

BIO RAD LABORATORIES INC  
Form 10-K  
February 28, 2011

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549  
**FORM 10-K**

X

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

**For the year ended December 31, 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 94547 (Address of principal executive offices) (Zip Code)  
Registrant's telephone number, including area code (510) 724-7000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock Par Value \$0.0001 per share	New York Stock Exchange
Class B Common Stock Par Value \$0.0001 per share	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

[ X ] Yes  
 [ ] No

Edgar Filing: BIO RAD LABORATORIES INC - Form 10-K

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to

such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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  Accelerated filer   
Non-accelerated file  (Do not check if a smaller reporting company) 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

As of June 30, 2010, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the Registrant's Class A Common Stock held by non-affiliates was approximately \$1,631,417,539 and the aggregate market value of the registrant's Class B Common Stock held by non-affiliates was approximately \$39,684,790.

As of February 15, 2011, there were 22,707,800 shares of Class A Common Stock and 5,172,343 of Class B Common Stock outstanding.

Documents Incorporated by Reference

Document	Form 10-K Parts
(1) Definitive Proxy Statement to be mailed to stockholders in connection with the registrant's 2011 Annual Meeting of Stockholders (specified portions)	III



**Bio-Rad Laboratories, Inc.**  
**Form 10-K December 31, 2010**  
**TABLE OF CONTENTS**

Part I.

3

Item 1. Business

3

Item 1A. Risk Factors

6

Item 1B. Unresolved Staff Comments

14

Item 2. Properties

14

Item 3. Legal Proceedings

15

Part II.

16

Item 5. Market For Registrant's Common Equity, Related Stockholder Matters And Issuer Purchases Of Equity Securities

16

Item 6. Selected Financial Data

18

Item 7. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

19

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

4

	<u>29</u>
<u>Item 8. Financial Statements And Supplementary Data</u>	
	<u>30</u>
<u>Item 9. Changes And Disagreements With Accountants On Accounting And Financial Disclosure</u>	
	<u>67</u>
<u>Item 9A. Controls And Procedures</u>	
	<u>67</u>
<u>Item 9B. Other Information</u>	
	<u>72</u>
<u>Part III.</u>	
	<u>72</u>
<u>Item 10. Directors, Executive Officers And Corporate Governance</u>	
	<u>72</u>
<u>Item 11. Executive Compensation</u>	
	<u>72</u>
<u>Item 12. Security Ownership Of Certain Beneficial Owners And Management And Related Stockholder Matters</u>	
	<u>73</u>
<u>Item 13. Certain Relationships And Related Transactions, And Director Independence</u>	
	<u>73</u>
<u>Item 14. Principal Accountant Fees And Services</u>	
	<u>73</u>
<u>Part IV.</u>	
	<u>74</u>
<u>Item 15. Exhibits And Financial Statement Schedules</u>	
	<u>74</u>
<u>Signatures</u>	



## **PART I.**

### **ITEM 1. BUSINESS**

#### General

Founded in 1952 and incorporated in 1957, Bio-Rad Laboratories, Inc. (referred to in this report as Bio-Rad, we, us, and our ) was initially engaged in the development and production of specialty chemicals used in biochemical, pharmaceutical and other life science research applications. We entered the field of clinical diagnostics with the development of our first test kit based on separation techniques and materials developed for life science research. Through internal research and development efforts and acquisitions we have expanded into various markets. Today, Bio-Rad manufactures and supplies the life science research, healthcare, analytical chemistry and other markets with a broad range of products and systems used to separate complex chemical and biological materials and to identify, analyze and purify their components.

As we broadened our product lines, we also expanded our geographical market. We have distribution channels in over 30 countries outside the United States through subsidiaries whose focus is customer service and product distribution.

#### **Description of Business**

##### **Business Segments**

Today, Bio-Rad operates in two industry segments designated as Life Science and Clinical Diagnostics. Both segments operate worldwide. Our Life Science segment and our Clinical Diagnostics segment generated 34% and 66%, respectively, of our net sales for the year ended December 31, 2010. We generated approximately 31% of our consolidated net sales for the year ended December 31, 2010 from U.S. sales and approximately 69% from sales in our remaining worldwide markets.

For a description of business and financial information on industry and geographic segments, see Note 13 on pages 63 through 66 of Item 8 of Part II of this report.

Life Science Segment

Our Life Science segment is at the forefront of discovery, creating advanced tools to answer complex biological questions. We are a market leader in our industry, developing, manufacturing and marketing a range of more than 5,000 reagents, apparatus and laboratory instruments that serve a global customer base. Many of our products are used in established research techniques, biopharmaceutical production processes and food testing regimes. These techniques are typically used to separate, purify and identify biological materials such as proteins, nucleic acids and bacteria within a laboratory or production setting. We focus on selected segments of the life sciences market in proteomics (the study of proteins), genomics (the study of genes), biopharmaceutical production, cell biology and food safety. We estimate that the worldwide market for products in these selected segments is approximately \$5.0 billion. Our principal life science customers include universities and medical schools, industrial research organizations, government agencies, pharmaceutical manufacturers, biotechnology researchers, food producers and food testing laboratories.



### Clinical Diagnostics Segment

Our Clinical Diagnostics segment designs, manufactures, sells and supports test systems, informatics systems, test kits and specialized quality controls that serve clinical laboratories in the global diagnostics market. Our products currently address specific niches within the in vitro diagnostics ( IVD ) test market, and we focus on the higher margin, higher growth segments of this market.

We supply more than 3,000 different products that cover more than 300 clinical diagnostic tests to the IVD test market. We estimate that the worldwide sales for products in the markets we serve were approximately \$10.0 billion. IVD tests are conducted outside the human body and are used to identify and measure substances in a patient's tissue, blood or urine. Our products consist of reagents, instruments and software, typically provided to our customers as an integrated package to allow them to generate reproducible test results. Revenue in this business is highly recurring, as laboratories typically standardize test methodologies, which are dependent on a particular supplier's reagents and consumable products. An installed base of diagnostic test systems creates an ongoing source of revenue through the sale of test kits for each sample analyzed on an installed system. Our principal clinical diagnostic customers include hospital laboratories, reference laboratories, transfusion laboratories and physician office laboratories.

### **Raw Materials and Components**

We utilize a wide variety of chemicals, biological materials, electronic components, machined metal parts, optical parts, minicomputers and peripheral devices. Most of these materials and components are available from numerous sources and we have not experienced difficulty in securing adequate supplies.

### **Patents and Trademarks**

We own numerous U.S. and international patents and patent licenses. We believe, however, that our ability to develop and manufacture our products depends primarily on our knowledge, technology and special skills. We pay royalties on the sales of certain products under several patent license agreements. We view these patents and license agreements as valuable assets.

### **Seasonal Operations and Backlog**

Our business is not inherently seasonal. However, the European custom of concentrating vacation during the summer months usually tempers third quarter sales volume and operating income.

For the most part, we operate in markets characterized by short lead times and the absence of significant backlogs. Management has concluded that backlog information is not material to our business as a whole.

### **Sales and Marketing**

We conduct our worldwide operations through an extensive direct sales force and service network, employing more than 1,000 sales and service people around the world. Our sales force typically consists of experienced industry practitioners with scientific training, and we maintain a separate specialist sales force for each of our segments. Our direct sales approach contrasts with the distributor approach used by some of our competitors, allowing us to sell a broader range of our products and have more direct contact with our customers.

Our customer base is broad and diversified. Our worldwide customer base includes (1) prominent university and research institutions affiliated with more than 100,000 scientists in the U.S. alone; (2) hospital, public health and commercial laboratories; (3) other leading diagnostic manufacturers; and (4) leading companies in the biotechnology, pharmaceutical, chemical and food industries. In 2010, no single customer accounted for more than two percent of our total net sales. Our sales are affected by certain external factors. For example, a number of our customers, particularly in the Life Science segment, are substantially dependent on government grants and research contracts for their funding. A significant reduction of government funding would have a detrimental effect on the results of this segment.

Most of our international sales are generated by our wholly-owned subsidiaries and their branch offices. Certain of these subsidiaries also have manufacturing facilities. Bio-Rad's international operations are subject to certain risks common to foreign operations in general, such as changes in governmental regulations, import restrictions and foreign exchange fluctuations. However, our international operations are principally in developed nations, which we regard as presenting no significantly greater risks to our operations than are present in the United States.

## **Competition**

The markets served by our product groups are highly competitive. Our competitors range in size from start-ups to large multinational corporations with significant resources and reach. Reliable independent information on sales and market share of products produced by our competitors is not generally available. We believe, however, based on our own estimates, no one company is so dominant that it prevents other companies, including Bio-Rad, from competing effectively. We compete mainly in market segments where our products and technology offer customers specific advantages over the competition.

Because of the breadth of its product lines, the Life Science segment does not face the same competitors for all of its products. Competitors in this market include GE Biosciences, Life Technologies, Millipore and Thermo Fisher Scientific. We compete primarily based on meeting performance specifications.

Major competitors in the Clinical Diagnostics segment include Roche, Abbott Laboratories (Diagnostic Division), Siemens Medical Diagnostics Solutions, Beckman Coulter, Becton-Dickinson, bioMérieux, Ortho Clinical Diagnostics, Tosoh, Immucor, Cepheid, and DiaSorin.

## **Research and Development**

We conduct extensive research and development activities in all areas of our business, employing approximately 780 people worldwide in these activities. Research and development have played a major role in Bio-Rad's growth and are expected to continue to do so in the future. Our research teams are continuously developing new products and new applications for existing products. In our development of new products and applications, we interact with scientific and medical professionals at universities, hospitals and medical schools, and in the industry. We spent approximately \$172.3 million, \$163.6 million and \$159.5 million on research and development activities during the years ended December 31, 2010, 2009 and 2008, respectively.

### **Regulatory Matters**

The manufacturing, marketing and labeling of certain of our products (primarily diagnostic products) are subject to regulation in the United States by the Center for Devices and Radiological Health of the United States Food and Drug Administration (FDA) and in other jurisdictions by state and foreign government authorities. FDA regulations require that some new products have pre-marketing approval by the FDA and require certain products to be manufactured in accordance with good manufacturing practices, to be extensively tested and to be properly labeled to disclose test results and performance claims and limitations.

As a multinational manufacturer and distributor of sophisticated instrumentation equipment, we must meet a wide array of electromagnetic compatibility and safety compliance requirements to satisfy regulations in the United States, the European Community and other jurisdictions.

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 liabilities 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 could 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.

These regulatory requirements vary widely among countries.

## **Employees**

At December 31, 2010, Bio-Rad had approximately 6,880 full-time employees. Fewer than eight percent of Bio-Rad's approximately 2,870 U.S. employees are covered by a collective bargaining agreement which will expire on November 7, 2012. Many of Bio-Rad's non-U.S. full-time employees, especially in France, are covered by collective bargaining agreements. We consider our employee relations in general to be good.

## **Available Information**

Bio-Rad files annual, quarterly, and current reports, proxy statements, and other documents with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934. The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers, including Bio-Rad, that file electronically with the SEC. The public can obtain any documents that we file with the SEC at <http://www.sec.gov>.

Bio-Rad's website address is [www.bio-rad.com](http://www.bio-rad.com). We make available, free of charge through our website, our Form 10-Ks, 10-Qs and 8-Ks, and any amendments to these forms, as soon as reasonably practicable after filing with the SEC.

## **ITEM 1A. RISK FACTORS**

The following risk factors should be read carefully in connection with evaluating our business and the forward-looking information contained in this Annual Report on Form 10-K. We believe that any of the following risks could have a material affect on our business, operations, industry, financial position or our future financial performance. While we believe that we have identified and discussed below the key risk factors affecting our business, there may be additional risks and uncertainties that are not presently known or that are not currently believed to be significant that may adversely affect our business, operations, industry, financial position and financial performance in the future.

**The ongoing investigation by our Audit Committee and by government agencies of possible violations by us of the United States Foreign Corrupt Practices Act and similar laws could have a material adverse effect on our business.**

Based on an internal review, we have 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) and is likely to

have violated the FCPA's books and records and internal controls provisions and our own internal policies. In May 2010, we voluntarily disclosed these matters to the U.S. Department of Justice (DOJ) and the Securities and Exchange Commission (SEC), which each commenced an investigation. The Audit Committee of our Board of Directors (Audit Committee) has assumed direct responsibility for reviewing these matters and has hired experienced independent counsel to conduct an investigation and provide legal advice. We have provided, and intend to continue to provide, additional information to the DOJ and the SEC as the Audit Committee's investigation progresses.

