

ALIGN TECHNOLOGY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands except per share data)

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Fiscal 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Fiscal 2014	Q1 2015
Net Revenues											
<i>Clear Aligner Net Revenues:</i>											
North America	\$ 97,045	\$ 102,217	\$ 103,888	\$ 105,059	\$ 408,209	\$ 107,910	\$ 111,648	\$ 113,349	\$ 113,670	\$ 446,577	\$ 118,844
International	31,818	40,320	38,983	50,595	161,716	49,848	55,988	53,439	60,467	219,742	55,920
Non-case (1)	12,709	10,766	10,679	10,570	44,724	10,481	12,099	11,350	12,300	46,230	12,265
Total Clear Aligner Net Revenues	141,572	153,303	153,550	166,224	614,649	168,239	179,735	178,138	186,437	712,549	187,029
<i>Scanner and Services Net Revenues</i>	12,008	10,525	10,956	12,068	45,557	12,407	12,796	11,738	12,163	49,104	11,057
Total Worldwide Net Revenues	153,580	163,828	164,506	178,292	660,206	180,646	192,531	189,876	198,600	761,653	198,086
Cost of Net Revenues:											
Cost of net revenues Clear Aligner	32,245	33,179	30,887	33,503	129,814	35,156	38,032	37,021	39,451	149,660	39,069
Cost of net revenues Scanner and Services	8,486	6,958	8,529	8,313	32,286	8,239	9,023	7,801	8,487	33,550	7,927
Total cost of net revenues	40,731	40,137	39,416	41,816	162,100	43,395	47,055	44,822	47,938	183,210	46,996
Gross profit	112,849	123,691	125,090	136,476	498,106	137,251	145,476	145,054	150,662	578,443	151,090
Operating Expenses:											
Selling, general and administrative	72,629	74,874	72,711	72,583	292,797	82,067	83,455	80,653	85,893	332,068	88,281
Research and development	11,282	10,916	10,915	10,970	44,083	13,380	13,289	12,854	13,276	52,799	13,885
Impairment of goodwill	40,693	-	-	-	40,693	-	-	-	-	-	-
Impairment of long-lived assets	26,320	-	-	-	26,320	-	-	-	-	-	-
Total operating expenses	150,924	85,790	83,626	83,553	403,893	95,447	96,744	93,507	99,169	384,867	102,166
Operating Profit (loss):	(38,075)	37,901	41,464	52,923	94,213	41,804	48,732	51,547	51,493	193,576	48,924
Interest and other income (expense), net	(988)	(335)	449	(199)	(1,073)	601	(93)	(1,999)	(1,716)	(3,207)	(1,452)
Profit before provision for income taxes	(39,063)	37,566	41,913	52,724	93,140	42,405	48,639	49,548	49,777	190,369	47,472
Provision for income taxes	2,920	8,246	7,376	10,302	28,844	9,961	13,039	11,301	10,236	44,537	11,295
Net profit (loss)	\$ (41,983)	\$ 29,320	\$ 34,537	\$ 42,422	\$ 64,296	\$ 32,444	\$ 35,600	\$ 38,247	\$ 39,541	\$ 145,832	\$ 36,177
