

BIO RAD LABORATORIES INC  
Form 10-Q  
August 06, 2010

**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 June 30, 2010

**or**

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission file number 1-7928**

**BIO-RAD LABORATORIES, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**94-1381833**

(I.R.S. Employer Identification No.)

**1000 Alfred Nobel Drive, Hercules,  
California**

(Address of principal executive offices)

**94547**

(Zip Code)

**(510) 724-7000**

(Registrant's telephone number, including area code)

**No Change**

(Former name, former address and former fiscal year, if changed since last report.)

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.

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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. (Check one):

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
(Do not check if smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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

Title of Class	Shares Outstanding at July 28, 2010
Class A Common Stock, Par Value \$0.0001 per share	22,553,445
Class B Common Stock, Par Value \$0.0001 per share	5,114,586

**BIO-RAD LABORATORIES, INC.  
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## PART I FINANCIAL INFORMATION

## Item 1. Financial Statements

BIO-RAD LABORATORIES, INC.  
Condensed Consolidated Statements of Income  
(In thousands, except per share data)  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net sales	\$ 467,662	\$ 427,183	\$ 921,896	\$ 828,116
Cost of goods sold	199,354	185,221	396,461	357,253
Gross profit	268,308	241,962	525,435	470,863
Selling, general and administrative expense	156,270	143,670	309,887	283,983
Research and development expense	43,862	42,407	84,125	79,558
Income from operations	68,176	55,885	131,423	107,322
Interest expense	14,325	10,367	28,769	18,174
Foreign exchange losses, net	1,014	2,551	797	1,777
Other (income) expense, net	(2,517)	(6,307)	(3,316)	(5,148)
Income before taxes	55,354	49,274	105,173	92,519
Provision for income taxes	(16,833)	(9,974)	(31,260)	(21,176)
Net income including noncontrolling interests	38,521	39,300	73,913	71,343
Less: Net income attributable to noncontrolling interests	(564)	(1,331)	(1,095)	(3,109)
Net income attributable to Bio-Rad	\$ 37,957	\$ 37,969	\$ 72,818	\$ 68,234
Basic earnings per share:				
Net income per share basic attributable to Bio-Rad	\$ 1.37	\$ 1.39	\$ 2.64	\$ 2.50
Weighted average common shares - basic	27,606	27,370	27,575	27,346
Diluted earnings per share:				
Net income per share diluted attributable to Bio-Rad	\$ 1.35	\$ 1.37	\$ 2.59	\$ 2.47
Weighted average common shares - diluted	28,125	27,742	28,097	27,681

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



## BIO-RAD LABORATORIES, INC.

## Condensed Consolidated Balance Sheets

(In thousands)

(Unaudited)

	June 30, 2010	December 31, 2009
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 614,223	\$ 649,938
Short-term investments	103,486	94,876
Accounts receivable, net	335,354	345,734
Inventories, net	370,272	351,206
Prepaid expenses, taxes and other current assets	132,492	120,920
Total current assets	1,555,827	1,562,674
Property, plant and equipment, net	305,936	302,417
Goodwill, net	329,386	327,626
Purchased intangibles, net	199,922	204,779
Other assets	136,053	138,357
Total assets	\$ 2,527,124	\$ 2,535,853
<b>LIABILITIES AND STOCKHOLDERS EQUITY:</b>		
Accounts payable	\$ 95,161	\$ 92,988
Accrued payroll and employee benefits	111,518	126,702
Notes payable and current maturities of long-term debt	9,750	5,132
Income and other taxes payable	44,003	42,322
Accrued royalties	26,772	46,692
Other current liabilities	102,291	106,136
Total current liabilities	389,495	419,972
Long-term debt, net of current maturities	734,339	737,919
Other long-term liabilities	100,558	98,749
Total liabilities	1,224,392	1,256,640
<b>STOCKHOLDERS EQUITY:</b>		
Bio-Rad stockholders equity:		
Preferred stock	0	0
Class A common stock	2	2
Class B common stock	1	1
Additional paid-in capital	140,733	130,444
Retained earnings	1,069,015	996,197
Accumulated other comprehensive income	75,380	133,082

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Total Bio-Rad stockholders' equity	1,285,131	1,259,726
Noncontrolling interests	17,601	19,487
Total stockholders' equity	1,302,732	1,279,213
Total liabilities and stockholders' equity	\$ 2,527,124	\$ 2,535,853

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



## BIO-RAD LABORATORIES, INC.

## Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	2010	Six Months Ended June 30,	2009
Cash flows from operating activities:			
Cash received from customers		\$ 891,658	\$ 831,208
Cash paid to suppliers and employees		(779,464)	(698,527)
Interest paid		(27,861)	(15,340)
Income tax payments		(28,169)	(13,220)
Miscellaneous receipts, net		3,023	7,830
Excess tax benefits from share-based compensation		(532)	(88)
Net cash provided by operating activities		58,655	111,863
Cash flows from investing activities:			
Capital expenditures, net		(35,555)	(33,395)
Payments for acquisitions, net of cash received, and long-term investments		(67,345)	(33,805)
Payments on purchases of intangible assets		(2,031)	(5,360)
Purchases of marketable securities and investments		(109,456)	(21,697)
Sales and maturities of marketable securities and investments		98,089	23,382
Proceeds from foreign currency economic hedges, net		13,149	105
Net cash used in investing activities		(103,149)	(70,770)
Cash flows from financing activities:			
Net payments on line-of-credit arrangements and notes payable		(449)	(2,228)
Long-term borrowings		2,000	294,750
Payments on long-term borrowings		(2,940)	(3,585)
Proceeds from issuance of common stock		5,623	4,396
Debt issuance costs on long-term borrowings		(575)	(2,316)
Excess tax benefits from share-based compensation		532	88
Net cash provided by financing activities		4,191	291,105
Effect of foreign exchange rate changes on cash		4,588	(3,248)
Net (decrease) increase in cash and cash equivalents		(35,715)	328,950
Cash and cash equivalents at beginning of period		649,938	204,524
Cash and cash equivalents at end of period		\$ 614,223	\$ 533,474

Reconciliation of net income including noncontrolling interests to net cash provided by operating activities:		
Net income including noncontrolling interests	\$ 73,913	\$ 71,343
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities excluding the effects of acquisitions:		
Depreciation and amortization	53,633	47,765
Share-based compensation	4,824	4,117
Excess tax benefits from share-based compensation	(532)	(88)
(Increase) decrease in accounts receivable	(9,710)	6,982
(Increase) decrease in inventories	(12,970)	1,165
(Increase) decrease in other current assets	(16,608)	8,600
Decrease in accounts payable and other current liabilities	(23,295)	(34,959)
Increase in income taxes payable	9,555	10,722
Foreign currency economic hedges, net	(13,149)	(105)
Other	(7,006)	(3,679)
Net cash provided by operating activities	\$ 58,655	\$ 111,863

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

BIO-RAD LABORATORIES, INC

Notes to Condensed Consolidated Financial Statements  
(Unaudited)

**1. BASIS OF PRESENTATION**

In this report, Bio-Rad, we, us, and our refer to Bio-Rad Laboratories, Inc. and its subsidiaries. The accompanying unaudited condensed consolidated financial statements of Bio-Rad have been prepared in accordance with accounting principles generally accepted in the United States of America and reflect all adjustments which are, in the opinion of management, necessary to fairly state the results of the interim periods presented. All such adjustments are of a normal recurring nature. Results for the interim period are not necessarily indicative of the results for the entire year. The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Estimates have been prepared on the basis of the best available information. Actual results could differ materially from those estimates. The condensed consolidated financial statements should be read in conjunction with the notes to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2009.

We evaluate subsequent events and the evidence they provide about conditions existing at the date of the balance sheet as well as conditions that arose after the balance sheet date but before the financial statements are issued. The effects of conditions that existed at the balance sheet date are recognized in the financial statements. Events and conditions arising after the balance sheet date but before the financial statements are issued are evaluated to determine if disclosure is required to keep the financial statements from being misleading. To the extent such events and conditions exist, disclosures are made regarding the nature of events and the estimated financial effects for those events and conditions.

**2. ACQUISITION**

On January 6, 2010, we acquired certain diagnostic businesses of Biotest AG (Biotest) for 45 million Euros (approximately \$64.9 million) in cash. The acquisition was accounted for as a business combination. The operating results of these businesses are included in our Clinical Diagnostics segment. The purchase price allocation reflected \$30.9 million of net tangible assets and \$21.2 million of intangible assets based upon management's estimate of relative fair values of the assets acquired and liabilities assumed on the acquisition date. Further, goodwill of

\$12.8 million was recorded as the excess of the consideration transferred over the fair values of the identifiable net assets acquired. The goodwill recorded will not be deductible for tax purposes. Integrating the acquired portion of Biotest's diagnostic businesses into Bio-Rad's product portfolio is expected to broaden our product offering in the area of immunohematology and provide Bio-Rad access to the U.S. markets with a range of products.