The Audit Committee's investigation and the DOJ and SEC investigations are continuing and we are presently unable to predict the duration, scope or results of the Audit Committee's investigation, of the investigations by the DOJ or the SEC or whether either agency will commence any legal actions. 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, 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, including our results of operations, cash balance and credit ratings. We have not to date assessed whether any of the activities in question violated the laws of the foreign jurisdictions in which they took place.

**We have identified three significant deficiencies in our internal control over financial reporting as of December 31, 2010 that, when considered and taken together, constitute a material weakness in our internal control over financial reporting as of December 31, 2010. Our failure to establish and maintain effective internal control over financial reporting could result in our failure to meet our reporting obligations and cause investors to lose confidence in our reported financial information, which in turn could cause the trading price of our common stock to decline.**

In connection with our Audit Committee's investigation of our compliance with the FCPA discussed above, our management identified three significant deficiencies in our internal control over financial reporting as of December 31, 2010 that, when considered and taken together, constitute a material weakness in our internal control over financial reporting as of December 31, 2010. A significant deficiency is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of our financial reporting. A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The three significant deficiencies that we identified are the result of: (i) a number of entity-level control deficiencies, including our lack of a comprehensive FCPA policy and training program; our lack of a formal, effective disclosure committee to facilitate our compliance with Section 302 of the Sarbanes-Oxley Act of 2002; inadequate policies regarding enterprise-wide risk assessment and management related to doing business in high-risk, emerging markets; our failure to perform background checks on certain parties prior to entering into material contracts with such parties; our lack of compliance with our existing Code of Business Ethics and Conduct in certain countries; and ineffective disclosure of significant exceptions to compliance with company policies through our quarterly management sub-certification process; (ii) a number of control deficiencies related to our expenditure processes at certain of our

international subsidiaries and (iii) a number of control deficiencies related to our revenue and accounts receivable process at certain of our international subsidiaries. For more information about these three significant deficiencies and the resulting material weakness in our internal control over financial reporting and the remediation efforts that we have initiated and intend to initiate to attempt to remediate these three significant deficiencies and the resulting material weakness, please see Item 9A ( Controls and Procedures ) in this report.



We cannot assure you that we will be able to remediate these significant deficiencies and the resulting material weakness or that additional significant deficiencies or material weaknesses in our internal control over financial reporting will not be identified in the future. Any failure to maintain or implement new or improved internal controls, or any difficulties that we may encounter in their maintenance or implementation, could result in additional significant deficiencies or material weaknesses, result in material misstatements in our financial statements and cause us to fail to meet our reporting obligations, which in turn could cause the trading price of our common stock to decline. Any such failure could also adversely affect the results of our periodic management evaluations and annual auditor attestation reports regarding the effectiveness of our internal control over financial reporting required by Section 404 of the Sarbanes-Oxley Act of 2002.

**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. 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 in recent years. 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 69% of our net sales for the year ended December 31, 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 15, 2011, 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, floods,

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.**

As of December 31, 2010 we and our subsidiaries have approximately \$964.3 million of outstanding indebtedness. In addition, we are permitted 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 governing our Senior Subordinated Notes due 2016 (8.0% Notes).

The following chart shows certain important credit statistics.

	At December 31, 2010 (in millions)
Total debt	\$ 964.3
Bio-Rad's stockholders' equity	\$ 1,536.7
Debt to equity ratio	0.6

Our 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 our outstanding 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 our outstanding 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.

Our existing credit facility, the indenture governing our 8.0% Notes and the terms of our other debt instruments, including 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 stockholders.

Our existing credit facility also requires that we meet certain financial tests and maintain certain financial ratios, including a maximum consolidated leverage ratio test, minimum consolidated interest coverage ratio test and a minimum net worth 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 of our foreign subsidiaries. In addition, acceleration of our other indebtedness may cause us to be unable to make interest payments on our outstanding notes and repay the principal amount of our outstanding notes or may cause the future subsidiary guarantors, if any, to be unable to make payments under the guarantees.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

#### **ITEM 2. PROPERTIES**

We own our corporate headquarters located in Hercules, California. The principal manufacturing and research locations for each segment are as follows:

Segment	Location	Owned/Leased
Life Science	Richmond, California	Owned/Leased
	Hercules, California	Owned/Leased
	Singapore	Leased
	Shanghai, China	Leased
Clinical Diagnostics	Hercules, California	Owned/Leased
	Benicia, California	Leased

Edgar Filing: BIO RAD LABORATORIES INC - Form 10-K

Irvine, California	Leased
Greater Seattle area, Washington	Owned/Leased
Plano, Texas	Leased
Lille, France	Owned
Greater Paris area, France	Leased
Nazareth-Eke, Belgium	Leased
Cressier, Switzerland	Owned/Leased
Dreieich, Germany	Owned/Leased

Most manufacturing and research facilities also house administration, sales and distribution activities. In addition, we lease office and warehouse facilities in a variety of locations around the world. The facilities are used principally for sales, service, distribution and administration for both segments.

### **ITEM 3. LEGAL PROCEEDINGS**

Based on an internal review, we have 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) and is likely to have violated the FCPA's books and records and internal controls provisions and our own internal policies. In May 2010, we voluntarily disclosed these matters to the U.S. Department of Justice (DOJ) and the Securities and Exchange Commission (SEC), which each commenced an investigation. The Audit Committee of our Board of Directors (Audit Committee) has assumed direct responsibility for reviewing these matters and has hired experienced independent counsel to conduct an investigation and provide legal advice. We have provided, and intend to continue to provide, additional information to the DOJ and the SEC as the Audit Committee's investigation progresses.

The Audit Committee's investigation and the DOJ and SEC investigations are continuing and we are presently unable to predict the duration, scope or results of the Audit Committee's investigation, of the investigations by the DOJ or the SEC or whether either agency will commence any legal actions. 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, the imposition of compliance programs and the retention of a monitor to oversee compliance with the FCPA. We are unable to estimate the outcome of this matter, however, the imposition of any of these sanctions or remedial measures could have a material adverse effect on our business or financial condition. We have not to date assessed whether any of the activities in question violated the laws of the foreign jurisdictions in which they took place.

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.





**PART II.****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Information Concerning Common Stock**

Bio-Rad's Class A and Class B Common Stock are listed on the New York Stock Exchange with the symbols BIO and BIO.B, respectively. The following sets forth, for the periods indicated, the high and low intraday sales prices for our Class A and Class B Common Stock.

	Class A		Class B	
	High	Low	High	Low
2010				
Fourth Quarter	\$	\$	\$	\$
	105.60	89.02	104.57	89.82
Third Quarter	93.36	80.00	92.72	83.82
Second Quarter	113.68	85.57	112.94	87.25
First Quarter	104.44	89.82	103.14	90.00
2009				
Fourth Quarter	\$	\$	\$	\$
	100.99	88.16	100.00	88.69
Third Quarter	96.20	68.90	94.98	69.34
Second Quarter	80.61	63.31	80.20	66.25
First Quarter	75.60	51.33	74.37	52.04

On February 15, 2011, we had 366 holders of record of Class A Common Stock and 161 holders of record of Class B Common Stock. Bio-Rad has never paid a cash dividend and has no present plans to pay cash dividends.

See Item 12 for the security ownership of certain beneficial owners and management and for securities authorized for issuance under equity compensation plans.



## Stock Performance Graph

The following graph compares the cumulative stockholder returns over the past five years for our Class A Common Stock, the S&P 400 MidCap Index and a selected peer group, assuming \$100 invested on December 31, 2005, and reinvestment of dividends if paid:

<sup>(1)</sup> The Peer Group consists of the following public companies: Beckman Coulter, Becton Dickinson, Thermo Fisher Scientific, Meridian Bioscience, PerkinElmer and Life Technologies. Companies in our peer group reflect our participation in two different markets: life science research products and clinical diagnostics. No single public or private company has a comparable mix of products which serve the same markets. In many cases, only one division of a peer group company competes in the same market as we do. Collectively, however, our peer group reflects products and markets similar to those of Bio-Rad.

This stock performance graph shall not be deemed incorporated by reference by any general statement incorporating by reference into any filing under the Securities Act or the Exchange Act, and shall not otherwise be deemed filed under these Acts.



**ITEM 6. SELECTED FINANCIAL DATA**

Bio-Rad Laboratories, Inc.  
 Selected Financial Data  
 (in thousands, except per share data)

	Year Ended December 31,				
	2010	2009	2008	2007 <sup>(2)</sup>	2006
Net sales	\$	\$	\$	\$	\$
	1,927,118	1,784,244	1,764,365	1,461,052	1,273,930
Cost of goods sold	835,630	784,401	801,843	669,690	561,394
Gross profit	1,091,488	999,843	962,522	791,362	712,536
Selling, general and administrative expense	635,213	601,468	591,304	507,978	438,949
Research and development expense	172,266	163,585	159,518	140,535	123,376
Purchased in-process research and development expense	--	--	--	7,656	4,100
Impairment losses on goodwill and long-lived assets	--	3,802	28,757	--	--
Interest expense	63,717	47,024	32,113	31,606	32,022
Foreign exchange losses, net	3,884	5,003	7,634	2,576	1,053
Other (income) expense, net <sup>(1)</sup>	(3,875)	(6,871)	353	(19,832)	(28,991)
Income before income taxes and noncontrolling interests	220,283	185,832	142,843	120,843	142,027
Provision for income taxes	(33,348)	(36,667)	(44,579)	(26,548)	(38,764)
Net income attributable to noncontrolling interests	(1,445)	(4,545)	(8,754)	(1,301)	--
Net income attributable to Bio-Rad	\$	\$	\$	\$	\$
	185,490	144,620	89,510	92,994	103,263
Basic earnings per share	\$	\$	\$	\$	\$
	6.70	5.28	3.30	3.48	3.92
Diluted earnings per share	\$	\$	\$	\$	\$
	6.59	5.20	3.24	3.41	3.83

Edgar Filing: BIO RAD LABORATORIES INC - Form 10-K

Cash dividends paid per common share	\$	\$	\$	\$	\$
	--	--	--	--	--
Total assets	\$	\$	\$	\$	\$
	3,062,764	2,535,853	2,037,264	1,971,594	1,596,168
Long-term debt, net of current maturities	\$	\$	\$	\$	\$
	731,100	737,919	445,979	441,805	425,625

- (1) See Note 9 to the consolidated financial statements for components of Other (income) expense, net. Included in 2006 is interest and investment income of \$22.2 million, and gains on sales of investments of \$4.7 million.
- (2) Included in 2007 are the fourth quarter operating results of an acquisition. See Note 2 to the consolidated financial statements.

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This discussion should be read in conjunction with the information contained in our consolidated financial statements and the accompanying notes which are an integral part of the statements.

Other than statements of historical fact, statements made in this Annual 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 use of those terms or 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 customers 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, industry, 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 rely on consistency for their experiments and test results, we believe that more than 70% of our revenue is considered recurring.

We continue to build upon our worldwide reputation for quality, innovative products and well-recognized brand names within our industry. Our reach is global, as we currently provide products and services to more than 85,000 customers in 130 countries worldwide. Approximately 31% of our 2010 consolidated net sales are from the United States and approximately 69% are from international locations. The international sales are largely denominated in local currencies such as Euros, Swiss Franc, Japanese Yen, Singapore Dollar and British Sterling. As a result, our

consolidated net sales expressed in dollars benefit when the U.S. dollar weakens and suffer when the U.S. 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.

On January 6, 2010, we acquired certain diagnostic businesses of Biotest AG (Biotest). This 45 million Euro (approximately \$64.9 million) acquisition broadened our product offering in the area of immunohematology and provided access to the U.S. markets for these products.



The following shows cost of goods sold, gross profit, expense items and net income as a percentage of net sales:

	Year Ended December 31,		
	2010	2009	2008
Net sales	100.0	100.0	100.0
Cost of goods sold	43.4	44.0	45.4
Gross profit	56.6	56.0	54.6
Selling, general and administrative expense	33.0	33.7	33.5
Research and development expense	8.9	9.2	9.0
Net income attributable to Bio-Rad	9.6	8.1	5.1

We intend that the discussions of critical accounting policies and estimates and recent accounting pronouncements that follow will assist you in understanding how such principles, estimates and accounting pronouncements affect our financial condition and results of operations as well as significant factors that caused changes in our financial condition and results of operations for the years ended December 31, 2010 and 2009.

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

The accompanying discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingencies as of the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. We evaluate our estimates on an on-going basis. We base our estimates on historical experience and on other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. However, future events may cause us to change our assumptions and estimates, which may require adjustment. Actual results could differ from these estimates. We have determined that for the periods reported in this Annual Report on Form 10-K the following accounting policies and estimates are critical in understanding our financial condition and results of operations.