Net profit (loss) per share											
- basic	\$ (0.52)	\$ 0.36	\$ 0.43	\$ 0.53	\$ 0.80	\$ 0.40	\$ 0.44	\$ 0.47	\$ 0.49	\$ 1.81	\$ 0.45
- diluted	\$ (0.52)	\$ 0.36	\$ 0.42	\$ 0.51	\$ 0.78	\$ 0.39	\$ 0.43	\$ 0.47	\$ 0.48	\$ 1.77	\$ 0.44
Shares used in computing net profit (loss) per share											
- basic	81,248	80,576	79,967	80,432	80,551	81,120	81,027	80,629	80,266	80,754	80,459
- diluted	81,248	82,149	81,848	82,438	82,589	82,817	82,341	82,014	81,691	82,283	81,824
Margin Analysis:											
Gross margin	73.5%	75.5%	76.0%	76.5%	75.4%	76.0%	75.6%	76.4%	75.9%	75.9%	76.3%
-Clear Aligner	77.2%	78.4%	79.9%	79.8%	78.9%	79.1%	78.8%	79.2%	78.8%	79.0%	79.1%
-Scanner and Services	29.3%	33.9%	22.2%	31.1%	29.1%	33.6%	29.5%	33.5%	30.2%	31.7%	28.3%
Selling, general and administrative	47.3%	45.7%	44.2%	40.7%	44.3%	45.4%	43.3%	42.5%	43.2%	43.6%	44.6%
Research and development	7.3%	6.7%	6.6%	6.2%	6.7%	7.4%	6.9%	6.8%	6.7%	6.9%	7.0%
Impairment of goodwill	26.5%	0.0%	0.0%	0.0%	6.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Impairment of long-lived assets	17.1%	0.0%	0.0%	0.0%	4.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating margin	-24.8%	23.1%	25.2%	29.7%	14.3%	23.1%	25.3%	27.1%	25.9%	25.4%	24.7%
Net margin	-27.3%	17.9%	21.0%	23.8%	9.7%	18.0%	18.5%	20.1%	19.9%	19.1%	18.3%
Year Over Year Analysis:											
Net Revenues	13.7%	12.5%	20.5%	24.8%	17.9%	17.6%	17.5%	15.4%	11.4%	15.4%	9.7%
-Clear Aligner	14.8%	14.7%	21.2%	25.1%	19.0%	18.8%	17.2%	16.0%	12.2%	15.9%	11.2%
-Scanner and Services	2.2%	-12.0%	12.1%	20.9%	4.8%	3.3%	21.6%	7.1%	0.8%	7.8%	-10.9%
Gross profit	12.0%	13.7%	24.7%	28.2%	19.6%	21.6%	17.6%	16.0%	10.4%	16.1%	10.1%
Operating expense	107.4%	17.9%	-12.8%	-6.5%	22.1%	-36.8%	12.8%	11.8%	18.7%	-4.7%	7.0%
Operating profit (loss)	-236.0%	5.2%	820.8%	210.0%	10.1%	-209.8%	28.6%	24.3%	-2.7%	105.5%	17.0%
Net profit (loss)	-300.1%	2.9%	-10143.8%	343.8%	9.6%	-177.3%	21.4%	10.7%	-6.8%	126.8%	11.5%
Quarter Over Quarter Analysis (Sequential):											
Net Revenues	7.5%	6.7%	0.4%	8.4%		1.3%	6.6%	-1.4%	4.6%		-0.3%
-Clear Aligner	6.6%	8.3%	0.2%	8.3%		1.2%	6.8%	-0.9%	4.7%		0.3%
-Scanner and Services	20.3%	-12.4%	4.1%	10.1%		2.8%	3.1%	-8.3%	3.6%		-9.1%
Gross profit	6.0%	9.6%	1.1%	9.1%		0.6%	6.0%	-0.3%	3.9%		0.3%
Operating expense	68.8%	-43.2%	-2.5%	-0.1%		14.2%	1.4%	-3.3%	6.1%		3.0%
Operating profit (loss)	-323.0%	-199.5%	9.4%	27.6%		-21.0%	16.6%	5.8%	-0.1%		-5.0%
Net profit (loss)	-539.2%	-169.8%	17.8%	22.8%		-23.5%	9.7%	7.4%	3.4%		-8.5%