### 3. FAIR VALUE MEASUREMENTS

We determine the fair value of an asset or liability based on the assumptions that market participants would use in pricing the asset or liability. The identification of market participant assumptions provides a basis for determining what inputs are to be used for pricing each asset or liability. A fair value hierarchy has been established which gives precedence to fair value measurements calculated using observable inputs over those using unobservable inputs. This hierarchy prioritizes the inputs into three broad levels as follows:

Level 1	Quoted prices in active markets for identical instruments
Level 2	Other significant observable inputs (including quoted prices in active markets for similar instruments)
Level 3	Significant unobservable inputs (including assumptions in determining the fair value of certain investments)

Financial assets carried at fair value on a recurring basis as of June 30, 2010 are classified in the hierarchy as follows (in millions):

	Level 1	Level 2	Total
Assets:			
Cash equivalents (a):			
Commercial paper	\$ 0.0	\$ 162.3	\$ 162.3
Time deposits	85.3	0.0	85.3
Treasury bills	0.0	6.5	6.5
Money market funds	31.8	0.0	31.8
Municipals	0.0	1.0	1.0
Available-for-sale investments (b):			
Corporate debt securities	0.0	48.9	48.9
Foreign government obligations	0.0	4.2	4.2
U.S. government sponsored agencies	0.0	34.8	34.8
Municipal obligations	0.0	6.4	6.4
Marketable equity securities	64.0	0.0	64.0
Asset-backed securities:			
Collateralized mortgage obligations	0.0	0.3	0.3
Other mortgage-backed securities	0.0	3.5	3.5
Other	0.0	0.3	0.3
Forward foreign exchange contracts (c)	0.0	2.1	2.1
Total Assets	\$ 181.1	\$ 270.3	\$ 451.4

(a)

Cash equivalents are included in Cash and cash equivalents in the Condensed Consolidated Balance Sheets.

(b)

Available-for-sale investments of \$103.5 million are included in Short-term investments and \$58.9 million are included in Other assets in the Condensed Consolidated Balance Sheets.

(c)

Forward foreign exchange contracts are included in Prepaid expenses, taxes and other current assets in the Condensed Consolidated Balance Sheets.

To estimate the fair value of Level 2 debt securities, excluding commercial paper and U.S. Treasury bills and notes, we examine quarterly the pricing provided by two pricing services and we obtain indicative market prices when there was insufficient correlation between the pricing services. To estimate the fair value of Level 2 commercial paper and U.S. Treasury bills and notes we examine quarterly the pricing from our primary pricing service to ensure consistency with other similar securities. As a result of our analysis as of June 30, 2010, we utilized our primary pricing service for all Level 2 debt securities for consistency since the results did not require the use of alternative pricing.

In addition, we review for investment securities that may trade in illiquid or inactive markets by identifying instances of a significant decrease in the volume and frequency of trades, relative to historical levels, as well as instances of a significant widening of the bid-ask spread in the brokered markets. As of June 30, 2010, we did not have any investment securities in illiquid or inactive markets.

The inputs used by our primary pricing service for Level 2 cash equivalents, corporate debt securities, foreign government obligations, U.S. government sponsored agencies and municipal obligations, vary depending on the type of security being valued, but generally include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, corporate actions or Nationally Recognized Municipal Securities Information Repository (NRMSIR) material event notices, plus new issue money market rates.

The inputs used by our primary pricing service in estimating the fair value of Level 2 collateralized mortgage obligations and other mortgage-backed securities include many of the inputs mentioned above in addition to monthly payment information. These issues were priced by our primary pricing service against issues with similar vintage and credit quality with adjustments for tranche, average life and extension risk.

**Forward foreign exchange contracts:** As part of distributing our products, we regularly enter into intercompany transactions. We enter into forward foreign currency exchange contracts to manage foreign exchange risk of future movements in foreign exchange rates that affect foreign currency denominated intercompany receivables and payables. We do not use derivative financial instruments for speculative or trading purposes. We do not seek hedge accounting treatment for these contracts. As a result, these contracts, generally with maturity dates of 90 days or less and related primarily to currencies of industrial countries, are recorded at their fair value at each balance sheet date. The fair value of these contracts was derived using the spot rates published in the Wall Street Journal on the last business day of the quarter and the points provided by counterparties. The resulting gains or losses offset exchange gains or losses on the related receivables and payables, both of which are recorded as Foreign exchange (gains) losses in the Condensed Consolidated Statements of Income. The cash flows related to these contracts are classified as Cash flows from investing activities in the Condensed Consolidated Statements of Cash Flows. At June 30, 2010, we had contracts maturing in July through September 2010 to sell foreign currency with a notional value of \$74.5 million and an unrealized gain of \$0.5 million. Contracts to purchase foreign currency had a notional value of \$302.5 million with an unrealized gain of \$1.7 million.

Financial assets carried at fair value on a recurring basis as of December 31, 2009 are classified in the hierarchy as follows (in millions):

	Level 1	Level 2	Total
Assets:			
Cash equivalents	\$	\$	\$
	301.4	89.8	391.2

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Forward foreign exchange contracts	0.0	0.3	0.3
Available-for-sale investments:			
Corporate debt securities	0.0	23.8	23.8
Municipal obligations	0.0	2.4	2.4
Asset-backed securities	0.0	5.5	5.5
U.S. government sponsored agencies	0.0	41.5	41.5
Foreign government obligations	0.0	17.9	17.9
Marketable equity securities	64.2	0.2	64.4
Total	\$	\$	\$
	365.6	181.4	547.0

As of June 30, 2010 and December 31, 2009, we did not hold any financial assets that use Level 3 inputs to determine fair value.



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Available-for-sale investments consist of the following (in millions):

	June 30, 2010			Estimated
	Amortized	Unrealized	Unrealized	Fair
	Cost	Gains	Losses	Value
Short-term investments:				
Corporate debt securities	\$ 48.9	\$ 0.0	\$ 0.0	\$ 48.9
Municipal obligations	6.4	0.0	0.0	6.4
Asset-backed securities	1.0	0.0	0.0	1.0
U.S. government sponsored agencies	34.8	0.0	0.0	34.8
Foreign government obligations	4.2	0.0	0.0	4.2
Marketable equity securities	8.8	0.3	(0.9)	8.2
	104.1	0.3	(0.9)	103.5
Long-term investments:				
Marketable equity securities	34.7	22.0	(0.6)	56.1
Asset-backed securities	3.0	0.1	(0.3)	2.8
	37.7	22.1	(0.9)	58.9
Total	\$ 141.8	\$ 22.4	\$ (1.8)	\$ 162.4

	December 31, 2009			Estimated
	Amortized	Unrealized	Unrealized	Fair
	Cost	Gains	Losses	Value
Short-term investments:				
Corporate debt securities	\$ 23.8	\$ 0.0	\$ 0.0	\$ 23.8
Municipal obligations	2.4	0.0	0.0	2.4
Asset-backed securities	0.9	0.0	0.0	0.9
U.S. government sponsored agencies	41.5	0.0	0.0	41.5
Foreign government obligations	17.9	0.0	0.0	17.9
Marketable equity securities	8.6	0.4	(0.6)	8.4
	95.1	0.4	(0.6)	94.9
Long-term investments:				
Marketable equity securities	29.9	26.4	(0.3)	56.0
Asset-backed securities	5.0	0.2	(0.6)	4.6
	34.9	26.6	(0.9)	60.6
Total	\$ 130.0	\$ 27.0	\$ (1.5)	\$ 155.5

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For both periods ended June 30, 2010 and December 31, 2009, we had investments with gross unrealized losses of \$1.5 million that were in a loss position for 12 months or more. The number of investment positions that were in an unrealized loss position were 22 and 37 as of June 30, 2010 and December 31, 2009, respectively.

The unrealized losses on these securities are due to a number of factors, including changes in interest rates, changes in economic conditions and changes in market outlook for various industries, among others. Because Bio-Rad has the ability and intent to hold these investments with unrealized losses until a recovery of fair value, or for a reasonable period of time sufficient for a forecasted recovery of fair value, which may be maturity, we do not consider these investments to be other-than-temporarily impaired at June 30, 2010.

The following is a summary of the amortized cost and estimated fair value of our debt securities at June 30, 2010 by contractual maturity date (in millions):

	Amortized Cost	Fair Value
Mature in less than one year	\$ 94.4	\$ 94.4
Mature in one to five years	0.0	0.0
Mature in more than five years	3.9	3.7
Total	\$ 98.3	\$ 98.1

The estimated fair value of financial instruments in the table below has been determined using available market information or other appropriate valuation methodologies. Estimates are not necessarily indicative of the amounts that could be realized in a current market exchange as considerable judgment is required in interpreting market data used to develop estimates of fair value. The use of different market assumptions or estimation techniques could have a material effect on the estimated fair value. Other assets include some financial instruments that have fair values based on market quotations. Long-term debt has an estimated fair value based on quoted market prices for the same or similar issues.

The estimated fair value of our financial instruments is as follows (in millions):

	June 30, 2010		December 31, 2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Other assets	\$ 101.1	\$ 124.2	\$ 101.8	\$ 119.6
Total long-term debt, excluding leases	\$ 720.4	\$ 732.9	\$ 720.1	\$ 734.1

We own shares of ordinary voting stock of Sartorius AG, of Goettingen, Germany, a process technology supplier to the biotechnology, pharmaceutical, chemical and food and beverage industries. We own approximately 29% of the outstanding voting shares of Sartorius as of June 30, 2010. The Sartorius family trust and Sartorius family members hold a controlling interest of the outstanding voting shares. We do not have any representative or designee on Sartorius' board of directors, nor do we have any other influence over the operating and financial policies of Sartorius. Therefore, we account for this investment using the cost method. This investment is included in Other assets in our Condensed Consolidated Balance Sheets.