Accounting for Income Taxes. Management is required to make estimates related to our income tax provision in each of the jurisdictions in which we operate. This process involves estimating our current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our Consolidated Balance Sheets. Management then assesses the likelihood that the deferred tax assets will be recovered from future taxable income and to the extent management believes that recovery is not likely, a valuation allowance must be established. To the extent management establishes a valuation allowance or increases this allowance in a period, an increase to expense within the Provision for income taxes in the Consolidated Statements of Income may result.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements on a particular tax position are measured based on the largest benefit that has a greater than a 50% likelihood of being realized upon settlement. The amount of unrecognized tax benefits is adjusted as appropriate for changes in facts and circumstances, such as significant amendments to existing tax law, new regulations or interpretations by the taxing authorities, new information obtained during a tax examination, or resolution of an examination. We recognize both accrued interest and penalties, where appropriate, related to unrecognized tax benefits in income tax expense.

Significant management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities, and any valuation allowance recorded in connection with the deferred tax assets. We have recorded a valuation allowance of \$37.0 million and \$37.9 million as of December 31, 2010 and 2009, respectively, due to uncertainties related to our ability to utilize some of the deferred tax assets, primarily consisting of certain foreign net operating losses carried forward. The valuation allowance is based on management's current estimates of taxable income for the jurisdictions in which we operate and the period over which the deferred tax assets will be recoverable. In the event that actual results differ from these estimates, or these estimates are adjusted in future periods, an additional valuation allowance may need to be established which would increase the tax provision, lowering income and impacting our financial position. Should realization of these previously reserved deferred tax assets occur, the provision for income taxes may decrease, raising income and positively impacting Bio-Rad's financial position.

Valuation of Goodwill and Long-lived Assets. Goodwill represents the excess of the cost over the fair value of net tangible and identifiable intangible assets of acquired businesses. Goodwill amounts are assigned to reporting units at the time of acquisition and are adjusted for any subsequent significant transfers of business between reporting units. We assess the impairment of goodwill annually in the fourth quarter or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. We perform the impairment tests of goodwill at our reporting unit level, which is one level below our reporting segments. The goodwill impairment test consists of a two-step process. The first step of the goodwill impairment test, used to identify potential impairment, compares the fair value of a reporting unit to its carrying value, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired, and the second step of the impairment test is not required. The second step, if required, compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. The fair value of a reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the price paid to acquire the reporting unit. If the carrying amount of the reporting unit's goodwill exceeds its implied fair value, an impairment charge is recognized in an amount equal to that excess.

We use projected discounted cash flow models to determine the fair value of a reporting unit. The discounted cash value projected for goodwill may be different from the fair value that would result from an actual transaction between a willing buyer and a willing seller. Projections such as discounted cash flow models are inherently uncertain and accordingly, actual future cash flows may differ materially from projected cash flows. Management judgment is required in developing the assumptions for the discounted cash flow model. These assumptions include revenue growth rates, profit margins, future capital expenditures, working capital needs, expected foreign currency rates, discount rates and terminal values. We estimate future cash flows using current and long-term high level strategic financial forecasts. These forecasts take into account the current economic environment. The discount rates used are compiled using independent sources, current trends in similar businesses and other observable market data. Changes to these rates might result in material changes in the valuation and determination of the recoverability of goodwill. For example, an increase in the discount rate used to discount cash flows will decrease the computed fair value. In order to evaluate the sensitivity of the fair value calculations on the goodwill impairment test, we apply a 10% decrease to the fair value of each reporting unit.

To validate the reasonableness of the reporting unit fair values, we reconcile the aggregate fair values of the reporting units to the enterprise market capitalization including an implied control premium. In performing the reconciliation

we may, depending on the volatility of the market value of our stock price, use either the stock price on the valuation date or the average stock price over a range of dates around the valuation date. We compare the implied control premium to premiums paid in observable recent transactions of comparable companies to determine if the fair values of the reporting units are reasonable.

For purposes of recognition and measurement of an impairment loss, a long-lived asset or assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. We assess the impairment of long-lived assets (including identifiable intangibles) whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that we consider important that could trigger an impairment review include:

- significant under-performance relative to expected, historical or projected future operating results;
- significant changes in the manner of use of the long-lived assets, intangible assets or the strategy for our overall business;
- a current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of before the end of its previously estimated useful life; and
- significant negative industry, legal, regulatory or economic trends.

When management determines that the carrying value of long-lived assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, we test for any impairment based on a projected undiscounted cash flow method. Projected future operating results and cash flows of the asset or asset group are used to establish the fair value used in evaluating the carrying value of long-lived and intangible assets. We estimate the future cash flows of the long-lived assets using current and long-term financial forecasts. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If this is the case, an impairment loss would be recognized. The impairment loss recognized is the amount by which the carrying amount exceeds the fair value.

In 2009 and 2008, our reviews indicated impairment charges of \$3.8 million and \$1.6 million, respectively, related to the developed technology intangible assets of certain product lines that were acquired in 2006. Also in 2008, our review indicated an impairment charge of \$27.2 million related to goodwill from a 1999 acquisition. The goodwill impairment was caused primarily by the continuing decline in the BSE (bovine spongiform encephalopathy) product line. There were no impairment losses recorded in 2010.

Valuation of Inventories. We value inventory at the lower of the actual cost to purchase and/or manufacture the inventory, or the current estimated realizable value of the inventory. We review inventory quantities on hand and reduce the cost basis of excess and obsolete inventory based primarily on an estimated forecast of product demand, production requirements and the quality, efficacy and potency of raw materials. This review is done on a quarterly basis or, if warranted by the circumstances, more frequently. In addition, our industry is characterized by technological change, frequent new product development and product obsolescence that could result in an increase in the amount of obsolete inventory quantities on hand. Our estimates of future product demand may prove to be inaccurate, and if too high, we may have overstated the carrying value of our inventory. In the future, if inventory is determined to be overvalued, we would be required to write down the value of inventory to market and recognize such costs in our cost of goods sold at the time of such determination. Therefore, although we make efforts to ensure the accuracy of our forecasts of future product demand and perform procedures to safeguard overall inventory quality, any significant unanticipated changes in demand, technological developments, regulations, storage conditions or other environment factors affecting biological materials, could have a significant impact on the value of our inventory and reported results of operations.

Valuation of Investments. We regularly review our investments for factors that may indicate that a decline in the fair value of an investment below its carrying value is other-than-temporary. Some factors considered in evaluating whether or not a decline in fair value is other-than-temporary include our ability and intent to retain the investment for a period of time sufficient to allow for a recovery in value, the duration and extent to which the fair value has been less than cost and the financial condition and prospects of the issuer. Such reviews are inherently uncertain in that the value of the investment may not fully recover or may decline further in future periods resulting in realized losses.

Warranty Reserves. We warrant certain equipment against defects in design, materials and workmanship, generally for a period of one year. Upon delivery and on acceptance of that equipment, we establish, as part of cost of goods sold, a provision for the expected costs of such warranty repairs 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 reserve and it is adjusted if necessary. The warranty reserve is based on actual experience and expected future costs to be incurred. Should realized costs be higher than expected costs, cost of goods sold would be lower in the period of estimation and higher when realized.

Allowance for Doubtful Accounts. We maintain an allowance for doubtful accounts for estimated losses resulting from the collectibility of our customer accounts. The amount of the allowance is determined by analyzing known uncollectible accounts, the age of our receivables, economic conditions in the customers' country or industry, historical losses and our customers' general credit-worthiness. Amounts later determined and specifically identified to be uncollectible are charged or written off against this allowance. Uncertainty in the current economic environment, if prolonged, could result in greater amounts becoming uncollectible in the future. Should the estimates of losses be higher than the actual uncollectible accounts, we would report lower profitability when the estimates are made and higher profitability when the receivable is collected.

Litigation Accruals. We record as liabilities in our Consolidated Balance Sheets estimated amounts for claims that are probable and can be reasonably estimated. The likelihood of a material change in these estimated reserves is dependent on the possible outcome of settlement negotiations, regulatory or judicial review and the development of facts and circumstances in extended litigation which could change claims or assessments when both the amount and range of loss on some outstanding litigation is uncertain. We disclose in the footnotes of the financial statements when we are unable to make a reasonable estimate of a material liability that could result from unfavorable outcomes in litigation. As events occur, we will assess the potential liability related to our pending litigation and revise our estimates. Such revisions could materially impact our results of operations.

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

### Net sales

Net sales (sales) in 2010 increased 8.0% to \$1.93 billion from \$1.78 billion in 2009, with Biotest contributing approximately \$56.1 million to the growth in sales. Foreign currency had minimal impact on total sales growth. Excluding the additional sales from the Biotest acquisition, 2010 sales grew by 4.8% on a currency neutral basis. Currency neutral sales growth, excluding Biotest, was achieved in all regions, but was primarily driven by growth in Asia Pacific, Eastern Europe and Latin America.

The Life Science segment sales in 2010 were \$648.1 million, an increase of 2.6%, or 2.2% on a currency neutral basis, compared to 2009. Sales growth was primarily attributed to real-time PCR products and a new product line TC 10™ automated cell counter, partially offset by general market weakness, especially in Europe. Currency neutral sales

growth in the Life Science segment was primarily in Asia Pacific, Eastern Europe, Latin America and North America, while European sales declined.

The Clinical Diagnostics segment reported sales in 2010 of \$1.27 billion, an increase of 11.0% compared to 2009, with Biotest contributing approximately 4.9% to the sales growth. On a currency neutral basis, sales in 2010 increased 11.3% including Biotest compared to 2009. Clinical Diagnostics realized growth in its quality controls product line and in immunohematology (before the inclusion of Biotest), diabetes and BioPlex® 2200 instruments and reagents. Sales growth was primarily in Asia Pacific, Eastern Europe and Latin America, and to a lesser extent North America.



Our net sales increased by 1.1% in 2009 to \$1.78 billion as compared to 2008. Excluding the impact of foreign currency, 2009 sales increased by approximately 5.5% compared to 2008. Currency neutral sales growth was generated primarily in the regions of Asia Pacific, the United States and developing or emerging markets in Eastern Europe and Latin America. DiaMed Holding AG (DiaMed) distributors acquired in late 2008 and early 2009 also contributed to sales growth.

The Life Science segment sales decreased 1.9% in 2009 as compared to 2008. On a currency neutral basis sales increased 0.8%. The decline in sales of BSE (bovine spongiform encephalopathy) products continued in 2009, as both product prices and government-mandated tests declined. Excluding the impact of the BSE product line, the Life Science segment grew by 1.3% in 2009 as compared to 2008. Product groups that showed growth included real-time PCR instruments and reagents, the ProteOn™ protein interaction analysis system and the Biotechnology Explorer™ program. Sales growth in the Life Science segment was primarily in Asia Pacific, Latin America and the U.S., while European sales represented the majority of declining sales.

The Clinical Diagnostics segment achieved sales growth of 3.0% in 2009 as compared to 2008. Excluding the impact of foreign currency, sales increased 8.5% compared to 2008. Most Clinical Diagnostics major product lines showed sales growth, such as BioPlex 2200 systems, quality controls and blood virus products. There was a decline in sales of contract manufacturing as some of these contracts were not renewed. On a regional basis, currency neutral sales growth was primarily provided by Asia Pacific, the United States and emerging markets including Latin America, partially offset by sales declines in Europe.

#### Gross margin

Consolidated gross margins were 56.6% in 2010 compared to 56.0% in 2009. Life Science segment gross margins in 2010 improved from 2009 by approximately 2.4%. The increase was primarily due to improved manufacturing overhead absorption, reduction in costs and a favorable product mix toward higher margin products. Clinical Diagnostics segment gross margins in 2010 decreased by approximately 0.4% from 2009. The Biotest acquisition had a negative impact on Clinical Diagnostics segment gross margins due to higher inventory values resulting from purchase accounting and overall lower margins than historically achieved by the segment. Partially offsetting this decrease in gross margins was a favorable settlement of intellectual property disputes and lower royalty expenses.

Consolidated gross margins were 56.0% in 2009 compared to 54.6% in 2008. Life Science segment gross margins improved in 2009 compared to 2008 by 0.1%. The improvement was the result of better manufacturing overhead absorption from a reduction in costs, the move of new products to more cost efficient off-shore manufacturing, and sales mix favoring higher margin reagents rather than instruments with typically lower margin. Clinical Diagnostics segment gross margins improved by approximately 2.2% in 2009 compared to 2008. Improvements included lower royalty payments paid to licensors as a result of the expiration of patents in blood virus and immunohematology products, increased margin from the acquisition of DiaMed distributors and the reduction of the impact of DiaMed pre-acquisition inventory subject to purchase accounting rules. Additionally the BioPlex 2200 margins improved from greater placements and higher test volume.

