

Dated: May 5, 2014

/s/ JEFFREY BAILEY
Name: Jeffrey Bailey
Title: *President and Chief Executive Officer*

**Exhibit 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John Golubieski, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lantheus Medical Imaging, 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 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 control 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 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 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 the 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.

Dated: May 5, 2014

/s/ JOHN GOLUBIESKI
Name: John Golubieski
Title: *Interim Chief Financial Officer*

**Exhibit 32.1**

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Each of the undersigned hereby certifies that to his knowledge the Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2014 of Lantheus Medical Imaging, Inc. (the "Company") filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 5, 2014

/s/ JEFFREY BAILEY
Name: Jeffrey Bailey
Title: *President and Chief Executive Officer*

Dated: May 5, 2014

/s/ JOHN GOLUBIESKI
Name: John Golubieski
Title: *Interim Chief Financial Officer*

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.