**4. INVENTORIES**

The principal components of inventories are as follows (in millions):

	June 30, 2010	December 31, 2009
Raw materials	\$ 76.5	\$ 68.2
Work in process	113.4	97.5
Finished goods	180.4	185.5
Inventories, net	\$ 370.3	\$ 351.2

**5. PROPERTY, PLANT AND EQUIPMENT**

The components of property, plant and equipment are as follows (in millions):

	June 30, 2010	December 31, 2009
Land and improvements	\$ 17.6	\$ 16.8
Buildings and leasehold improvements	218.0	204.6
Equipment	501.4	506.7
	737.0	728.1
Accumulated depreciation	(431.1)	(425.7)
Property, plant and equipment, net	\$ 305.9	\$ 302.4

Proceeds from the sale of property, plant and equipment of \$0.3 million and \$0.4 million for the six months ended June 30, 2010 and 2009, respectively, are included in Capital expenditures, net in the Condensed Consolidated Statements of Cash Flows.

**6. GOODWILL AND OTHER PURCHASED INTANGIBLE ASSETS**

Changes to goodwill by segment were as follows (in millions):

Life Science	Clinical Diagnostics	Total
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Balances as of January 1, 2010:			
Goodwill	\$ 70.7	\$ 284.1	\$ 354.8
Accumulated impairment losses	(27.2)	0.0	(27.2)
Goodwill, net	43.5	284.1	327.6
Acquisitions	0.0	12.8	12.8
Currency fluctuations	0.0	(11.0)	(11.0)
	0.0	1.8	1.8
Balances as of June 30, 2010:			
Goodwill	70.7	285.9	356.6
Accumulated impairment losses	(27.2)	0.0	(27.2)
Goodwill, net	\$ 43.5	\$ 285.9	\$ 329.4

In conjunction with the acquisition of certain businesses of Biotest in January 2010 (see Note 2), we acquired \$12.8 million of goodwill and \$21.2 million of intangible assets: \$7.5 million of customer relationships, \$9.5 million of developed product technology and \$4.2 million of tradenames.

Other than goodwill, we have no intangible assets with indefinite lives. Information regarding our identifiable purchased intangible assets is as follows (in millions):

	June 30, 2010			
	Average Remaining Life (years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships/lists	1-14	\$ 91.8	\$ (18.4)	\$ 73.4
Know how	1-7	80.3	(24.1)	56.2
Developed product technology	1-12	44.3	(15.3)	29.0
Licenses	2-10	38.2	(13.8)	24.4
Tradenames	2-12	26.3	(11.2)	15.1
Covenants not to compete	1-8	5.7	(3.9)	1.8
Patents	0	1.0	(1.0)	0.0
Other	2	0.1	(0.1)	0.0
		\$ 287.7	\$ (87.8)	\$ 199.9

	December 31, 2009			
	Average Remaining Life (years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships/lists	1-14	\$ 90.3	\$ (15.9)	\$ 74.4
Know how	1-7	92.0	(28.5)	63.5
Developed product technology	1-12	40.5	(16.5)	24.0
Licenses	2-11	37.6	(12.2)	25.4
Tradenames	3-12	23.6	(8.8)	14.8
Covenants not to compete	2-9	6.0	(3.4)	2.6
Patents	1	1.0	(0.9)	0.1
Other	2	0.1	(0.1)	0.0
		\$ 291.1	\$ (86.3)	\$ 204.8

Amortization expense related to purchased intangible assets for the three months ended June 30, 2010 and 2009 was \$8.1 million and \$7.8 million, respectively. Amortization expense related to purchased intangible assets for the six months ended June 30, 2010 and 2009 was \$16.8 million and \$15.0 million, respectively. Estimated future amortization expense (based on existing intangible assets) for the years ending December 31, 2011, 2012, 2013, 2014

and 2015 is \$33.1 million, \$30.0 million, \$25.8 million, \$22.9 million and \$20.5 million, respectively.



**7. PRODUCT WARRANTY LIABILITY**

We warrant certain equipment against defects in design, materials and workmanship, generally for a period of one year. Upon delivery of that equipment, we establish, as part of Cost of goods sold, a provision for the expected costs of such warranty based on historical experience, specific warranty terms and customer feedback. A review is performed on a quarterly basis to assess the adequacy of our warranty accrual.

Components of the warranty accrual, included in Other current liabilities and Other long-term liabilities, were as follows (in millions):

	2010
January 1	\$ 16.1
Provision for warranty	9.1
Actual warranty costs	(9.5)
June 30	\$ 15.7

**8. LONG-TERM DEBT**

The principal components of long-term debt are as follows (in millions):

	June 30, 2010	December 31, 2009
7.5% Senior Subordinated Notes	\$ 225.0	\$ 225.0
6.125% Senior Subordinated Notes	200.0	200.0
8.0% Senior Subordinated Notes	295.4	295.1
Capital leases and other debt	23.2	22.5
	743.6	742.6
Less current maturities	(9.3)	(4.7)
Long-term debt	\$ 734.3	\$ 737.9

In June 2010, Bio-Rad entered into a \$200.0 million Amended and Restated Credit Agreement (Credit Agreement).

Borrowings under the Credit Agreement are on a revolving basis and can be used for acquisitions, for working capital and for other general corporate purposes. We had no outstanding balance under the Credit Agreement as of June 30, 2010. The Credit Agreement expires on June 21, 2014.

In May 2009, Bio-Rad sold \$300.0 million principal amount of Senior Subordinated Notes due 2016 (8.0% Notes).

The sale yielded net cash proceeds of \$294.8 million at an effective interest rate of 8.3%. The notes pay a fixed rate of interest of 8.0% per year. We have the option to redeem any or all of the 8.0% Notes at various declining redemption prices or at 100% of the principal amount plus the applicable premium (as defined by the indenture) along with accrued and unpaid interest and certain other charges depending on the date redeemed. Bio-Rad's obligations under the 8.0% Notes are not secured, rank equal to other senior subordinated notes and rank junior to all of Bio-Rad's existing and future senior debt.

In December 2004, Bio-Rad sold \$200.0 million principal amount of Senior Subordinated Notes due 2014 (6.125% Notes). The notes pay a fixed rate of interest of 6.125% per year. We have the option to redeem any or all of the 6.125% Notes at various declining redemption prices or at 100% of the principal amount plus the applicable premium (as defined by the indenture) along with accrued and unpaid interest and certain other charges depending on the date redeemed. Bio-Rad's obligations under the 6.125% Notes are not secured, rank equal to other senior subordinated notes and rank junior to all of Bio-Rad's existing and future senior debt.

In August 2003, Bio-Rad sold \$225.0 million principal amount of Senior Subordinated Notes due 2013 (7.5% Notes). The notes pay a fixed rate of interest of 7.5% per year. We have the option to redeem any or all of the 7.5% Notes at various declining redemption prices or at 100% of the principal amount plus the applicable premium (as defined by the indenture) along with accrued and unpaid interest and certain other charges depending on the date redeemed.

Bio-Rad's obligations under the 7.5% Notes are not secured, rank equal to other senior subordinated notes and rank junior to all of Bio-Rad's existing and future senior debt.

The Credit Agreement is secured by substantially all of our personal property assets, the assets of our domestic subsidiaries and 65% of the capital stock of certain foreign subsidiaries. It is guaranteed by all of our existing and future material domestic subsidiaries. The Credit Agreement, the 6.125% Notes, the 7.5% Notes and the 8.0% Notes require Bio-Rad to comply with certain financial ratios and covenants, among other things. The covenants include a leverage ratio test and an interest coverage test. There are also restrictions on our ability to declare or pay dividends, incur debt, guarantee debt, enter into transactions with affiliates, merge or consolidate, sell assets, make investments, create liens and prepay subordinated debt. We were in compliance with all covenants as of June 30, 2010.

## 9. *NONCONTROLLING INTERESTS*

Activity in noncontrolling interests is as follows (in millions):

December 31, 2009	\$19.5
Net income attributable to noncontrolling interests	1.1
Purchase of noncontrolling interests	(0.7)
Currency fluctuations	(2.3)
June 30, 2010	\$ 17.6

In February 2010, we acquired the remaining 45 shares of DiaMed Holding AG, which were held by multiple noncontrolling shareholders. We paid 1.5 million Swiss Francs, or approximately \$1.4 million to these shareholders under the terms of the original purchase agreement dated October 1, 2007. As this acquisition was accounted for as an equity transaction, Bio-Rad's additional paid-in capital was reduced by \$0.7 million. Although we owned 100% of the shares of DiaMed Holding AG as of June 30, 2010, there are still outstanding noncontrolling interests in certain DiaMed Holding AG subsidiaries acquired as part of the DiaMed Holding AG acquisition.

**10. EARNINGS PER SHARE**

Basic earnings per share is computed by dividing net income (loss) attributable to Bio-Rad by the weighted average number of common shares outstanding for that period. Diluted earnings per share takes into account the effect of dilutive instruments, such as stock options and restricted stock, and uses the average share price for the period in determining the number of potential common shares that are to be added to the weighted average number of shares outstanding. Potential common shares are excluded from the diluted earnings per share calculation if the effect of including such securities would be anti-dilutive.