Selling, general and administrative expense

Consolidated selling, general and administrative expense (SG&A) represented 33.0% of sales in 2010 compared to 33.7% of sales in 2009. The growth rate in absolute SG&A spending was less than the rate of sales growth.

Moderation in spending for employee related costs and third party commissions lowered the rate of SG&A spending to sales. Absolute dollar increases in SG&A were primarily in employee-related costs, travel and related costs, and professional services.

Consolidated SG&A represented 33.7% of net sales for 2009 compared to 33.5% of net sales in 2008. Growth in absolute SG&A spending was proportional to sales. The Clinical Diagnostics segment grew SG&A at a slightly lower rate than the growth in its sales, while the Life Science segment's reduced rate of spending in SG&A was larger than the decline in its sales. Absolute dollar increases in SG&A were primarily in employee-related expenses and purchased intangibles amortization, partially offset by lower travel costs and professional services.

#### Research and development expense

Research and development expense was \$172.3 million in 2010, or 8.9% of sales, compared to 9.2% of sales in 2009. Both the Life Science and Clinical Diagnostics segments research and development expense increased in absolute dollars, however as a percent of sales, Clinical Diagnostics segment expense decreased from 2009. Life Science segment efforts concentrated on genomics, proteomics process chromatography and food diagnostics applications. The majority of the Clinical Diagnostics segment increase was related to an additional emphasis in diabetes monitoring, clinical microbiology, expanded blood virus diagnostic tests and improved automation.

Research and development expense was \$163.6 million in 2009, or 9.2% of sales, compared to 9.0% of sales in 2008. Life Science segment development efforts were directed towards genomics, proteomics and process chromatography applications. Clinical Diagnostics segment development efforts were focused on expanded tests for the BioPlex 2200 testing platform, as well as other enhancements to existing automation and reagents used for immunohematology, clinical microbiology and blood virus diagnostic tests and additional quality control products. In absolute dollars, the increase was in the Clinical Diagnostic segment, partially offset by a decrease in the Life Science segment.

#### **Corporate Results    Non-operating**

##### Interest expense

Interest expense in 2010 increased 35.5% to \$63.7 million compared to 2009. The increase in interest expense in 2010 from 2009 was primarily due to the payment of a call premium and the expensing of unamortized debt issuance costs for the redemption of the \$200.0 million of 6.125% Senior Subordinated Notes in December 2010, and the interest associated with the \$300 million of 8.0% Senior Subordinated Notes due in 2016 that were issued in May 2009. Our other principal debt obligation was the \$225.0 million 7.5% Senior Subordinated Notes, which were redeemed in January 2011.

Interest expense in 2009 increased 46.4% to \$47.0 million when compared to 2008. The additional \$300.0 million of 8.0% Senior Subordinated Notes that were issued in May 2009 had increased our indebtedness to \$742.6 million at December 31, 2009, which increased our interest expense in 2009 compared to 2008.

Foreign currency exchange gains and losses

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. Net foreign currency exchange losses for 2010, 2009 and 2008 were \$ 3.9 million, \$5.0 million and \$7.6 million, respectively. The 2010 and 2009 net foreign currency exchange losses were attributable to greater market volatility, costs to hedge and the result of the estimating process inherent in the timing of shipments and payments of intercompany debt. The 2008 net loss reflected a number of unhedged European based intercompany loans denominated in Euros, British Sterling and Swiss Francs, which arose as part of our acquisitions in December 2008. The significant volatility in December 2008 resulted in an approximate \$3 million non-cash loss on these accounts. Additionally, we recorded a 2008 loss of \$1.6 million on unhedged intercompany payables for our Brazilian subsidiaries, which we have not historically hedged due to the high cost. All years are affected by the economic hedging program we employ to hedge our intercompany receivables and payables.

Other income and expense, net

Other income and expense, net for 2010 includes investment and dividend income; generally interest income on our cash and cash equivalents, short-term investments and long term marketable securities. Other income, net in 2010 was \$3.9 million compared to \$6.9 million in 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 higher other-than-temporary impairment of investments in 2009 than in 2010.

Other income, net in 2009 was \$6.9 million compared to other expense, net of \$0.4 million in 2008. The 2009 other income, net included a relief of \$4.6 million for a foreign non-income based tax obligation, higher interest and dividend income, and lower charges for impairment on investments compared to 2008.

Effective tax rate

Our effective tax rate was 15% and 20% in 2010 and 2009, respectively. The effective tax rates in 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 lower effective tax rate in 2010 was primarily due to a benefit of approximately \$22.4 million that related to U.S. foreign tax credits associated with a \$163.9 million distribution of earnings from our foreign affiliates to the U.S.

Our effective tax rate was 20%, and 31% in 2009 and 2008, respectively. The decrease was primarily related to the completion in the fourth quarter of 2009 of a U.S. income tax examination covering the years 2001 through 2005, favorable tax rates associated with higher earnings from operations in lower-tax jurisdictions throughout the world and a reduction in our balance of unrecognized tax benefits due to lapses of statutes.

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 for capital expenditures, and interest and tax expense are covered by cash flow from operations. 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 we 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 borrowings under the Credit Agreement as of December 31, 2010. The Credit Agreement expires on June 21, 2014.

The continuing slow economic growth in developed nations may adversely affect our future results of operations. Demand for our products and services could change more dramatically than in previous years based on activity and support levels from government, universities, hospitals and private industry including diagnostic laboratories. The need for certain sovereign nations with large annual deficits to curtail spending could lead to slower growth of, or even a decline in our business. Sovereign nations either delaying payment for goods and services or renegotiating their debts could impact our liquidity.

At December 31, 2010, we had \$1,025.2 million in cash, cash equivalents and short-term investments. Taking into consideration the cash needed to redeem our 7.50% Senior Subordinated Notes in January 2011, we had available \$790.6 million in cash, cash equivalents and short-term investments. Under domestic and international lines of credit, we had \$251.1 million available for borrowing as of December 31, 2010, of which \$13.9 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.

The instability in credit markets along with inadequate capitalization in some parts of the financial services industry could impact both our ability and our customer's ability to access the necessary capital for acquisition, equipment and technology modernization, and the financing of inventory and receivables. Without this crucial intermediary function, manufacturers and end users may have to renegotiate existing arrangements, reduce activity levels or seek other business partners.

### **Cash Flow from Operations**

Net cash provided by operations was \$225.9 million, \$325.1 million and \$191.4 million in 2010, 2009 and 2008, respectively. The net decrease between 2010 and 2009 of \$99.2 million primarily represented an increase in cash paid to suppliers, including royalty payments covering multiple years and payments to settle intellectual property disputes, higher payments on income taxes, and higher interest payments primarily from the call premium and the redemption of the \$200.0 million of 6.125% Senior Subordinated Notes in December 2010, and the interest associated with the \$300 million of 8.0% Senior Subordinated Notes due in 2016 that were issued in May 2009. Partially offsetting this decrease was an increase in cash received from customers compared to 2009. However, cash received from customers was at a slower rate than expected in 2010 due to a slowdown in cash collections, as many governments, especially in Europe, address the need for deficit reductions and sovereign borrowings. We continue to stress cash flow as a global company-wide goal.

The net change between 2009 and 2008 of \$133.7 million represented a \$121.9 million improvement in the net change in cash received from customers and cash paid to suppliers. The largest item that contributed to the increase in cash flows was primarily due to a decrease in inventory levels, which provided approximately \$36 million of cash inflows in 2009. The expiration of some patents and slower payment patterns reduced royalty payments. Moderation in the growth of headcount and the reduction in other SG&A costs all contributed to an improved cash flow. Additionally, we experienced a reduction in taxes paid of \$11.4 million.

We regularly review the allowance for uncollectible receivables and believe net accounts receivable are fully realizable. We also routinely review inventory for the impact of obsolescence and changes in market prices caused by the introduction of new products, technologies and in government reimbursement policies. We expect the first quarter of 2011 cash flows from operations to be lower as Bio-Rad historically makes larger payments for royalties, fourth

quarter sales commissions to third parties and employee annual bonuses during this period.

### **Cash Flow from Investing Activities**

Net cash used in investing activities, including capital expenditures was \$216.5 million, \$176.0 million and \$146.1 million in 2010, 2009 and 2008, respectively. Capital expenditures in 2010 totaled \$87.3 million, compared to \$66.8 million and \$84.8 million in 2009 and 2008, 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 were investments in business systems and data communication upgrades and



enhancements. We anticipate accelerating expenditures in future periods to expand our e-commerce platform internationally and for implementation globally of a single instance ERP platform, for which we committed to purchase software in December 2010. The estimated global implementation cost could reach approximately \$150 million and is estimated to take approximately five years to implement. All periods included equipment placed with Clinical Diagnostics segment customers who then contract to purchase our reagents for use.

On January 6, 2010, we acquired certain diagnostic businesses of Biotest AG for 45 million Euros (approximately \$64.9 million) in cash. In September 2010, we acquired the remaining noncontrolling interests of DiaMed France SA for 10.2 million Euros, or approximately \$12.9 million, in cash. In 2010, 2009 and 2008, we acquired the remaining shares of DiaMed Holding AG (DiaMed) for approximately \$1.4 million, \$30.0 million and \$33.6 million, respectively. In 2008 we also paid cash for the acquisition of two distributors for approximately \$17 million. All of these acquisitions are included in our Clinical Diagnostics segment. We anticipate that we will purchase in 2011 the remaining noncontrolling interests in two DiaMed subsidiaries, which we estimate will cost approximately \$5 million.

We continue to review other possible acquisitions to expand both our Life Science and Clinical Diagnostics segments, including independent distributors of the DiaMed product line. We routinely meet with the principals or brokers of the subject companies. We are evaluating additional acquisitions on a preliminary basis. It is not certain that any of these transactions will advance beyond the preliminary stages or be completed.

### **Cash Flow from Financing Activities**

Net cash provided by financing activities was \$228.7 million, \$293.9 million and \$6.3 million in 2010, 2009 and 2008, respectively. Cash provided in 2010 was primarily due to Bio-Rad issuing \$425.0 million principal amount of 4.875% Senior Notes in December 2010, which yielded net proceeds of \$422.6 million at an effective rate of 4.946%. In December 2010, \$204.3 million of the net proceeds were used to redeem our \$200.0 million 6.125% Senior Subordinated Notes, including a call premium. In January 2011, the remaining proceeds, together with cash on hand, were used to redeem our \$225.0 million 7.50% Senior Subordinated Notes for \$234.6 million, including a call premium. This refinancing should lower our interest expense going forward.

Net cash provided by financing activities in 2009 was primarily due to Bio-Rad issuing \$300 million of 8% Senior Subordinated Notes in May 2009, which yielded net proceeds of \$294.8 million at an effective rate of 8.3%. The net proceeds have been and will be used for working capital and general corporate purposes, which may include acquisitions. Net cash provided by financing activities in 2008 principally reflected cash flow for the exercise of stock options and receipts from the Employee Stock Purchase Plan transactions, partially offset by payments on long-term debt that represented the reduction of acquired DiaMed debt.

The Credit Agreement that was entered into in June 2010, 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 and expires in June 2014.

The Board of Directors has authorized the repurchase of up to \$18 million of Bio-Rad's common stock over an indefinite period of time of which \$3.3 million has yet to be repurchased. The Credit Agreement and the indenture governing our 8.0% Senior Subordinated Notes restrict our ability to repurchase our stock. We did not repurchase any shares of our common stock during 2010, 2009 or 2008.

#### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements that have had or are reasonably likely to have a current or future material effect on our financial condition, results of operations or liquidity.

## Contractual Obligations

The following summarizes certain of our contractual obligations as of December 31, 2010 and the effect such obligations are expected to have on our cash flows in future periods (in millions):

Contractual Obligations	Total	Payments Due by Period			
		Less Than One Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt, including current portion <sup>(1)</sup>	\$	\$	\$	\$	\$
	964.2	233.1	0.6	0.2	730.3
Interest payments	223.0	27.2	48.0	48.0	99.8
Operating lease obligations <sup>(2)</sup>	132.7	33.1	46.0	24.3	29.3
Purchase obligations <sup>(3)</sup>	59.2	57.9	1.3	--	--
Long-term liabilities <sup>(4)</sup>	46.4	--	20.7	2.0	23.7

(1) These amounts represent expected cash payments, including capital lease obligations and are included in our Consolidated Balance Sheets. See Note 5 of the Consolidated Financial Statements for additional information about our debt.

(2) Operating lease obligations are described in Note 11 of the Consolidated Financial Statements.