(1) Non-case net revenues includes the retainer business, training revenues, and ancillary offerings under our Clear Aligner product lines

ALIGN TECHNOLOGY
NON-GAAP CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands except per share data)

	Q1*	Q2	Q3	Q4	Fiscal	Q1	Q2	Q3	Q4	Fiscal	Q1
	2013	2013	2013	2013	2013	2014	2014	2014	2014	2014	2015
Net Revenues											
<i>Clear Aligner Net Revenues:</i>											
North America	\$ 97,045	\$ 102,217	\$ 103,888	\$ 105,059	\$ 408,209	\$ 107,910	\$ 111,648	\$ 113,349	\$ 113,670	\$ 446,577	\$ 118,844
International	31,818	40,320	38,983	50,595	161,716	49,848	55,988	53,439	60,467	219,742	55,920
Non-case Net Revenues (1)	12,709	10,766	10,679	10,570	44,724	10,481	12,099	11,350	12,300	46,230	12,265
Total Clear Aligner Net Revenues	141,572	153,303	153,550	166,224	614,649	168,239	179,735	178,138	186,437	712,549	187,029
<i>Scanner and Services Net Revenues</i>	12,008	10,525	10,956	12,068	45,557	12,407	12,796	11,738	12,163	49,104	11,057
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Cost of Net Revenues:											
Cost of net revenues Clear Aligner	32,245	33,179	30,887	33,503	129,814	35,156	38,032	37,021	39,451	149,660	39,069
Cost of net revenues Scanner and Services	8,486	6,958	8,529	8,313	32,286	8,239	9,023	7,801	8,487	33,550	7,927
Total cost of net revenues	40,731	40,137	39,416	41,816	162,100	43,395	47,055	44,822	47,938	183,210	46,996
Gross profit	112,849	123,691	125,090	136,476	498,106	137,251	145,476	145,054	150,662	578,443	151,090
Operating Expenses:											
Selling, general and administrative	72,629	74,874	72,711	72,583	292,797	82,067	83,455	80,653	85,893	332,068	88,281
Research and development	11,282	10,916	10,915	10,970	44,083	13,380	13,289	12,854	13,276	52,799	13,885
Total operating expenses	83,911	85,790	83,626	83,553	336,880	95,447	96,744	93,507	99,169	384,867	102,166
Operating Profit:	28,938	37,901	41,464	52,923	161,226	41,804	48,732	51,547	51,493	193,576	48,924
Interest and other income (expense), net	(988)	(335)	449	(199)	(1,073)	601	(93)	(1,999)	(1,716)	(3,207)	(1,452)
Profit before provision for income taxes	27,950	37,566	41,913	52,724	160,153	42,405	48,639	49,548	49,777	190,369	47,472
Provision for income taxes	6,708	8,246	7,376	10,302	32,632	9,961	13,039	11,301	10,236	44,537	11,295
Net profit	\$ 21,242	\$ 29,320	\$ 34,537	\$ 42,422	\$ 127,521	\$ 32,444	\$ 35,600	\$ 38,247	\$ 39,541	\$ 145,832	\$ 36,177
Net profit per share											
- basic	\$ 0.26	\$ 0.36	\$ 0.43	\$ 0.53	\$ 1.57	\$ 0.40	\$ 0.44	\$ 0.47	\$ 0.49	\$ 1.81	\$ 0.45
- diluted	\$ 0.26	\$ 0.36	\$ 0.42	\$ 0.51	\$ 1.54	\$ 0.39	\$ 0.43	\$ 0.47	\$ 0.48	\$ 1.77	\$ 0.44
Shares used in computing net profit per share											
- basic	81,248	80,576	79,967	80,432	81,120	81,120	81,027	80,629	80,266	80,754	80,459
- diluted	83,003	82,149	81,848	82,438	82,589	82,817	82,341	82,014	81,691	82,283	81,824
Margin Analysis:											
Gross margin	73.5%	75.5%	76.0%	76.5%	75.4%	76.0%	75.6%	76.4%	75.9%	75.9%	76.3%
-Clear Aligner	77.2%	78.4%	79.9%	79.8%	78.9%	79.1%	78.8%	79.2%	78.8%	79.0%	79.1%
-Scanner and Services	29.3%	33.9%	22.2%	31.1%	29.1%	33.6%	29.5%	33.5%	30.2%	31.7%	28.3%
Operating Margin	18.8%	23.1%	25.2%	29.7%	24.4%	23.1%	25.3%	27.1%	25.9%	25.4%	24.7%
Net Margin	13.8%	17.9%	21.0%	23.8%	19.3%	18.0%	18.5%	20.1%	19.9%	19.1%	18.3%
Year Over Year Analysis:											
Net Revenues	13.7%	12.5%	20.5%	24.8%	17.9%	17.6%	17.5%	15.4%	11.4%	15.4%	9.7%
Gross profit	11.5%	13.5%	24.5%	28.2%	19.4%	21.6%	17.6%	16.0%	10.4%	16.1%	10.1%
Operating expense	16.5%	18.4%	18.0%	7.8%	15.0%	13.7%	12.8%	11.8%	18.7%	14.2%	7.0%
Operating profit	-0.8%	3.8%	40.3%	82.5%	29.8%	44.5%	28.6%	24.3%	-2.7%	20.1%	17.0%
Net Profit	-1.4%	4.1%	55.7%	97.1%	36.5%	52.7%	21.4%	10.7%	-6.8%	14.4%	11.5%
Quarter Over Quarter Analysis (Sequential):											
Net Revenues	7.5%	6.7%	0.4%	8.4%		1.3%	6.6%	-1.4%	4.6%		-0.3%
Gross profit	6.0%	9.6%	1.1%	9.1%		0.6%	6.0%	-0.3%	3.9%		0.3%
Operating expense	8.3%	2.2%	-2.5%	-0.1%		14.2%	1.4%	-3.3%	6.1%		3.0%
Operating profit (loss)	-0.2%	31.0%	9.4%	27.6%		-21.0%	16.6%	5.8%	-0.1%		-5.0%
Net profit	-1.3%	38.0%	17.8%	22.8%		-23.5%	9.7%	7.4%	3.4%		-8.5%