The weighted average number of common shares outstanding used to calculate basic and diluted earnings per share and the anti-dilutive shares are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Basic weighted average shares outstanding	27,606	27,370	27,575	27,346
Effect of potentially dilutive stock options and restricted stock awards	519	372	522	335
Diluted weighted average common shares	28,125	27,742	28,097	27,681
Anti-dilutive shares	96	301	96	316

## 11. SHARE-BASED COMPENSATION

Included in our share-based compensation expense is the cost related to stock options, restricted stock and restricted stock unit grants, and Employee Stock Purchase Plan (ESPP) stock purchases.

For the three months ended June 30, 2010 and 2009, we recognized pre-tax share-based compensation expense of \$2.5 million and \$2.1 million, respectively. For the six months ended June 30, 2010 and 2009, we recognized pre-tax share-based compensation expense of \$4.8 million and \$4.1 million, respectively.

### *Stock Options*

The following table summarizes our stock option activity during the six months ended June 30, 2010:

	Shares	Weighted Average Exercise Price
Outstanding, January 1, 2010	1,206,374	\$ 50.78
Granted	0	0
Exercised	(62,813)	\$ 37.55
Forfeited/Expired	(4,735)	\$ 61.52
Outstanding, June 30, 2010	1,138,826	\$ 51.47
Vested and expected to vest June 30, 2010	1,126,355	\$ 51.19
Exercisable, June 30, 2010	968,404	\$ 47.48

Cash received from stock options exercised during the three months ended June 30, 2010 and 2009 was \$1.3 million and \$1.0 million, respectively. The actual tax benefit realized for the tax deductions from stock options exercised was \$1.4 million and \$0.6 million for the three months ended June 30, 2010 and 2009, respectively. Cash received from stock options exercised during the six months ended June 30, 2010 and 2009 was \$2.4 million and \$1.2 million, respectively. The actual tax benefit realized for the tax deductions from stock options exercised was \$1.8 million and \$0.7 million for the six months ended June 30, 2010 and 2009, respectively.

As of June 30, 2010, there was approximately \$4.9 million of total unrecognized compensation cost related to stock options granted under our stock options plans. The cost is expected to be recognized over a weighted average period of approximately 2 years.

### ***Restricted Stock***

The following table summarizes our restricted stock activity during the six months ended June 30, 2010:

	Restricted Stock Shares	Weighted Average Grant-Date Fair Value
Nonvested shares, January 1, 2010	101,247	\$ 82.86
Granted	0	0
Vested	(14,762)	\$ 88.09
Cancelled/Forfeited	(931)	\$ 84.85
Nonvested shares, June 30, 2010	85,554	\$ 81.94

As of June 30, 2010, there was approximately \$5.1 million of total unrecognized compensation cost related to restricted stock granted under the 2007 Plan. The cost is expected to be recognized over a weighted average period of approximately 3 years.

### ***Restricted Stock Units***

The following table summarizes our restricted stock unit activity during the six months ended June 30, 2010:

	Units	Weighted Average Grant-Date Fair Value
Outstanding, January 1, 2010	163,198	\$ 77.01
Granted	0	0
Vested	(29,267)	\$ 78.90
Forfeited	(3,706)	\$ 78.28
Outstanding, June 30, 2010	130,225	\$ 76.55

As of June 30, 2010, there was approximately \$7.8 million of total unrecognized compensation cost related to restricted stock units granted under the 2007 Plan. That cost is expected to be recognized over a weighted average period of approximately 4 years.



**Employee Stock Purchase Plan**

We sold 23,282 shares for \$1.7 million and 26,730 shares for \$1.5 million under our employee stock purchase plan for the three months ended June 30, 2010 and 2009, respectively. We sold 42,609 shares for \$3.3 million and 57,453 shares for \$3.2 million under our employee stock purchase plan for the six months ended June 30, 2010 and 2009, respectively. At June 30, 2010, there were 185,995 authorized shares remaining in the employee stock purchase plan.

**12. OTHER (INCOME) EXPENSE, NET**

Other (income) expense includes the following components (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Interest and investment income	\$ (2.8)	\$ (2.9)	\$ (3.6)	\$ (3.8)
Net realized gains on investments	0.0	0.0	(0.3)	0.0
Other-than-temporary impairment of investments	0.0	0.0	0.0	2.5
Miscellaneous other (income) expense items	0.3	(3.4)	0.6	(3.8)
Other (income) expense, net	\$ (2.5)	\$ (6.3)	\$ (3.3)	\$ (5.1)

Included in impairment on investments are other-than-temporary impairments on certain of our available-for-sale investments in light of the continuing declines in their market prices. We did not believe these particular investments would recover their carrying value.

**13. INCOME TAXES**

Our effective tax rate was 30% and 20% for the three months ended June 30, 2010 and 2009, respectively. Our effective tax rate was 30% and 23% for the six months ended June 30, 2010 and 2009, respectively. The effective tax rates for all periods presented were lower than the statutory rate due to tax benefits for nontaxable dividend income, research and development tax credits, and differences between U.S. and foreign taxes. The higher effective tax rates for the three and six months ended June 30, 2010 were primarily due to a decline in the percentage of total earnings earned in lower tax jurisdictions, the expiration of the research and development tax credit in the U.S. and an increase in the liability for uncertain tax positions.

As of June 30, 2010, we believe it is reasonably possible that our unrecognized tax benefits will decrease by up to \$3.4 million in the next 12 months due to audit settlements with various tax authorities. With respect to these unrecognized tax benefits, we are currently unable to make a reasonable estimate as to the period of final settlement, if any, with the respective tax authorities.

We record liabilities related to uncertain tax positions. We do not believe any uncertain tax positions currently pending will have a material adverse effect on our Condensed Consolidated Financial Statements, although an adverse resolution of one or more of these uncertain tax positions in any period could have a material impact on the results of operations for that period.

**14. COMPREHENSIVE INCOME (LOSS)**

The components of our total comprehensive income (loss) are as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net income including noncontrolling interests	\$ 38.5	\$ 39.3	\$ 73.9	\$ 71.3
Currency translation adjustments	(35.5)	44.3	(56.3)	(1.0)
Post-employment benefits, net of tax	0.0	0.0	0.0	0.1
Net unrealized holding gains (losses) on available-for-sale investments net of tax effects of \$4.1 million and \$2.0 million for the three and six months ended June 30, 2010, respectively. There was no tax effect for the three or six months ended June 30, 2009.	(7.0)	9.8	(3.4)	4.1
Reclassification adjustments for gains (losses) included in net income including noncontrolling interests, net of tax effects of zero for the three months and (\$0.1) million for the six months ended June 30, 2010. There was no tax effect for the three or six months ended June 30, 2009.	0.0	0.0	0.2	2.5
Total comprehensive income (loss)	(4.0)	93.4	14.4	77.0
Less: comprehensive income (loss) attributable to noncontrolling interests	(1.1)	2.3	(0.7)	2.5
Comprehensive income (loss) attributable to Bio-Rad	\$ (2.9)	\$ 91.1	\$ 15.1	\$ 74.5

Reclassification adjustments are calculated using the specific identification method.

**15. SEGMENT INFORMATION**

Information regarding industry segments for the three months ended June 30, 2010 and 2009 is as follows (in millions):

		Life	Clinical	Other
		Science	Diagnostics	Operations
Segment net sales	2010	\$ 150.7	\$ 314.1	\$ 2.9
	2009	\$ 149.7	\$ 274.3	\$ 3.2

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Segment profit	2010	\$	7.7	\$	46.8	\$	0.2
	2009	\$	9.5	\$	36.6	\$	0.1

Information regarding industry segments for the six months ended June 30, 2010 and 2009 is as follows (in millions):

		Life Science	Clinical Diagnostics	Other Operations
Segment net sales	2010	\$ 302.0	\$ 613.9	\$ 6.0
	2009	\$ 290.1	\$ 531.9	\$ 6.1
Segment profit	2010	\$ 19.1	\$ 85.1	\$ 0.1
	2009	\$ 15.5	\$ 74.7	\$ 0.3

Segment results are presented in the same manner as we present our operations internally to make operating decisions and assess performance. Net corporate operating expense consists of receipts and expenditures that are not the primary responsibility of segment operating management. Interest expense is charged to segments based on the carrying amount of inventory and receivables employed by that segment. The following reconciles total segment profit to consolidated income before taxes (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Total segment profit	\$ 54.7	\$ 46.2	\$ 104.3	\$ 90.5
Foreign exchange losses	(1.0)	(2.6)	(0.8)	(1.8)
Net corporate operating, interest and other expense not allocated to segments	(0.8)	(0.6)	(1.6)	(1.3)
Other income, net	2.5	6.3	3.3	5.1
Consolidated income before taxes	\$ 55.4	\$ 49.3	\$ 105.2	\$ 92.5

## **16. LEGAL PROCEEDINGS**

On May 4, 2010, we disclosed that, based on an internal review by us, we had identified conduct in certain of our overseas operations that may have violated the anti-bribery provisions of the United States Foreign Corrupt Practices Act (FCPA), the FCPA's books and records and internal controls provisions and our own internal policies. We have not assessed at this time whether any of the activities in question violated the laws of the foreign jurisdictions in which they took place. In May 2010, we voluntarily disclosed these matters to the U.S. Department of Justice (DOJ) and the Securities and Exchange Commission (SEC). The Audit Committee of the Board of Directors has assumed direct responsibility for reviewing these matters and has hired experienced independent counsel to conduct an investigation and provide legal advice. We intend to provide additional information to the DOJ and the SEC as the Audit Committee's investigation progresses.