(3) Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding to Bio-Rad and that specify all significant terms. Purchase obligations exclude agreements that are cancelable without penalty.

(4) Excluded from this table is our liability for income tax payable, including uncertain tax positions, in the amount of \$18.4 million. We are not able to reasonably estimate the timing of future cash flows of these tax liabilities, therefore, our income tax obligations are excluded from the table above. See Note 6 of the Consolidated Financial Statements.

## Recent Financial Accounting Standards

In January 2010, the Financial Accounting Standards Board (FASB) issued a standard to improve disclosures about fair value measurements. Specifically, the standard requires entities to disclose the amounts of significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for these transfers; the reasons for any transfers in or out of Level 3; and information in the reconciliation of recurring Level 3 measurements about purchases, sales, issuances and settlements on a gross basis. The standard was effective for our interim period ended March 31, 2010, except for the requirement to disclose information about purchases, sales, issuances, and settlements in the reconciliation of recurring Level 3 measurements on a gross basis. Those disclosures will be effective for our interim period ending March 31, 2011. This standard did not effect nor is expected to effect our consolidated financial statements.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### **Financial Risk Management**

The main goal of Bio-Rad's financial risk management program is to reduce the variance in expected cash flows arising from unexpected foreign exchange rate and interest rate changes. Financial exposures are managed through operational means and by using various financial instruments, including cash and liquid resources, borrowings, and forward and spot foreign exchange contracts. No derivative financial instruments are entered into for the purpose of trading or speculation. Company policy requires that all derivative positions are undertaken to manage the risks arising from underlying business activities. These derivative transactions do not qualify for hedge accounting treatment per general standards for derivatives and hedging. Derivative instruments used in these transactions are valued at fair value and changes in fair value are included in reported earnings.

Foreign Exchange Risk. We operate and conduct business in many countries and are exposed to movements in foreign currency exchange rates. We face transactional currency exposures that arise when we enter into transactions denominated in currencies other than U.S. dollars. Additionally, our consolidated net equity is impacted by the conversion of the net assets of our international subsidiaries for which the functional currency is not the U.S. dollar.

Foreign currency exposures are managed on a centralized basis. This allows for the netting of natural offsets and lowers transaction costs and net exposures. Where possible, we seek to manage our foreign exchange risk in part through operational means, including matching same-currency revenues to same currency costs, and same-currency assets to same-currency liabilities. Moreover, weakening in one currency can often be offset by strengthening in another currency. Foreign exchange risk is also managed through the use of forward foreign exchange contracts. Positions are primarily in Euro, Swiss Franc, British Sterling, Singapore Dollar and Japanese Yen. The majority of forward contracts are for periods of 90 days or less. We record the change in value of our foreign currency receivables and payables as a Foreign exchange (gain) loss on our Consolidated Statements of Income along with the change in fair market value of the forward exchange contract used as an economic hedge of those assets or liabilities.

Our forward contract holdings at year-end were analyzed to determine their sensitivity to fluctuations in foreign currency exchange rates. All other variables were held constant. Market risk associated with derivative holdings is the potential change in fair value of derivative positions arising from an adverse movement in foreign exchange rates. A decline of 10% on quoted foreign exchange rates would result in an approximate net-present-value loss of \$49 million on our derivative position. This impact of a change in exchange rates excludes the offset derived from the change in value of the underlying assets and liabilities, which could reduce the adverse effect significantly.

Interest Rate Risk of Debt Instruments. Bio-Rad centrally manages the short-term cash surpluses and shortfalls of its subsidiaries. Our holdings of variable rate debt instruments at year-end were analyzed to determine their sensitivity to movements in interest rates. Due to the relatively small amount of short-term variable rate debt we have outstanding, there would not be a material impact to earnings or cash flows if interest rates moved adversely by 10%. Our long-term debt consists primarily of fixed-rate instruments, and is thus insulated from interest rate changes. As of December 31, 2010, the overall interest rate risk associated with our debt was not significant.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

### **Index to Consolidated Financial Statements**

	<b>Page</b>
Report of Ernst & Young LLP, Independent Registered Public Accounting Firm	31
Report of Deloitte & Touche LLP, Independent Registered Public Accounting Firm	32

Edgar Filing: BIO RAD LABORATORIES INC - Form 10-K

Consolidated Balance Sheets at December 31, 2010 and 2009	33-34
Consolidated Statements of Income for each of the three years in the period ended December 31, 2010	35
Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2010	36
Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Income for each of the three years in the period ended December 31, 2010	37
Notes to Consolidated Financial Statements	38-66

**REPORT OF ERNST & YOUNG LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**Board of Directors and Stockholders of Bio-Rad Laboratories, Inc.**

We have audited the accompanying consolidated balance sheets of Bio-Rad Laboratories, Inc. as of December 31, 2010 and 2009, and the related consolidated statements of income, cash flows, and changes in stockholders' equity and comprehensive income for the years then ended. Our audits also included the financial statement schedule listed in the Index at Item 15(a)2. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bio-Rad Laboratories, Inc. at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Bio-Rad Laboratories, Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2011, expressed an adverse opinion thereon.

/s/ Ernst & Young LLP

Palo Alto, California  
February 28, 2011

**REPORT OF DELOITTE & TOUCHE LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Stockholders  
Bio-Rad Laboratories, Inc.  
Hercules, California

We have audited the accompanying consolidated statements of income, changes in stockholders' equity and comprehensive income, and cash flows of Bio-Rad Laboratories, Inc. and subsidiaries (the Company) for the year ended December 31, 2008. Our audit also included the financial statement schedule for the year ended December 31, 2008 listed in Item 15(a)2. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the results of the Company's operations and its cash flows for the year ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule for the year ended December 31, 2008, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the Consolidated Financial Statements, the accompanying consolidated financial statements have been retrospectively adjusted for the adoption of new accounting standards for Noncontrolling Interests and Interests Grants in Share-Based Payment Transactions.



/s/ Deloitte & Touche LLP

San Francisco, California

February 28, 2009 (May 18, 2009 as to the effects of the retrospective adoption of new accounting standards as described in Note 1 to the financial statements)

Bio-Rad Laboratories, Inc.  
 Consolidated Balance Sheets  
 (in thousands)

	December 31,	
	2010	2009
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$	\$
	906,551	649,938
Restricted cash	6,422	--
Short-term investments	118,636	94,876
Accounts receivable, less allowance for doubtful accounts of \$25,052 at 2010 and \$23,100 at 2009	387,996	
		345,734
Inventories:		
Raw materials	82,270	68,155
Work in process	110,527	97,513
Finished goods	205,303	185,538
Total inventories	398,100	351,206
Deferred tax assets	48,021	43,102
Prepaid expenses, taxes and other current assets	109,620	77,818
Total current assets	1,975,346	1,562,674
Property, plant and equipment:		
Land and improvements	18,456	16,853
Buildings and leasehold improvements	232,959	204,612
Equipment	560,718	506,686
Total property, plant and equipment	812,133	728,151
Accumulated depreciation	(478,516)	(425,734)
Property, plant and equipment, net	333,617	302,417
Goodwill, net	363,981	327,626
Purchased intangibles, net	203,881	204,779
Long-term deferred tax assets	12,976	13,272
Other assets	172,963	125,085
TOTAL ASSETS	\$	\$
	3,062,764	2,535,853

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



Bio-Rad Laboratories, Inc.  
Consolidated Balance Sheets  
(in thousands, except share data)

	December 31,	
	2010	2009
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
	\$	\$
Accounts payable	113,440	92,988
Accrued payroll and employee benefits	131,381	126,702
Notes payable and current maturities of long-term debt	233,181	5,132
Income and other taxes payable	50,935	42,322
Accrued royalties	23,944	46,692
Other current liabilities	113,746	106,136
Total current liabilities	666,627	419,972
Long-term debt, net of current maturities	731,100	737,919
Deferred income taxes	59,738	42,894
Other long-term liabilities	64,780	55,855
Total liabilities	1,522,245	1,256,640
Commitments and contingent liabilities		
<b>STOCKHOLDERS EQUITY</b>		
Bio-Rad stockholders equity:		
Preferred stock, \$0.0001 par value, 7,500,000 shares authorized; issued and outstanding - none	--	--
Class A common stock, \$0.0001 par value, 80,000,000 shares authorized; issued and outstanding 22,677,300 at 2010 and 22,406,669 at 2009	2	2
Class B common stock, \$0.0001 par value, 20,000,000 shares authorized; issued and outstanding 5,175,343 at 2010 and 5,119,402 at 2009	1	1
Additional paid-in capital	156,986	130,444
Retained earnings	1,181,687	996,197
Accumulated other comprehensive income:		
Currency translation and other	198,020	133,082
Total Bio-Rad stockholders equity	1,536,696	1,259,726
Noncontrolling interests	3,823	19,487
Total stockholders equity	1,540,519	1,279,213
	\$	\$
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>3,062,764</b>	<b>2,535,853</b>

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



Bio-Rad Laboratories, Inc.

## Consolidated Statements of Income

(in thousands, except per share data)

	Year Ended December 31,		
	2010	2009	2008
	\$	\$	\$
Net sales	1,927,118	1,784,244	1,764,365
Cost of goods sold	835,630	784,401	801,843
Gross profit	1,091,488	999,843	962,522
Selling, general and administrative expense	635,213	601,468	591,304
Research and development expense	172,266	163,585	159,518
Impairment losses on goodwill and long-lived assets	--	3,802	28,757
Income from operations	284,009	230,988	182,943
Interest expense	63,717	47,024	32,113
Foreign exchange losses, net	3,884	5,003	7,634
Other (income) expense, net	(3,875)	(6,871)	353
Income before income taxes	220,283	185,832	142,843
Provision for income taxes	(33,348)	(36,667)	(44,579)
Net income including noncontrolling interests	186,935	149,165	98,264
Less: Net income attributable to noncontrolling interests	(1,445)	(4,545)	(8,754)
Net income attributable to Bio-Rad	\$ 185,490	\$ 144,620	\$ 89,510
Basic earnings per share:			
Net income per share basic attributable to Bio-Rad	\$ 6.70	\$ 5.28	\$ 3.30
Weighted average common shares - basic	27,665	27,404	27,112
Diluted earnings per share:			
Net income per share diluted attributable to Bio-Rad	\$ 6.59	\$ 5.20	\$ 3.24
Weighted average common shares - diluted	28,151	27,828	27,638

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



Bio-Rad Laboratories, Inc.

Consolidated Statements of Cash Flows  
(in thousands)

	Year Ended December 31,		
	2010	2009	2008
Cash flows from operating activities:			
Cash received from customers	\$ 1,877,483	\$ 1,778,316	\$ 1,765,667
Cash paid to suppliers and employees	(1,536,935)	(1,386,382)	(1,495,669)
Interest paid	(59,834)	(38,471)	(30,792)
Income tax payments	(55,502)	(37,749)	(49,159)
Miscellaneous receipts (payments), net	3,625	10,024	6,374
Excess tax benefits from share-based compensation	(2,928)	(664)	(5,050)
Net cash provided by operating activities	225,909	325,074	191,371
Cash flows from investing activities:			
Capital expenditures, net	(87,263)	(66,795)	(84,809)
Payments for acquisitions, net of cash received, and long-term investments	(89,307)	(35,990)	(53,014)
Payments on purchases of intangible assets	(4,081)	(9,566)	(4,000)
Purchases of marketable securities and investments	(240,286)	(147,554)	(77,800)
Sales and maturities of marketable securities and investments	207,636	86,473	78,906
Proceeds from (payments for) foreign currency economic hedges, net	3,211	(2,520)	(5,390)
Restricted cash	(6,422)	--	--
Net cash used in investing activities	(216,512)	(175,952)	(146,107)
Cash flows from financing activities:			
Net payments on line-of-credit arrangements and notes payable	(830)	(2,303)	(1,642)
Long-term borrowings	424,633	294,750	1,600
Payments on long-term borrowings	(206,706)	(6,823)	(11,589)
Proceeds from issuance of common stock	12,730	10,286	12,912
Debt issuance costs on long-term borrowings	(4,010)	(2,641)	--
Excess tax benefits from share-based compensation	2,928	664	5,050
Net cash provided by financing activities	228,745	293,933	6,331



Edgar Filing: BIO RAD LABORATORIES INC - Form 10-K

Effect of foreign exchange rate changes on cash	18,471	2,359	(8,835)
Net increase in cash and cash equivalents	256,613	445,414	42,760
Cash and cash equivalents at beginning of year	649,938	204,524	161,764
Cash and cash equivalents at end of year	\$	\$	\$
	906,551	649,938	204,524
Non-cash investing activities:			
Capital lease obligation for facilities	\$	\$	\$
Purchased intangible assets	\$	\$	\$
	--	--	9,768
	--	--	11,357