* Refer to Reconciliation of GAAP to non-GAAP for Key Financial Metrics table for Q1 2015:

(1) Non-case net revenues includes the retainer business, training revenues, and ancillary offerings under our Clear Aligner product line

ALIGN TECHNOLOGY, INC.**RECONCILIATION OF GAAP TO NON-GAAP KEY FINANCIAL METRICS**

(in thousands except per share data)

About Non-GAAP Financial Measures

We may use from time to time non-GAAP financial measures to supplement our consolidated financial statements: non-GAAP operating expenses, non-GAAP net profit and non-GAAP earnings per share. The presentation of this financial information is not intended to be considered in isolation, or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

Align uses these non-GAAP financial measures for financial and operational decision making and as a means to evaluate period-to-period comparisons. Our management believes that these non-GAAP financial measures provide meaningful supplemental information regarding our "core operating performance." Management believes that "core operating performance" represents Align's performance in the ordinary, on-going and customary course of its operations. Accordingly, management excludes from "core operating performance" certain expenditures and other items that may not be indicative of our operating performance including discrete cash and non-cash charges that are infrequent, or one-time in nature. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting and analyzing future periods. These non-GAAP financial measures also facilitate management's internal evaluation of period-to-period comparisons. We believe these non-GAAP financial measures are useful to investors both because (1) they allow for greater transparency with respect to key metrics used by management in its financial and operational decision making, and (2) they are provided to and used by institutional investors and the analyst community to facilitate comparisons with prior and subsequent reporting periods.

Reconciliation of GAAP to Non-GAAP Operating Expenses

(in thousands)

	Three Months Ended March 31, 2013
GAAP Operating expenses	\$ 150,924
Impairment of goodwill (1)	(40,693)
Impairment of long-lived assets (2)	(26,320)
Non-GAAP Operating expenses	<u>\$ 83,911</u>

Reconciliation of GAAP to Non-GAAP Profit from Operations

(in thousands)

	Three Months Ended March 31, 2013
GAAP loss from operations	\$ (38,075)
Impairment of goodwill (1)	40,693
Impairment of long-lived assets (2)	26,320
Non-GAAP Profit from operations	<u>\$ 28,938</u>

Reconciliation of GAAP to Non-GAAP Net Profit

(in thousands, except per share amounts)

	Three Months Ended March 31, 2013
GAAP Net profit (loss)	\$ (41,983)
Impairment of goodwill (1)	40,693
Impairment of long-lived assets (2)	26,320
Income tax-related adjustments (3)	(3,788)
Non-GAAP Net profit	<u>\$ 21,242</u>
Diluted Net profit (loss) per share:	
GAAP	<u>\$ (0.52)</u>
Non-GAAP	<u>\$ 0.26</u>
Shares used in computing diluted GAAP Net profit (loss) per share	<u>81,248</u>
Shares used in computing diluted Non-GAAP Net profit per share	<u>83,003</u>

Notes:

(1) Impairment of goodwill. These costs represent non-cash write-downs of our goodwill generally related to negative trends in market and economic conditions, termination of relationships with distributors, or the increase in competitive environment related to our Scanner and Services reporting unit. We remove the impact of these charges to our operating performance to assist in assessing our ability to generate cash from operations. We believe this may be useful information to users of our financial statements; therefore, we have excluded these charges for purposes of calculating these non-GAAP measures to facilitate an evaluation of our current operating performance, particularly in terms of liquidity.

(2) Impairment of long-lived assets. These costs represent non-cash write-downs of our long-lived assets generally related to the increase in competitive environment related to our Scanner and Services reporting unit. As a result of these conditions, we have assessed that our asset group within the reporting unit was not recoverable and therefore recorded an impairment charge. We remove the impact of these charges to our operating performance to assist in assessing our ability to generate cash from operations. We believe this may be useful information to users of our financial statements; therefore, we have excluded these charges for purposes of calculating these non-GAAP measures to facilitate an evaluation of our current operating performance, particularly in terms of liquidity.

(3) Income tax-related adjustments. Non-GAAP financial information for the quarter is adjusted for a tax rate equal to our annual estimated tax rate on non-GAAP income. This rate is based on our estimated annual GAAP income tax rate forecast, adjusted to account for discrete tax items and items excluded from GAAP income in calculating the non-GAAP financial measures presented above. Our estimated tax rate on non-GAAP income is determined annually and may be re-calculated during the year to take into account events or trends that we believe materially impact the estimated annual rate.