We are presently unable to predict the duration, scope or result of the Audit Committee's investigation, of any investigations by the DOJ or the SEC or whether either agency will commence any legal action. The DOJ and the SEC have a broad range of civil and criminal sanctions under the FCPA and other laws and regulations including, but not limited to, injunctive relief, disgorgement, fines, penalties, modifications to business practices including the termination or modification of existing business relationships and the imposition of compliance programs and the retention of a monitor to oversee compliance with the FCPA. The imposition of any of these sanctions or remedial measures could have a material adverse effect on our business.

In addition, we are party to various other claims, legal actions and complaints arising in the ordinary course of business. We do not believe, at this time, that any ultimate liability resulting from any of these other matters will have a material adverse effect on our results of operations, financial position or liquidity. However, we cannot give any assurance regarding the ultimate outcome of these other matters and their resolution could be material to our operating results for any particular period, depending on the level of income for the period.

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

This discussion should be read in conjunction with the information contained in both our Consolidated Financial Statements for the year ended December 31, 2009 and this report for the three and six months ended June 30, 2010.

Other than statements of historical fact, statements made in this report include forward looking statements, such as statements with respect to our future financial performance, operating results, plans and objectives that involve risk and uncertainties. Forward-looking statements generally can be identified by the use of forward-looking terminology such as, believe, expect, may, will, intend, estimate, continue, or similar expressions or the negative of those expressions. Such statements involve risks and uncertainties, which could cause actual results to vary materially from those expressed in or indicated by the forward-looking statements. We have based these forward looking statements on our current expectations and projections about future events. However, actual results may differ materially from those currently anticipated depending on a variety of risk factors including among other things: changes in general domestic and worldwide economic conditions; our ability to successfully develop and market new products; our reliance on and access to necessary intellectual property; our ability to successfully integrate any acquired business; our substantial leverage and ability to service our debt; competition in and government regulation of the industries in which we operate; and the monetary policies of various countries. We caution you not to place undue reliance on forward-looking statements, which reflect an analysis only and speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events, or otherwise except as required by Federal Securities law.

**Overview.** We are a multinational manufacturer and worldwide distributor of our own life science research and clinical diagnostics products. Our business is organized into two primary segments, Life Science and Clinical Diagnostics, with the mission to provide scientists with specialized tools needed for biological research and clinical diagnostics. We sell more than 8,000 products and services to a diverse client base comprised of scientific research, healthcare, education and government customers worldwide. We manufacture and supply our customers with a range of reagents, apparatus and equipment to separate complex chemical and biological materials and to identify, analyze and purify components. Because our customers require standardization for their experiments and test results, much of our revenues are recurring. Approximately 32% of our year-to-date 2010 consolidated net sales are from the United States and approximately 68% are from international locations. The international sales are largely denominated in local currencies such as the Euro, Swiss Franc, Japanese Yen and British Sterling. As a result, our consolidated net sales expressed in dollars benefit when the U.S. dollar weakens and suffer when the dollar strengthens. When the U.S. dollar strengthens, we benefit from lower cost of sales from our own international manufacturing sites as well as non-U.S. suppliers and from lower international operating expenses.

The market for reagents and apparatus remains good while growth rates have slowed due to both public and private grant funding being more measured. The market for large capital equipment has slowed, as many pharmaceutical and biotechnology customers delayed or reduced their capital spending. We are generally less impacted by trends in

capital spending as lower priced reagents and apparatus comprise more than 70% of product sales.

On January 6, 2010, we acquired certain diagnostic businesses of Biotest AG (Biotest). This 45 million Euro acquisition is expected to broaden our product offering in the area of immunohematology and provide access to the U.S. markets for these products.



The following shows gross profit and expense items as a percentage of net sales:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net sales	100.0%	100.0%	100.0 %	100.0 %
Cost of goods sold	42.6	43.4	43.0	43.1
Gross profit	57.4	56.6	57.0	56.9
Selling, general and administrative expense	33.4	33.6	33.6	34.3
Research and development expense	9.4	9.9	9.1	9.6
Net income attributable to Bio-Rad	8.1	8.9	7.9	8.2

### ***Critical Accounting Policies and Estimates***

As previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2009, we have identified accounting for income taxes, valuation of goodwill and long-lived assets, valuation of inventories, warranty reserves, valuation of investments, allowance for doubtful accounts and litigation accruals as the accounting policies and estimates critical to the operations of Bio-Rad.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably likely to occur could materially impact the financial statements. Management believes that there have been no significant changes during the six months ended June 30, 2010 to the items that we disclosed as our critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009. For a full discussion of these policies, please refer to our Form 10-K for the period ended December 31, 2009.

### Three Months Ended June 30, 2010 Compared to

### Three Months Ended June 30, 2009

### ***Corporate Results -- Sales, Margins and Expenses***

Net sales (sales) in the second quarter of 2010 increased 9.5% to \$467.7 million from \$427.2 million in the second quarter of 2009, with Biotest contributing approximately \$14.5 million to the growth in sales. Excluding the impact of foreign currency, second quarter 2010 sales increased by approximately 9.0% compared to the same period in 2009.

Currency neutral sales growth, excluding Biotest, was reflected in all regions, but primarily for Asia Pacific and Emerging Markets.

The Life Science segment sales for the second quarter of 2010 was relatively flat with sales of \$150.7 million compared to \$149.7 million in the same period last year. On a currency neutral basis, there was a slight decrease in sales for the second quarter of 2010 compared to the second quarter of 2009. We have seen weakness in government support and spending for research and development, especially in Europe.

The Clinical Diagnostics segment reported sales for the second quarter of 2010 of \$314.1 million, an increase of 14.5% compared to the same period last year, with Biotest contributing approximately 5.3% to the sales growth. On a currency neutral basis, sales increased 14.1% including Biotest compared to the second quarter of 2009. Clinical Diagnostics product lines showing growth were immunochemistry (before the contribution of Biotest), quality controls and reagent products. The most significant sales growth was in the Asia Pacific and Emerging Markets regions.

Consolidated gross margins were 57.4% for the second quarter of 2010 compared to 56.6% for the second quarter of 2009. Life Science segment gross margins for the second quarter of 2010 improved from the same period last year by approximately 1.6%. The increase was primarily due to improved manufacturing overhead absorption and a reduction in costs. Clinical Diagnostics segment gross margins for the second quarter of 2010 were relatively flat compared to the same period last year. Biotest had a negative impact on Clinical Diagnostics gross margins primarily due to overall generally lower margins than historical segment gross margins as a result of purchase accounting, lower volumes related to total capacity and a current higher cost structure. Increases in Clinical Diagnostics gross margins were from the settlement of intellectual property disputes.

Selling, general and administrative expenses (SG&A) represented 33.4% of sales for the second quarter of 2010 compared to 33.6% of sales for the second quarter of 2009. Growth in absolute SG&A spending was less than sales growth. Increases were primarily driven by employee related costs, marketing, travel, and professional services.

Research and development expense increased to \$43.9 million in the second quarter of 2010 compared to \$42.4 million in the second quarter of 2009. Life Science segment research and development expense increased from the prior year quarter. Life Science segment efforts concentrated on genomics, proteomics and process chromatography applications. Clinical Diagnostics segment research and development expense was flat compared to the prior year period as the prior year had larger spending for the recently released IH 1000 blood typing system and the spending increased during the second quarter of 2010 for other projects.

### ***Corporate Results Other Items***

Interest expense for the second quarter of 2010 increased by \$4.0 million compared to the second quarter of 2009. An additional \$300 million of 8.0% Senior Subordinated Notes due in 2016 were issued in May 2009, which increased our interest expense compared to the second quarter of 2009. Our other principal debt obligations are the 2003 and 2004 Senior Subordinated Notes totaling \$425.0 million, which carry fixed rates of interest of 7.5% and 6.125%, respectively.

Foreign currency exchange gains and losses consist of foreign currency transaction gains and losses on intercompany net receivables and payables and the change in fair value of our forward foreign exchange contracts used to manage our foreign currency exchange risk. Foreign currency exchange losses, net for the quarter ended June 30, 2010 and 2009 were primarily attributable to market volatility, costs to hedge, and the result of the estimating process inherent in the timing of shipments and payments of intercompany debt.

Other income, net for the second quarter of 2010 was \$2.5 million compared to \$6.3 million for the second quarter of 2009, a decrease of \$3.8 million. The decrease primarily resulted from non-recurring income of \$4.6 million in 2009 related to the relief of a foreign non-income based tax obligation.

Our effective tax rate was 30% and 20% for the second quarter of 2010 and 2009, respectively. The effective tax rates for the second quarter of 2010 and 2009 both reflected tax benefits for nontaxable dividend income, research and development tax credits, and differences between U.S. and foreign rates. The higher effective tax rate for the second quarter of 2010 was primarily due to a decline in the percentage of total earnings earned in lower tax jurisdictions, the expiration of the research and development tax credit in the U.S. and an increase in the liability for uncertain tax positions.