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

## Bio-Rad Laboratories, Inc

Consolidated Statements of Changes in Stockholders Equity and Comprehensive Income  
(in thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Bio-Rad	Non- controlling Interests	Total
<b>Balance at January 1, 2008</b>	\$ 3	\$ 98,629	\$ 762,067	\$ 110,224	\$ 970,923	\$ 35,201	\$ 1,006,124
Net income	--	--	89,510	--	89,510	8,754	98,264
Currency translation adjustments	--	--	--	(17,496)	(17,496)	(1,175)	(18,671)
Other post-employment benefits adjustments, net of tax of (\$357)	--	--	--	1,848	1,848	--	1,848
Net unrealized holding losses, net of tax of (\$9,381)	--	--	--	(19,162)	(19,162)	--	(19,162)
*Reclassification adjustments for losses included in net income, net of tax of \$0	--	--	--	(10,256)	(10,256)	--	(10,256)
<b>Total comprehensive income</b>					<b>44,444</b>	<b>7,579</b>	<b>52,023</b>
Issuance of common stock	--	12,912	--	--	12,912	--	12,912
Stock compensation expense	--	7,328	--	--	7,328	--	7,328
Tax benefit-exercise stock options	--	5,532	--	--	5,532	--	5,532
Purchase of additional controlling interests	--	--	--	--	--	(13,279)	(13,279)
<b>Balance at December 31, 2008</b>	<b>3</b>	<b>124,401</b>	<b>851,577</b>	<b>65,158</b>	<b>1,041,139</b>	<b>29,501</b>	<b>1,070,640</b>
Net income	--	--	144,620	--	144,620	4,545	149,165
Currency translation adjustments	--	--	--	34,307	34,307	(195)	34,112
Other post-employment benefits							

## Edgar Filing: BIO RAD LABORATORIES INC - Form 10-K

adjustments, net of tax of \$432	--	--	--	(1,072)	(1,072)	224	(848)
Net unrealized holding gains, net of tax of \$2,768	--	--	--	32,492	32,492	--	32,492
*Reclassification adjustments for gains included in net income, net of tax of \$1,279	--	--	--	2,197	2,197	--	2,197
Total comprehensive income					212,544	4,574	217,118
Issuance of common stock	--	10,286	--	--	10,286	--	10,286
Stock compensation expense	--	9,084	--	--	9,084	--	9,084
Tax benefit-exercise stock options	--	696	--	--	696	--	696
Purchase of additional controlling interests	--	(14,023)	--	--	(14,023)	(14,588)	(28,611)
<b>Balance at December 31, 2009</b>	3	130,444	996,197	133,082	1,259,726	19,487	1,279,213
Net income	--	--	185,490	--	185,490	1,445	186,935
Currency translation adjustments	--	--	--	52,139	52,139	226	52,365
Other post-employment benefits adjustments, net of tax of \$750	--	--	--	(2,311)	(2,311)	(224)	(2,535)
Net unrealized holding gains, net of tax of \$8,574	--	--	--	14,725	14,725	--	14,725
*Reclassification adjustments for gains included in net income, net of tax of \$224	--	--	--	385	385	--	385
Total comprehensive income					250,428	1,447	251,875
Issuance of common stock	--	12,730	--	--	12,730	--	12,730
Stock compensation expense	--	10,201	--	--	10,201	--	10,201
Tax benefit-exercise stock options	--	3,161	--	--	3,161	--	3,161

Purchase of additional controlling interests and other	--	450	--	--	450	(17,111)	(16,661)
<b>Balance at December 31, 2010</b>	\$ 3	\$ 156,986	\$ 1,181,687	\$ 198,020	\$ 1,536,696	\$ 3,823	\$ 1,540,519

The accompanying notes are an integral part of these consolidated statements. \* Calculated using the specific identification method.

Bio-Rad Laboratories, Inc.

Notes to Consolidated Financial Statements

## 1. SIGNIFICANT ACCOUNTING POLICIES

### **Basis of Presentation**

The consolidated financial statements include the accounts of Bio-Rad Laboratories, Inc. and all of our wholly and majority owned subsidiaries (referred to in this report as Bio-Rad, we, us and our ) after elimination of intercompany balances and transactions. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

We have changed the presentation of our Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Income, for all periods by presenting the headings in columns and the dates in rows. Previously the headings were in rows and the dates were in columns. We believe this presentation is preferable as the roll forward of the headings is easier to understand and the presentation is consistent with most other companies.

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 through the date 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.

### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and highly liquid investments with original maturities of three months or less which are readily convertible into cash. Cash equivalents are stated at cost, which approximates fair value.

### **Restricted Cash**

Restricted cash of 6 million Swiss Francs (approximately \$6.4 million) represents a deposit in an escrow account for the purchase of a leased building that is expected to take place in May 2011.

### **Available-for-Sale Investments**

Available-for-sale investments consist of corporate obligations, municipal securities, asset backed securities, U.S. agencies and marketable equity securities. Management classifies investments at the time of purchase and reevaluates such classification at each balance sheet date. Investments with maturities beyond one year may be classified as short-term based on their liquid nature and because such marketable securities represent the investment of cash that is available for current operations. Available-for-sale investments are reported at fair value based on quoted market prices and other observable market data. Unrealized gains and losses are reported as a component of other comprehensive income, net of any related tax effect. Unrealized losses are

charged against income when a decline in the fair value of an individual security is determined to be other-than-temporary. We review our available-for-sale investments for other-than-temporary losses on a quarterly basis.

Realized gains and losses and other-than-temporary impairments on investments are included in Other (income) expense, net (see Note 9).

### **Concentration of Credit Risk**

Financial instruments that potentially subject us to concentration of credit risk consist primarily of cash and cash equivalents, investments, foreign exchange contracts and trade accounts receivable. Cash and cash equivalents and investments are placed with various highly rated major financial institutions located in different geographic regions. Bio-Rad has not sustained significant losses from instruments held at financial institutions.

The forward contracts used in managing our foreign currency exposures have an element of risk in that the counterparties may be unable to meet the terms of the agreements. We attempt to minimize this risk by limiting the counterparties to a diverse group of highly-rated domestic and international financial institutions. In the event of non-performance by these counterparties, the carrying values of our financial instruments represent the maximum amount of loss we would have incurred as of our fiscal year-end. However, we do not expect to record any losses as a result of counterparty default.

We perform credit evaluation procedures related to our trade receivables and with the exception of certain developing countries, generally do not require collateral. As a result of increased risk in these developing countries, some Bio-Rad sales are subject to collateral letters of credit from our customers. Credit risk for trade accounts receivable is generally limited due to the large number of customers and their dispersion across many geographic areas. However, a significant amount of trade receivables are with national healthcare systems in countries within the European Economic Community.

### **Accounts Receivable**

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. The amount of the allowance is determined by analyzing known uncollectible accounts, aged receivables, economic conditions in the customers' country or industry, historical losses and our customers' credit-worthiness. Amounts later determined and specifically identified to be uncollectible are charged or written off against this reserve.

### **Inventory**

Inventories are valued at the lower of actual cost or market (net realizable value) and include material, labor and overhead costs. The First-in, First-out (FIFO) method is used to remove inventory.

### **Property, Plant and Equipment**

Property, plant and equipment are carried at cost, less accumulated depreciation and amortization. Included in property, plant and equipment are buildings and equipment acquired under capital lease arrangements and reagent rental equipment. Property, plant and equipment are assessed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Buildings and leasehold improvements are amortized over 15-30 years or the term of the leases or life of the improvements, whichever is shorter. With the exception of reagent rental equipment, which is amortized over a 1-5 year period, equipment is depreciated over 3-12 years.



Proceeds from the sale of property, plant and equipment of \$1.2 million, \$1.2 million and \$0.9 million for 2010, 2009 and 2008, respectively, are included in Capital expenditures, net in the Consolidated Statements of Cash Flows.

## **Goodwill**

Goodwill represents the excess of the cost over the fair value of net tangible and identifiable intangible assets of acquired businesses. Goodwill is assessed for impairment by applying fair value based tests annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We perform impairment tests of goodwill at our reporting unit level, which is one level below our reporting segments. Our reporting units are identified as components for which discrete financial information is available and is regularly reviewed by management. Goodwill amounts are assigned to reporting units at the time of acquisition.

The goodwill impairment test consists of a two-step process. The first step of the goodwill impairment test, used to identify potential impairment, compares the fair value of a reporting unit to its carrying value, including goodwill. We use discounted cash flow models to determine the fair value of a reporting unit. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired, and the second step of the impairment test is not required. The second step, if required, compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. The fair value of a reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the price paid to acquire the reporting unit. If the carrying amount of the reporting unit's goodwill exceeds its implied fair value, an impairment charge is recognized in an amount equal to that excess.

## **Long-Lived Assets**

For purposes of recognition and measurement of an impairment loss, a long-lived asset or assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. We assess the impairment of long-lived assets (including identifiable intangible assets) annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that we consider important that could trigger an impairment review include:

- significant under-performance relative to expected, historical or projected future operating results;
- significant changes in the manner of use of the long-lived assets, intangible assets or the strategy for our overall business;
- a current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of at a loss before the end of its previously estimated useful life; and
- significant negative industry, legal, regulatory or economic trends.



When management determines that the carrying value of long-lived assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, we test for any impairment based on a projected undiscounted cash flow method. Projected future operating results and cash flows of the asset or asset group are used to establish the fair value used in evaluating the carrying value of long-lived and intangible assets. We estimate the future cash flows of the long-lived assets using current and long-term financial forecasts. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If this is the case, an impairment loss would be recognized. The impairment loss recognized is the amount by which the carrying amount exceeds the fair value.

## **Income Taxes**

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. To the extent we determine that we are able to realize our deferred income tax assets in the future in excess of their net recorded amount, we make an adjustment to the valuation allowance which may reduce the provision for income taxes.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements on a particular tax position are measured based on the largest benefit that has a greater than a 50% likelihood of being realized upon settlement. The amount of unrecognized tax benefits is adjusted as appropriate for changes in facts and circumstances, such as significant amendments to existing tax law, new regulations or interpretations by the taxing authorities, new information obtained during a tax examination, or resolution of an examination. We recognize both accrued interest and penalties, where appropriate, related to unrecognized tax benefits in income tax expense.

## **Revenue Recognition**

Revenue is recognized when pervasive evidence of an arrangement exists, the price to the buyer is fixed or determinable, collectibility is reasonably assured and title has passed to the customer or product has been delivered absent specific contractual specifications. Equipment that requires factory installation is not recorded until installation is complete and customer acceptance, if required contractually, has occurred. At the time the related revenue is recognized, a provision is recognized for estimated product returns. Reagent agreements are a diagnostic industry sales method that provides use of an instrument if the customer exclusively purchases the company's reagents to use on that instrument. We have evaluated the reagent agreements and account for the contracts under the terms of the guidance in regard to accounting for revenue arrangements with multiple deliverables. All revenues that we earn under our reagent agreements are recognized pursuant to the terms of each arrangement either when the reagent has been delivered to or used by the customer. Service revenues on extended warranty contracts are recognized ratably over the life of the service agreement or as services are performed, if not under contract.

## Shipping and Handling

We classify all freight costs billed to customers as Net sales. Related freight costs are included in Cost of goods sold.

## Warranty

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	2009
January 1	\$ 16.1	\$ 15.8
Provision for warranty	19.7	16.8
Actual warranty costs	(17.5)	(16.5)
December 31	\$ 18.3	\$ 16.1

## Research and Development

Internal research and development costs are expensed as incurred. Third-party research and development costs are expensed when the contracted work has been performed. Purchased in-process research and development costs before January 1, 2010 were expensed at the time of purchase. Beginning January 1, 2010 under a new accounting standard, purchased in-process research and development costs acquired in a business combination are capitalized as an intangible asset.

## Foreign Currency

Balance sheet accounts of international subsidiaries are translated at the current exchange rates as of the end of the accounting period. Income statement items are translated at average exchange rates for the period. The resulting translation adjustments are recorded as a separate component of stockholders' equity.

Foreign currency transaction gains and losses are included in Foreign exchange losses, net in the Consolidated Statements of Income. Transaction gains and losses result primarily from fluctuations in exchange rates when intercompany receivables and payables are denominated in currencies other than the functional currency of our subsidiary that recorded the transaction.