Our effective tax rate may be impacted in the future, either favorably or unfavorably, by many factors including but not limited to statutory tax rates, changes in tax laws or regulations, tax audits and settlements, and generation of tax credits.

Six Months Ended June 30, 2010 Compared to

Six Months Ended June 30, 2009

***Corporate Results Sales, Margins and Expenses***

Net sales (sales) in the first half of 2010 increased 11.3% to \$921.9 million from \$828.1 million in the first half of 2009, with Biotest contributing approximately \$27.2 million to the growth in sales. Excluding the impact of foreign currency, second quarter 2010 sales increased by approximately 8.4% compared to the same period in 2009. Currency neutral sales growth, excluding Biotest, was achieved in all regions, but primarily in Asia Pacific and Emerging Markets.

The Life Science segment sales for the first half of 2010 were \$302.0 million, an increase of 4.1%, or 1.6% on a currency neutral basis, compared to the same period last year. Sales growth was primarily attributed to real-time PCR products, offset by general market weakness, especially in Europe. Currency neutral sales growth in the Life Science segment was primarily in Asia Pacific and North America, while European sales declined.

The Clinical Diagnostics segment reported sales for the first half of 2010 of \$613.9 million, an increase of 15.4% compared to the same period last year, with Biotest contributing approximately 5.1% to the sales growth. On a currency neutral basis, sales increased 12.3% including Biotest compared to the first half of 2009. Clinical Diagnostics product lines generating growth were immunohematology (before the contribution of Biotest), quality controls and reagent products. Sales growth was primarily in Asia Pacific.

Consolidated gross margins were 57.0% for the first half of 2010 compared to 56.9% for the first half of 2009. Life Science segment gross margins for the first half of 2010 improved from the same period last year by approximately 1.6%. The increase was primarily due to improved manufacturing overhead absorption and a reduction in costs. Clinical Diagnostics segment gross margins for the first half of 2010 decreased by approximately 0.7% from the same period last year. The Biotest acquisition had a negative impact on Clinical Diagnostics gross margins due to purchase accounting and overall generally lower margins than historical segment gross margins as a result of current lower volumes and a current higher cost structure. Offsetting this decrease in gross margins was the settlement of intellectual property disputes.

Selling, general and administrative expenses (SG&A) represented 33.6% of sales for the first half of 2010 compared to 34.3% of sales for the first half of 2009. Growth in absolute SG&A spending was less than sales growth. Increases were primarily driven by employee related costs, marketing, travel and professional services.

Research and development expense increased to \$84.1 million in the first half of 2010 compared to \$79.6 million in the first half of 2009. Life Science segment research and development expense increased from the prior year period. Life Science segment efforts concentrated on genomics, proteomics and process chromatography applications. Clinical Diagnostics segment research and development expense increased from the prior year period. The majority of the increase was related to immunohematology, with additional emphasis in clinical systems, clinical microbiology and blood virus diagnostic tests.

*Corporate Results Other Items*

Interest expense for the first half of 2010 increased by \$10.6 million compared to the first half of 2009. An additional \$300 million of 8.0% Senior Subordinated Notes due in 2016 were issued in May 2009, which increased our interest expense compared to the prior year period. Our other principal debt obligations are the 2003 and 2004 Senior Subordinated Notes totaling \$425.0 million, which carry fixed rates of interest of 7.5% and 6.125%, respectively.

Foreign currency exchange gains and losses consist of foreign currency transaction gains and losses on intercompany net receivables and payables and the change in fair value of our forward foreign exchange contracts used to manage our foreign currency exchange risk. Foreign currency exchange losses, net for the six months ended June 30, 2010 and 2009 were primarily attributable to market volatility, costs to hedge and the result of the estimating process inherent in the timing of shipments and payments of intercompany debt.

Other income, net for the first half of 2010 was \$3.3 million compared to \$5.1 million for the first half of 2009. The decrease primarily resulted from non-recurring income of \$4.6 million in 2009 related to the relief of a foreign non-income based tax obligation, partially offset by \$2.5 million of other-than-temporary impairment of investments.

Our effective tax rate was 30% and 23% for the first half of 2010 and 2009, respectively. The effective tax rates for the first half of 2010 and 2009 both reflected tax benefits for nontaxable dividend income, research and development tax credits, and differences between U.S. and foreign rates. The higher effective tax rate for the first half of 2010 was primarily due to a decline in the percentage of total earnings earned in lower tax jurisdictions, the expiration of the research and development tax credit in the U.S. and an increase in the liability for uncertain tax positions.

Our effective tax rate may be impacted in the future, either favorably or unfavorably, by many factors including but not limited to statutory tax rates, changes in tax laws or regulations, tax audits and settlements, and generation of tax credits.

### ***Liquidity and Capital Resources***

Bio-Rad operates and conducts business globally, primarily through subsidiary companies established in the markets in which we trade. Goods are manufactured in a small number of locations, and are then shipped to local distribution facilities around the world. Our product mix is diversified, and certain products compete largely on product efficacy, while others compete on price. Gross margins are generally sufficient to exceed normal operating costs. Funding for research and development of new products as well as routine outflows of capital expenditure and tax expense are covered by cash flow from operations. Our cash flow from operations is also sufficient to make interest payments. In addition to the annual positive cash flow from operating activities, additional liquidity is readily available via the sale of short-term investments and access to our \$200.0 million Amended and Restated Credit Agreement (Credit Agreement) that was entered into in June 2010. Borrowings under the Credit Agreement are on a revolving basis and can be used to make acquisitions, for working capital and for other general corporate purposes. We had no outstanding balance under the Credit Agreement as of June 30, 2010. The Credit Agreement expires on June 21, 2014.

At June 30, 2010, we had available \$717.7 million in cash, cash equivalents and short-term investments. Under domestic and international lines of credit, we had \$247.0 million available for borrowing as of June 30, 2010, of

which \$12.6 million is reserved for standby letters of credit issued by our banks to guarantee our obligations to various companies. Management believes that this availability together with cash flow from operations, will be adequate to meet our current objectives for operations, research and development, capital additions for manufacturing and distribution, plant and equipment, information technology systems and future acquisitions for the foreseeable future.

*Cash Flows from Operations*

Net cash provided by operations was \$58.7 million and \$111.9 million for the six months ended June 30, 2010 and 2009, respectively. The net decrease of \$53.2 million primarily represents an increase in cash paid to suppliers including higher royalty payments and settlement payments of intellectual property disputes, higher payments on income taxes and higher interest payments from the \$300 million bond offering in May 2009, partially offset by an increase in cash received from customers compared to the prior periods. Cash received from customers was at a slower rate than expected in 2010 due to a slowdown of cash collections in some European countries. We continue to focus on cash flow improvements as a global company-wide goal.



### ***Cash Flows from Investing Activities***

Net capital expenditures totaled \$35.6 million and \$33.4 million for the six months ended June 30, 2010 and 2009, respectively. Capital expenditures represent the addition and replacement of production machinery and research equipment, ongoing manufacturing and facility additions for expansions, regulatory and environmental compliance, and leasehold improvements. Also included in capital expenditures are investments in business systems and data communication upgrades and enhancements. We anticipate accelerating expenditures in future periods to initiate expanding e-commerce platforms internationally and implementation of a global ERP system. These projects have not had the anticipated cash outflow as we have increased our due diligence in the selection of a system provider. All periods included reagent rental equipment placed with Clinical Diagnostics customers who then contract to purchase our reagents for use.

On January 6, 2010, we acquired certain diagnostic businesses of Biotest for 45 million Euros (approximately \$64.9 million) in cash. This acquisition is included in our Clinical Diagnostics segment. We continue to review possible acquisitions to expand both our Life Science and Clinical Diagnostics segments. We routinely meet with the principals or brokers of the subject companies. It is not certain that any of these transactions will advance beyond the preliminary stages to completion.

### ***Cash Flows from Financing Activities***

Net cash provided by financing activities was \$4.2 million and \$291.1 million for the six months ended June 30, 2010 and 2009, respectively. Cash provided in 2010 was primarily due to net proceeds from common stock, partially offset by repayments of long-term debt. Cash provided in 2009 was primarily due to the \$300 million 8.0% Senior Subordinated Notes due in 2016 that was issued in May 2009. We have outstanding Senior Subordinated Notes due in 2013, 2014 and 2016 of \$225.0 million, \$200.0 million and \$300.0 million, respectively.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

During the six months ended June 30, 2010, there have been no material changes from the disclosures about market risk provided in our Annual Report on Form 10-K for the year ended December 31, 2009.

### **Item 4. Controls and Procedures**

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods

specified in Securities and Exchange Commission's rules and forms and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in our internal controls over financial reporting during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

## **PART II OTHER INFORMATION**

### **Item 1. Legal Proceedings**

See Note 16, **Legal Proceedings** in the Notes to Condensed Consolidated Financial Statements of Part 1, Item 1 of this Form 10-Q is hereby incorporated by reference.

### **Item 1A. Risk Factors**

During 2010 we added a risk factor related to a possible violation of the Foreign Corrupt Practices Act (FCPA). All other risk factors are the same as those included in our Annual Report on Form 10-K for the year ended December 31, 2009.

*The outcome of the investigation by our audit committee or government agencies of possible violations of the Foreign Corrupt Practices Act and similar laws could have a material adverse effect on our business.*

On May 4, 2010, we disclosed that, based on an internal review by us, we had identified conduct in certain of our overseas operations that may have violated the anti-bribery provisions of the United States FCPA, the FCPA's books and records and internal controls provisions and our own internal policies. We have not assessed at this time whether any of the activities in question violated the laws of the foreign jurisdictions in which they took place. In May 2010, we voluntarily disclosed these matters to the U.S. Department of Justice (DOJ) and the Securities and Exchange Commission (SEC). The Audit Committee of the Board of Directors has assumed direct responsibility for reviewing these matters and has hired experienced independent counsel to conduct an investigation and provide legal advice.

We intend to provide additional information to the DOJ and the SEC as the Audit Committee's investigation progresses.

We are presently unable to predict the duration, scope or result of the Audit Committee's investigation, of any investigations by the DOJ or the SEC or whether either agency will commence any legal action. The DOJ and the SEC have a broad range of civil and criminal sanctions under the FCPA and other laws and regulations including, but not limited to, injunctive relief, disgorgement, fines, penalties, modifications to business practices including the termination or modification of existing business relationships and the imposition of compliance programs and the retention of a monitor to oversee compliance with the FCPA. The imposition of any of these sanctions or remedial measures could have a material adverse effect on our business.

*Adverse changes in general domestic and worldwide economic conditions and instability and disruption*

*of credit markets could adversely affect our operating results, financial condition or liquidity.*

Recent global market and economic conditions have been unprecedented and challenging with tighter credit conditions, slower growth and recession in most major economies during 2009. Although signs of recovery may exist, there are continued concerns about the systemic impact of inflation, the availability and cost of credit, a declining real estate market and geopolitical issues that contribute to increased market volatility and uncertain expectations for the global economy. These conditions, combined with declining business activity levels and consumer confidence, increased unemployment and volatile oil prices, contributed to unprecedented levels of volatility in the capital markets during 2009. Any additional, continued or recurring disruptions in the capital and credit markets may adversely affect our business, results of operations, cash flows and financial condition.

As a result of these market conditions, the cost and availability of credit has been and may continue to be adversely affected by illiquid credit markets and wider credit spreads. Concern about the stability of the markets generally and the strength of counterparties specifically has led many lenders and institutional investors to reduce, and in some cases, cease to provide credit to businesses and consumers. These factors have led to a decrease in spending by businesses and consumers alike. Our customers and vendors may experience cash flow concerns and, as a result, customers may modify, delay or cancel plans to purchase our products and vendors may increase their prices, reduce their output or change terms of sales. Additionally, if customers or vendors operating and financial performance deteriorates, or if they are unable to make scheduled payments or obtain credit, customers may not be able to pay, or may delay payment of, amounts owed to us.

Vendors may restrict credit or impose less favorable payment terms. Any inability of current and/or potential customers to pay us for our products or any demands by vendors for accelerated payment terms may adversely affect our earnings and cash flow. Additionally, strengthening of the U.S. dollar associated with the global financial crisis may adversely affect the results of our international operations when those results are translated into U.S. dollars.

Furthermore, the disruption in the credit markets could impede our access to capital, especially if we are unable to maintain our current credit ratings. Should we have limited access to additional financing sources when needed, we may decide to defer capital expenditures or seek other higher cost sources of liquidity, which may or may not be available to us on acceptable terms. Continued turbulence in the U.S. and international markets and economies, and prolonged declines in business and consumer spending may adversely affect our liquidity and financial condition, and the liquidity and financial condition of our customers, including our ability to refinance maturing liabilities and access the capital markets to meet liquidity needs.

***We cannot assure you that we will be able to integrate acquired companies, products or technologies into our company successfully, or we may not be able to realize the anticipated benefits from the acquisitions.***

As part of our overall business strategy, we pursue acquisitions of and investments in complementary companies, products and technologies. In order to be successful in these activities, we must, among other things:

- assimilate the operations and personnel of acquired companies;
- retain acquired business customers;
- minimize potential disruption to our ongoing business;
- retain key technical and management personnel;
- integrate acquired companies into our strategic and financial plans;
- accurately assess the value of target companies, products and technologies;
- comply with new regulatory requirements;
- harmonize standards, controls, procedures and policies;
- minimize the impact to our relationships with our employees and customers; and
-

assess, document and remediate any deficiencies in disclosure controls and procedures and internal controls over financial reporting.

The benefits of any acquisition may prove to be less than anticipated and may not outweigh the costs reported in our financial statements. Completing any potential future acquisition could cause significant diversion of our management's time and resources. If we acquire new companies, products or technologies, we may be required to assume contingent liabilities or record impairment charges for goodwill and other intangible assets over time. We cannot assure you that we will successfully overcome these risks or any other problems we encounter in connection with any acquisitions, and any such acquisitions could adversely affect our business, financial position or operating results.

***The industries and market segments in which we operate are highly competitive, and we may not be able to compete effectively with larger companies with greater financial resources than we have.***

The life science and clinical diagnostics markets are each highly competitive. Some of our competitors have greater financial resources than we do and are less leveraged than we are, making them better equipped to license technologies and intellectual property from third parties or to fund research and development, manufacturing and marketing efforts. Moreover, competitive and regulatory conditions in many markets in which we operate restrict our ability to fully recover, through price increases, higher costs of acquired goods and services resulting from inflation and other drivers of cost increases. Our competitors can be expected to continue to improve the design and performance of their products and to introduce new products with competitive price and performance characteristics. Maintaining these advantages will require us to continue to invest in research and development, sales and marketing and customer service and support. We cannot assure you that we will have sufficient resources to continue to make such investments or that we will be successful in maintaining such advantages.

***We have significant international operations which subject us to various risks such as general economic and market conditions in the countries in which we operate.***

A significant portion of our sales are made outside of the United States. Our foreign subsidiaries generated 68% of our net sales in the six months ended June 30, 2010. Our international operations are subject to risks common to foreign operations, such as general economic and market conditions in the countries in which we operate, changes in governmental regulations, political instability, import restrictions and currency exchange rate risks. We cannot assure you that shifts in currency exchange rates, especially significant strengthening of the U.S. dollar compared to the Euro, will not have a material adverse effect on our operating results and financial condition.

***We are dependent on government funding and the capital spending programs of our customers, and the effect of healthcare reform on government funding and our customers' ability to purchase our products is uncertain.***

Our customers include universities, clinical diagnostics laboratories, government agencies, hospitals and pharmaceutical, biotechnology and chemical companies. The capital spending programs of these institutions and companies have a significant effect on the demand for our products. Such policies are based on a wide variety of factors, including the resources available to make such purchases, the availability of funding from grants by governments or government agencies, the spending priorities among various types of equipment and the policies regarding capital expenditures during industry downturns or recessionary periods. If government funding to our customers were to decrease, or if our customers were to decrease or reallocate their budgets in a manner adverse to us, our business, financial condition or results of operations could be materially adversely affected.

Healthcare reform and the growth of managed care organizations have been and continue to be significant factors in the clinical diagnostics market. The trend towards managed care, together with healthcare reform of the delivery system in the United States and efforts to reform in Europe, has resulted in increased pressure on healthcare providers

and other participants in the healthcare industry to reduce costs. Consolidation among healthcare providers has resulted in fewer, more powerful groups, whose purchasing power gives them cost containment leverage. These competitive forces place constraints on the levels of overall pricing, and thus could have a material adverse effect on our profit margins for products we sell in clinical diagnostics markets. To the extent that the healthcare industry seeks to address the need to contain costs by limiting the number of clinical tests being performed, our results of operations could be materially and adversely affected. If these changes in the healthcare markets in the United States and Europe continue, we could be forced to alter our approach in selling, marketing, distributing and servicing our products.



***Our failure to improve our product offerings and develop and introduce new products may negatively impact our business.***

Our future success depends on our ability to continue to improve our product offerings and develop and introduce new product lines and extensions that integrate new technological advances. If we are unable to integrate technological advances into our product offerings or to design, develop, manufacture and market new product lines and extensions successfully and in a timely manner, our operating results will be adversely affected. We cannot assure you that our product and process development efforts will be successful or that new products we introduce will achieve market acceptance.

***If we experience a disruption of our information technology systems, or if we fail to successfully implement, manage and integrate our information technology and reporting systems, it could harm our business.***

Our information technology (IT) systems are an integral part of our business, and a serious disruption of our IT systems could have a material adverse effect on our business and results of operations. We depend on our IT systems to process orders, manage inventory and collect accounts receivable. Our IT systems also allow us to efficiently purchase products from our suppliers and ship products to our customers on a timely basis, maintain cost-effective operations and provide customer service. We cannot assure you that our contingency plans will allow us to operate at our current level of efficiency.

Our ability to implement our business plan in a rapidly evolving market requires effective planning, reporting and analytical processes. We expect that we will need to continue to improve and further integrate our IT systems, reporting systems and operating procedures by training and educating our employees with respect to these improvements and integrations on an ongoing basis in order to effectively run our business. If we fail to successfully manage and integrate our IT systems, reporting systems and operating procedures, it could adversely affect our business or operating results.