### **Forward Foreign Exchange Contracts**

As part of distributing our products, we regularly enter into intercompany transactions. We enter into forward foreign exchange contracts to manage foreign exchange risk of future movements in exchange rates that affect foreign currency denominated intercompany receivables and payables. We do not use derivative financial instruments for speculative or trading purposes, nor do we seek hedge accounting treatment for any of our 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 as an asset or liability measured at their fair value at each

balance sheet date. The resulting gains or losses offset exchange gains or losses, on the related receivables and payables, all of which are recorded as Foreign exchange losses, net in the Consolidated Statements of Income. The cash flows related to these contracts are classified as Cash flows from investing activities in the Consolidated Statements of Cash Flows.

### **Noncontrolling Interests**

On January 1, 2009 we adopted a new standard in regard to noncontrolling interests in consolidated financial statements. This standard established new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarified that a noncontrolling interest in a subsidiary (minority interest) is an ownership interest in the consolidated entity that is reported as equity in the consolidated financial statements and separate from the parent company's equity. This statement requires disclosure, on the face of the Consolidated Statements of Income, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. These disclosure requirements were applied retrospectively to all periods presented.

We do not own 100% of the voting stock of some of our consolidated subsidiaries. The remaining shares held by third parties represent a noncontrolling (or minority) interest in these subsidiaries. Our consolidated statements present the full amount of assets, liabilities, income and expenses of all of our consolidated subsidiaries, with offsetting amounts shown in Noncontrolling interests for the portion of these items that are not attributable to us.

### **Share-Based Compensation Plans**

Stock-based compensation expense for all share-based payment awards granted is determined based on the grant-date fair value. We recognize these compensation costs net of estimated forfeitures over the requisite service period of the award, which is generally the vesting term of the share-based payment awards. We estimated the forfeiture rate based on our historical experience. These plans are described more fully in Note 8.

### **Earnings per Share**

Effective January 1, 2009, we adopted new guidance which specified that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are included in the computation of earnings per share (EPS) pursuant to the two-class method. As our unvested restricted shares qualify as participating securities, we have included these shares in the computation of EPS.

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 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):

	Year Ended December 31,		
	2010	2009	2008
Basic weighted average shares outstanding	27,665	27,404	27,112
Effect of potentially dilutive stock options and restricted stock awards	486	424	526
Diluted weighted average common shares	28,151	27,828	27,638
Anti-dilutive shares	114	176	105

### **Fair Value of Financial Instruments**

For certain financial instruments, including cash and cash equivalents, short-term investments, accounts receivable, marketable securities, notes payable, accounts payable and foreign exchange contracts, the carrying amounts approximate fair value.

The estimated fair value of financial instruments are based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) using available market information or other appropriate valuation methodologies in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. 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 (see Note 3).

### **Recent Financial Accounting Standards**

In January 2010, the Financial Accounting Standards Board (FASB) issued a standard to improve disclosures about fair value measurements. Specifically, the standard requires entities to disclose the amounts of significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for these transfers; the reasons for any transfers in or out of Level 3; and information in the reconciliation of recurring Level 3 measurements about purchases, sales, issuances and settlements on a gross basis. The standard was effective for our interim period ended March 31, 2010, except for the requirement to disclose information about purchases, sales, issuances, and settlements in the reconciliation of recurring Level 3 measurements on a gross basis. Those disclosures will be effective for our interim period ending March 31, 2011. This standard did not effect nor is expected to effect our consolidated financial statements as it is for disclosure purposes only.

## 2. ACQUISITIONS

In January 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. We acquired \$30.9 million of net tangible assets, \$12.8 million of goodwill and \$21.2 million of intangible assets. The goodwill

recorded will not be deductible for tax purposes. Integrating the acquired portion of Biotest's diagnostic businesses into our product portfolio broadened our product offering in the area of immunohematology and provided us access to the U.S. markets with a range of products.

In October 2007, we began acquiring the outstanding shares of DiaMed Holding AG (DiaMed). DiaMed develops, manufactures and markets worldwide a complete line of reagents used in blood typing and screening as well as instruments and instrument systems that use its proprietary reagents, and is included in our Clinical Diagnostics segment. The acquisition was performed in stages, with the final shares purchased in February 2010. Through December 2008, we acquired \$38.1 million of net tangible assets, \$202.0 million of goodwill and \$192.8 million of intangible assets. The final two purchases were accounted for as equity transactions, which resulted in a net reduction of Bio-Rad's additional paid in capital of \$14.9 million. The following table summarizes the purchase activity related to DiaMed (in millions):

	Percent Voting Interests	Consideration Paid
October 2007	86%	\$ 399.3
March 2008	3%	14.0
December 2008	4%	19.6
April 2009	6%	30.0
February 2010	1%	1.4
	100%	\$ 464.3

In September 2010, we acquired the remaining noncontrolling interests of DiaMed France SA. We paid 10.2 million Euros (approximately \$12.9 million) in cash. Approximately 1.5 million Euros (approximately \$1.9 million) will be due in 2011 as additional contingent consideration and is included in Other current liabilities in the Consolidated Balance Sheet. As this acquisition was accounted for as an equity transaction, Bio-Rad's additional paid-in capital was increased by \$1.2 million.

In December 2008, we acquired 100% of the shares of DiaMed Fennica Oy (Fennica) and 100% of the shares of DiaMed (G.B.) Limited. These companies were independent distributors of DiaMed products and are included in our Clinical Diagnostics segment. The total cash purchase price of these acquisitions was approximately \$17 million. We acquired \$2.2 million of net tangible liabilities, \$5.7 million of goodwill and \$13.5 million of intangible assets based on the completion of the purchase price allocations during 2009.

### 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:

Edgar Filing: BIO RAD LABORATORIES INC - Form 10-K

- 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 and liabilities carried at fair value on a recurring basis as of December 31, 2010 are classified in the hierarchy as follows (in millions):

	Level 1	Level 2	Total
<b>Financial Assets Carried at Fair Value:</b>			
<b>Cash equivalents (a):</b>			
Commercial paper	\$ --	\$ 179.6	\$ 179.6
Time deposits	16.7	25.0	41.7
Money market funds	266.3	--	266.3
<b>Available-for-sale investments (b):</b>			
Corporate debt securities	--	39.8	39.8
U.S. government sponsored agencies	--	54.7	54.7
Foreign government obligations	--	4.5	4.5
Municipal obligations	--	7.7	7.7
Marketable equity securities	102.2	--	102.2
<b>Asset-backed securities:</b>			
Collateralized mortgage obligations	--	0.1	0.1
Other mortgage-backed securities	--	2.5	2.5
Other	--	0.3	0.3
Forward foreign exchange contracts (c)	--	0.5	0.5
<b>Total Financial Assets Carried at Fair Value</b>	<b>\$ 385.2</b>	<b>\$ 314.7</b>	<b>\$ 699.9</b>
<b>Financial Liabilities Carried at Fair Value:</b>			
Forward foreign exchange contracts (d)	\$ --	\$ 3.3	\$ 3.3

(a)

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

(b)

Available-for-sale investments of \$118.6 million are included in Short-term investments and \$93.2 million are included in Other assets in the Consolidated Balance Sheets.

(c)

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

(d)

Forward foreign exchange contracts in a liability position are included in Other current liabilities in the 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 is 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 December 31, 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 December 31, 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 losses, net in the Consolidated Statements of Income. The cash flows related to these contracts are classified as Cash flows from investing activities in the Consolidated Statements of Cash Flows. At December 31, 2010, we had contracts maturing in January through March 2011 to sell foreign currency with a notional value of \$54.1 million and an unrealized loss of \$0.1 million and contracts to purchase foreign currency, which had a notional value of \$432.7 million with an unrealized loss of \$2.7 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
Forward foreign exchange contracts	--	0.3	0.3
Available-for-sale investments:			
Corporate debt securities	--	23.8	23.8
Municipal obligations	--	2.4	2.4
Asset-backed securities	--	5.5	5.5
U.S. government sponsored agencies	--	41.5	41.5
Foreign government obligations	--	17.9	17.9

Edgar Filing: BIO RAD LABORATORIES INC - Form 10-K

Marketable equity securities		64.2	0.2	64.4
Total	\$	\$	\$	
		365.6	181.4	547.0

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



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

	December 31, 2010			Estimated
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Short-term investments:				
Corporate debt securities	\$ 39.8	\$ --	\$ --	\$ 39.8
Municipal obligations	7.7	--	--	7.7
Asset-backed securities	1.9	--	--	1.9
U.S. government sponsored agencies	54.7	--	--	54.7
Foreign government obligations	4.5	--	--	4.5
Marketable equity securities	8.8	1.3	(0.1)	10.0
	117.4	1.3	(0.1)	118.6
Long-term investments:				
Marketable equity securities	45.5	47.9	(0.9)	92.5
Asset-backed securities	0.7	0.1	(0.1)	0.7
	46.2	48.0	(1.0)	93.2
Total	\$ 163.6	\$ 49.3	\$ (1.1)	\$ 211.8

	December 31, 2009			Estimated
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Short-term investments:				
Corporate debt securities	\$ 23.8	\$ --	\$ --	\$ 23.8
Municipal obligations	2.4	--	--	2.4
Asset-backed securities	0.9	--	--	0.9
U.S. government sponsored agencies	41.5	--	--	41.5
Foreign government obligations	17.9	--	--	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

As of December 31, 2010 and 2009, we had investments with gross unrealized losses of \$0.6 million and \$1.5 million, respectively, that were in a loss position for 12 months or more. The number of investment positions that were in an unrealized loss position were 43 and 37 as of December 31, 2010 and 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 December 31, 2010.

The following is a summary of the amortized cost and estimated fair value of our debt securities at December 31, 2010 by contractual maturity date (in millions):

	Amortized Cost	Fair Value
Mature in less than one year	\$ 106.7	\$ 106.7
Mature in one to five years	--	--
Mature in more than five years	2.6	2.6
Total	\$ 109.3	\$ 109.3

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):

	December 31, 2010		December 31, 2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Other assets	\$ 145.6	\$ 205.6	\$ 101.8	\$ 119.6
Current maturities of long-term debt, excluding leases	\$ 225.0	\$ 228.1	\$ --	\$ --
Total long-term debt, excluding leases	\$ 718.2	\$ 734.8	\$ 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 over 30% of the outstanding voting shares (excluding treasury shares) of Sartorius as of December 31, 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. The carrying value of this investment is included in Other assets in our Consolidated Balance Sheets.

## 4. GOODWILL AND OTHER PURCHASED INTANGIBLE ASSETS

Goodwill balances have been included in Corporate for segment reporting purposes in Note 13. Changes to Goodwill were as follows (in millions):

	Life Science	2010 Clinical Diagnostics	Total	Life Science	2009 Clinical Diagnostics	Total
Balances as of January 1:						
Goodwill	\$	\$	\$	\$	\$	\$
	70.7	284.1	354.8	70.7	278.3	349.0
Accumulated impairment losses	(27.2)	--	(27.2)	(27.2)	--	(27.2)
Goodwill, net	43.5	284.1	327.6	43.5	278.3	321.8
Updated purchase price allocation	--	--	--	--	(1.6)	(1.6)
Acquisitions	--	12.8	12.8	--	--	--
Currency fluctuations	--	23.6	23.6	--	7.4	7.4
Balances as of December 31:						
Goodwill	70.7	320.5	391.2	70.7	284.1	354.8
Accumulated impairment losses	(27.2)	--	(27.2)	(27.2)	--	(27.2)
Goodwill, net	\$	\$	\$	\$	\$	\$
	43.5	320.5	364.0	43.5	284.1	327.6

In conjunction with the acquisition of certain businesses of Biotest in January 2010 (see Note 2), we recorded \$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.

In 2009, the purchase price allocation was completed for the December 2008 acquisitions of DiaMed Fennica Oy and DiaMed (G.B.) Limited.

In 2008, a \$27.2 million impairment loss related to goodwill was recorded in the Life Science segment. The goodwill was originally recorded as part of an acquisition in 1999. The impairment was caused primarily by the continuing decline in sales of the BSE (bovine spongiform encephalopathy) product line. No impairment losses related to goodwill were recorded in 2010 and 2009.

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

Edgar Filing: BIO RAD LABORATORIES INC - Form 10-K

	December 31, 2010			
	Average Remaining Life (years)	Purchase Price	Accumulated Amortization	Net Carrying Amount
Customer relationships/lists	1-13	\$ 102.3	\$ (24.8)	\$
				77.5
Know how	1-6	92.6	(33.0)	59.6
Developed product technology	1-11	47.9	(19.2)	28.7
Licenses	1-10	35.4	(12.2)	23.2
Tradenames	2-12	29.5	(15.9)	13.6
Covenants not to compete	1-8	5.9	(4.6)	1.3
Patents	--	1.0	(1.0)	--
Other	1	0.1	(0.1)	--
		\$ 314.7	\$ (110.8)	\$
				203.9

	December 31, 2009			Net Carrying Amount
	Average Remaining Life (years)	Purchase Price	Accumulated Amortization	
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)	--
		\$	\$	\$
		291.1	(86.3)	204.8

In 2009, a \$3.8 million impairment loss related to intangible assets was recorded in the Life Science segment. The intangible asset impairment related to the developed technology intangible assets of certain product lines that were acquired in 2006. In 2008, a \$1.6 million impairment loss related to intangible assets was recorded in the Life Science segment. The intangible asset impairment related to the developed technology intangible assets of certain product lines that were acquired in 2006. No impairment losses related to intangible assets were recorded for 2010.