***Risks relating to intellectual property rights may negatively impact our business.***

We rely on a combination of copyright, trade secret, patent and trademark laws and third-party nondisclosure agreements to protect our intellectual property rights and products. However, we cannot assure you that our intellectual property rights will not be challenged, invalidated, circumvented or rendered unenforceable, or that meaningful protection or adequate remedies will be available to us. For instance, it may be possible for unauthorized third parties to copy our intellectual property, to reverse engineer or obtain and use information that we regard as proprietary, or to develop equivalent technologies independently. Additionally, third parties may assert patent, copyright and other intellectual property rights to technologies that are important to us. If we are unable to license or otherwise access protected technology used in our products, or if we lose our rights under any existing licenses, we could be prohibited from manufacturing and marketing such products. We may find it necessary to enforce our patents or other intellectual property rights or to defend ourselves against claimed infringement of the rights of others

through litigation, which could result in substantial costs to us and divert our resources. We also could incur substantial costs to redesign our products, to defend any legal action taken against us or to pay damages to an infringed party. The foregoing matters could adversely impact our business.

***We are subject to substantial government regulation.***

Some of our products (primarily diagnostic products), production processes and marketing are subject to federal, state, local and foreign regulation, including the FDA and its foreign counterparts. We are also subject to government regulation of the use and handling of a number of materials and controlled substances. Failure to comply with present or future regulations could result in substantial liability to us, suspension or cessation of our operations, restrictions on our ability to expand at our present locations or require us to make significant capital expenditures or incur other significant expenses.

***We are currently subject to environmental regulations and enforcement proceedings.***

Our operations are subject to federal, state, local and foreign environmental laws and regulations that govern such activities as transportation of goods, emissions to air and discharges to water, as well as handling and disposal practices for solid, hazardous and medical wastes. In addition to environmental laws that regulate our operations, we are also subject to environmental laws and regulations that create liability and clean-up responsibility for spills, disposals or other releases of hazardous substances into the environment as a result of our operations or otherwise impacting real property that we own or operate. The environmental laws and regulations also subject us to claims by third parties for damages resulting from any spills, disposals or releases resulting from our operations or at any of our properties.

We may in the future incur capital and operating costs to comply with currently existing laws and regulations, and possible new statutory enactments, and these expenditures may be significant. We have incurred, and may in the future incur, fines related to environmental matters and liability for costs or damages related to spills or other releases of hazardous substances into the environment at sites where we have operated, or at off-site locations where we have sent hazardous substances for disposal. We can provide no assurance, however, that such matters or any future obligations to comply with environmental laws and regulations will not have a material impact on our operations or financial condition.

***Loss of key personnel could hurt our business.***

Our products and services are highly technical in nature. In general, only highly qualified and trained scientists have the necessary skills to develop and market our products and provide our services. In addition, some of our manufacturing positions are highly technical. We face intense competition for these professionals from our competitors, customers, marketing partners and other companies throughout our industry. We generally do not enter into employment agreements requiring these employees to continue in our employment for any period of time. Any failure on our part to hire, train and retain a sufficient number of qualified personnel could substantially damage our business. Additionally, if we were to lose a sufficient number of our research and development scientists and were unable to replace them or satisfy our needs for research and development through outsourcing, it could adversely affect our business.

***A significant majority of our voting stock is held by the Schwartz family, which could lead to conflicts of interest.***

We have two classes of voting stock, Class A Common Stock and Class B Common Stock. With a few exceptions, holders of Class A and Class B Common Stock vote as a single class. When voting as a single class, each share of Class A Common Stock is entitled to one-tenth of a vote, while each share of Class B Common Stock has one vote. In the election or removal of directors, the classes vote separately and the holders of Class A Common Stock are entitled to elect 25% of the Board of Directors, with holders of Class B Common Stock electing the remaining directors.

As of February 16, 2010, the Schwartz family collectively held approximately 16% of our Class A Common Stock and 90% of our Class B Common Stock. As a result, the Schwartz family is able to elect a majority of the directors, effect fundamental changes in our direction and control matters affecting us, including the allocation of business opportunities that may be suitable for our company. In addition, this concentration of ownership and voting power may have the effect of delaying or preventing a change in control of our company.

The Schwartz family may exercise its control over us according to interests that are different from other investors or debtors' interests.

***Our business could be adversely impacted if we have deficiencies in our disclosure controls and procedures or internal control over financial reporting.***

The design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. We cannot assure you that our disclosure controls and procedures over internal control of financial reporting will be effective in accomplishing all control objectives all of the time. Deficiencies, particularly a material weakness in internal control over financial reporting, which may occur in the future could result in misstatements of our results of operations, restatements of our financial statements, a decline in our stock price, or otherwise materially adversely affect our business, reputation, results of operation, financial condition or liquidity.

***Natural disasters, terrorist attacks or acts of war may cause damage or disruption to us and our employees, facilities, information systems, security systems, vendors and customers, which could significantly impact our net sales, costs and expenses, and financial condition.***

We have significant manufacturing and distribution facilities, particularly in the western United States, France and Switzerland. In particular, the western United States has experienced a number of earthquakes, wildfires, flooding, landslides and other natural disasters in recent years. The occurrences could damage or destroy our facilities which may result in interruptions to our business and losses that exceed our insurance coverage. Terrorist attacks, such as those that occurred on September 11, 2001, have contributed to economic instability in the United States, and further acts of terrorism, bioterrorism, violence or war could affect the markets in which we operate, our business operations, our expectations and other forward-looking statements contained or incorporated in this document. Any of these events could cause a decrease in our revenue, earnings and cash flows.

***We may incur losses in future periods due to write-downs in the value of financial instruments.***

We have positions in a variety of financial instruments including asset backed securities and other similar instruments. Financial markets are quite volatile and the markets for these securities can be illiquid. The value of these securities will continue to be impacted by external market factors including default rates, changes in the value of the underlying property, such as residential or commercial real estate, rating agency actions, the prices at which observable market transactions occur and the financial strength of various entities, such as financial guarantors who provide insurance for the securities. Should we need to convert these positions to cash, we may not be able to sell these instruments without significant losses due to current debtor financial conditions or other market considerations.

***We have substantial debt and have the ability to incur additional debt. The principal and interest payment obligations of such debt may restrict our future operations and impair our ability to meet our obligations under our notes.***

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As of June 30, 2010 we and our subsidiaries have approximately \$743.6 million of outstanding indebtedness. In addition, the indenture governing our notes permits us to incur additional debt provided we comply with the limitation on the incurrence of additional indebtedness and disqualified capital stock covenants contained in the indenture.

The following chart shows certain important credit statistics.

	At June 30, 2010 (in millions)
Total debt	\$ 743.6
Bio-Rad's stockholders' equity	\$ 1,285.1
Debt to equity ratio	57.9

The incurrence of substantial amounts of debt may have important consequences. For instance, it could:

- make it more difficult for us to satisfy our financial obligations, including those relating to the notes;
- require us to dedicate a substantial portion of our cash flow from operations to the payment of interest and principal due under our debt, including the notes, which will reduce funds available for other business purposes;
- increase our vulnerability to general adverse economic and industry conditions; limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;
- place us at a competitive disadvantage compared with some of our competitors that have less debt; and
- limit our ability to obtain additional financing required to fund working capital and capital expenditures and for other general corporate purposes.

Our ability to satisfy our obligations and to reduce our total debt depends on our future operating performance and on economic, financial, competitive and other factors, many of which are beyond our control. Our business may not generate sufficient cash flow, and future financings may not be available to provide sufficient net proceeds, to meet these obligations or to successfully execute our business strategy.

The indenture governing our notes and the terms of other debt instruments, including without limitation our credit facilities and other agreements we may enter in the future, contain or will contain covenants imposing significant restrictions on our business. These restrictions may affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities as they arise. These covenants place restrictions on our ability to, among other things:

- incur additional debt;
- acquire other businesses or assets through merger or purchase;
- create liens;
- make investments;
- enter into transactions with affiliates;
- sell assets;
- in the case of some of our subsidiaries, guarantee debt; and
- declare or pay dividends, redeem stock or make other distributions to shareholders.

Our existing credit facility also requires that we meet certain financial tests and maintain certain financial ratios, including a maximum consolidated leverage ratio test and a minimum consolidated interest coverage ratio test.

Our ability to comply with these covenants may be affected by events beyond our control, including prevailing economic, financial and industry conditions. The breach of any of these restrictions could result in a default. An event of default under our debt agreements would permit some of our lenders to declare all amounts borrowed from them to be due and payable, together with accrued and unpaid interest. If we were unable to repay debt to our senior

secured lenders, these lenders could proceed against the collateral securing that debt. The collateral is substantially all of our personal property assets, the assets of our domestic subsidiaries and 65% of the capital stock of certain foreign subsidiaries. In addition, acceleration of our other indebtedness may cause us to be unable to make interest payments on our notes and repay the principal amount of the notes or may cause the future subsidiary guarantors, if any, to be unable to make payments under the guarantees.



**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

(a) Exhibits

Exhibit

No.

31.1	Chief Executive Officer Section 302 Certification
31.2	Chief Financial Officer Section 302 Certification
32.1	Chief Executive Officer Certification pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Chief Financial Officer Certification pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from this report, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Income, (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text.



**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 thereto duly authorized.

**BIO-RAD LABORATORIES, INC.**

(Registrant)

Date: August 6, 2010

/s/ Norman Schwartz  
Norman Schwartz, President,  
Chief Executive Officer

Date: August 6, 2010

/s/ Christine A. Tsingos  
Christine A. Tsingos, Vice President,  
Chief Financial Officer