Amortization expense related to purchased intangible assets for the years ended December 31, 2010, 2009 and 2008 was \$33.7 million, \$31.7 million and \$29.8 million, respectively. Estimated future amortization expense (based on existing intangible assets) for the years ending December 31, 2011, 2012, 2013, 2014 and 2015 is \$32.9 million, \$30.6 million, \$26.3 million, \$23.7 million and \$20.7 million, respectively.

## 5. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable includes credit lines maintained locally by our international subsidiaries aggregating approximately \$51.2 million, of which \$48.0 million was unused at December 31, 2010. At December 31, 2009, these lines aggregated approximately \$52.7 million, of which \$49.1 million was unused. The weighted average interest rate on these lines was 1.4% and 4.0% at December 31, 2010 and 2009, respectively. Bio-Rad guaranteed most of these credit lines.

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

Edgar Filing: BIO RAD LABORATORIES INC - Form 10-K

	December 31, 2010	December 31, 2009
7.5% Senior Subordinated Notes	\$	\$
	225.0	225.0
6.125% Senior Subordinated Notes	--	200.0
8.0% Senior Subordinated Notes	295.6	295.1
4.875% Senior Notes	422.6	--
Capital leases and other debt	21.0	22.5
	964.2	742.6
Less current maturities	(233.1)	(4.7)
Long-term debt	\$	\$
	731.1	737.9



In December 2010, Bio-Rad sold \$425.0 million principal amount of Senior Notes due 2020 (4.875% Notes). The sale yielded net cash proceeds of \$422.6 million at an effective rate of 4.946%. The 4.875% Notes pay a fixed rate of interest of 4.875% per year. We have the option to redeem any or all of the 4.875% Notes at any time at a redemption price of 100% of the principal amount (plus a specified make-whole premium as defined in the indenture governing the 4.875% Notes) and accrued and unpaid interest thereon to the redemption date. Our obligations under the 4.875% Notes are not secured and rank equal in right of payment with all of our existing and future unsubordinated indebtedness. The net proceeds from the issuance of the 4.875% Notes were used, together with cash on hand, to redeem all \$200 million of our 6.125% Notes (as defined below) in December 2010 and all \$225 million of our 7.5% Notes (as defined below) in January 2011.

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 borrowings under the Credit Agreement as of December 31, 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 8.0% 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 any time prior to September 15, 2013 at a redemption price of 100% of the principal amount thereof plus a specified make-whole premium (as defined in the indenture) governing the 8.0% Notes and accrued and unpaid interest thereon to the redemption date. We also have the option to redeem any or all of the 8.0% Notes at any time on or after September 15, 2013 at various declining redemption prices plus accrued and unpaid interest thereon to the redemption date. Our obligations under the 8.0% Notes are not secured, rank equal in right of payment with all of our existing and future senior subordinated indebtedness and rank junior in right of payment to all of our existing and future unsubordinated indebtedness, including any borrowings under the Credit Agreement and the 4.875% Notes.

In December 2004, Bio-Rad sold \$200.0 million principal amount of Senior Subordinated Notes due 2014 (6.125% Notes). In December 2010, we redeemed all of the 6.125% Notes for \$204.3 million, including a call premium, which is included in Interest expense in our Consolidated Statements of Income.

In August 2003, Bio-Rad sold \$225.0 million principal amount of Senior Subordinated Notes due 2013 (7.5% Notes). In January 2011, we redeemed all of the 7.5% Notes for \$234.6 million, including a call premium, which will be included in Interest expense in our Consolidated Statements of Income.

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 of our foreign subsidiaries. It is guaranteed by all of our existing and future material domestic subsidiaries. The Credit Agreement and the 8.0% Notes require Bio-Rad to comply with certain financial ratios and covenants, among other things. These ratios and covenants include a leverage ratio test and an interest coverage test, as well as 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 of these ratios and covenants as of December 31, 2010.

Maturities of long-term debt at December 31, 2010 are as follows: 2011 - \$233.1 million; 2012 - \$0.4 million; 2013 - \$0.2 million; 2014 - \$0.1 million; 2015 - \$0.1 million; thereafter - \$730.3 million.

## 6. INCOME TAXES

The U.S. and international components of income before taxes are as follows (in millions):

	Year Ended December 31,		
	2010	2009	2008
U.S.	\$	\$	\$
	79.5	87.2	52.7
International	140.8	98.6	90.1
Income before taxes	\$	\$	\$
	220.3	185.8	142.8

The provision for income taxes consists of the following (in millions):

	Year Ended December 31,		
	2010	2009	2008
Current tax expense (benefit):			
U.S. Federal	\$	\$	\$
	(5.1)	24.9	28.3
State	3.9	4.4	4.0
International	35.2	17.3	15.2
Current tax expense	34.0	46.6	47.5
Deferred tax expense (benefit):			
U.S. Federal	5.9	(2.5)	2.5
State	0.2	(0.3)	0.1
International	(10.2)	(8.9)	(5.9)
Deferred tax benefit	(4.1)	(11.7)	(3.3)
Non-current tax expense	3.4	1.8	0.4
Provision for income taxes	\$	\$	\$
	33.3	36.7	44.6

The reconciliation between our effective tax rate on income before taxes and the statutory tax rate is as follows:

Edgar Filing: BIO RAD LABORATORIES INC - Form 10-K

	Year Ended December 31,		
	2010	2009	2008
U. S. statutory tax rate	35%	35%	35%
Impact of foreign operations	(6)	(8)	(6)
Research and development tax credits	(4)	(7)	(9)
Change in valuation allowance	--	1	3
Examination settlements	--	(1)	2
Repatriation of foreign earnings	(10)	--	--
Goodwill impairment	--	--	7
Other	--	--	(1)
Provision for income taxes	15%	20%	31%

Deferred tax assets and liabilities reflect the tax effects of losses, credits, and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of deferred tax assets and liabilities are as follows (in millions):

	December 31,	
	2010	2009
Deferred tax assets:		
	\$	\$
Bad debt, inventory and warranty accruals	25.5	28.0
Other reserves	16.7	14.2
Tax credit and net operating loss carryforwards	35.7	34.1
Other	13.3	15.0
Valuation allowance	(37.0)	(37.9)
	54.2	53.4
Deferred tax liabilities:		
Depreciation	11.4	10.0
Basis of capital assets and investments	46.5	35.4
	57.9	45.4
	\$	\$
Net deferred taxes	(3.7)	8.0

At December 31, 2010, Bio-Rad's international subsidiaries had combined net operating loss carryforwards of \$80.0 million. These loss carryforwards have no expiration date. We believe that it is more likely than not that the benefit from these net operating loss carryforwards will not be realized. We have provided a valuation allowance of \$24.1 million on the deferred tax assets relating to these net operating loss carryforwards. If or when recognized, the tax benefits relating to any reversal of the valuation allowance on deferred tax assets at December 31, 2010 will be recognized as a reduction of income tax expense.

At December 31, 2010, Bio-Rad had U.S. Federal net operating loss carryforwards of \$7.3 million as a result of acquisitions. The utilization of these net operating loss carryforwards is subject to an annual limitation under Internal Revenue Code Section 382 but are expected to be fully realized. The loss carryforwards will expire in the following years: 2018 - \$6.2 million; and 2028 - \$1.1 million.

At December 31, 2010, Bio-Rad had a deferred tax asset of \$9.1 million relating to California research and development tax credit carryforwards, which may be carried forward indefinitely. Based on our judgment and consistent with prior years, we have recorded a full valuation allowance against the deferred tax asset.

Edgar Filing: BIO RAD LABORATORIES INC - Form 10-K

The following table summarizes at December 31, 2010 the tax years that are either currently under audit or remain open and subject to examination by tax authorities in the major jurisdictions that Bio-Rad operates:

U.S.	2007-2010
France	2007-2010
Germany	2004-2010
Italy	2005-2009
Japan	2009-2010
Switzerland	2010

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits for the year (in millions):

	2010	2009	2008
Unrecognized tax benefits January 1	\$	\$	\$
	17.5	18.1	22.3
Additions to tax positions related to prior years	4.1	2.1	1.9
Reductions to tax positions related to prior years	(0.1)	(4.3)	(0.7)
Additions to tax positions related to the current year	3.3	3.3	2.4
Settlements	(0.1)	--	(4.3)
Lapse of statute of limitations	(4.1)	(1.9)	(2.6)
Currency translation	--	0.2	(0.9)
Unrecognized tax benefits December 31	\$	\$	\$
	20.6	17.5	18.1

Substantially all our unrecognized tax benefits at December 31, 2010, 2009 and 2008 would affect the effective tax rate if recognized.

Bio-Rad recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. Related to the unrecognized tax benefits noted above, Bio-Rad has accrued interest of \$2.8 million and \$2.5 million as of December 31, 2010 and 2009, respectively.

At December 31, 2010, we believe that it is reasonably possible that approximately \$5.7 million of our unrecognized tax benefits may be recognized by the end of 2011 as a result of statute lapses. These benefits are related to uncertainty regarding sustainability of certain deductions and credits for tax years that remain subject to examination by the relevant tax authorities.

In general, it is our practice and intention to reinvest the earnings of our non-U.S. subsidiaries in their operations. As of December 31, 2010, Bio-Rad had not made a provision for U.S. or additional foreign withholding taxes on approximately \$393 million of the excess of the amount for financial reporting over the tax basis of investments in foreign subsidiaries that are essentially permanent in duration. Generally, such amounts become subject to U.S. taxation upon remittance of dividends and under certain other circumstances. If these earnings were repatriated to the U.S., the deferred tax liability associated with these temporary differences would be approximately \$86 million.

## 7. STOCKHOLDERS EQUITY

Bio-Rad's issued and outstanding stock consists of Class A Common Stock (Class A) and Class B Common Stock (Class B). Each share of Class A and Class B participates equally in the earnings of Bio-Rad, and is identical in most respects except that Class A has limited voting rights. Each share of Class A is entitled to one-tenth of a vote on most matters, and each share of Class B is entitled to one vote. Additionally, Class A stockholders are entitled to elect 25% of the Board of Directors and Class B stockholders are entitled to elect the balance of the directors. Cash dividends may be paid on Class A shares without paying a cash dividend on Class B shares but no cash dividend may be paid on Class B shares unless at least an equal cash dividend is



paid on Class A shares. Class B shares are convertible at any time into Class A shares on a one-for-one basis at the option of the stockholder. The Schwartz family collectively holds a majority of Bio-Rad's voting stock. As a result, the Schwartz family is able to exercise significant influence over Bio-Rad.

## 8. SHARE-BASED COMPENSATION/STOCK OPTION AND PURCHASE PLANS

### **Description of Share-Based Compensation Plans**

#### *Stock Option and Award Plans*

We have three stock option plans for officers and certain other employees: the Amended 1994 Stock Option Plan (1994 Plan); the 2003 Stock Option Plan (2003 Plan); and the 2007 Incentive Award Plan (2007 Plan). The 1994 Plan and 2003 Plan authorized the grant of incentive stock options and non-qualified stock options to employees. The 2007 Plan authorizes the grant of stock options, restricted stock awards, stock appreciation rights and other types of equity awards to employees. We no longer make stock option grants under the 1994 Plan or 2003 Plan. A total of 1,650,360 shares have been reserved for issuance of equity awards and may be of either Class A or Class B common stock. At December 31, 2010, there were 983,227 shares available to be granted in the future.

Under these plans, Class A and Class B options are granted at prices not less than fair market value of the underlying common stock on the date of grant. Generally, options granted have a term of 10 years and vest in increments of 20% per year over a five-year period on the yearly anniversary date of the grant. Stock awards issued under the 2007 Plan generally vest in increments of 20% per year over a five-year period on the yearly anniversary date of the grant.

#### *Employee Stock Purchase Plan (ESPP)*

We have an employee stock purchase plan which provides that eligible employees may contribute up to 10% of their compensation up to \$25,000 annually toward the quarterly purchase of our Class A common stock. The employees purchase price is 85% of the lesser of the fair market value of the stock on the first business day or the last business day of each calendar quarter. We have authorized the sale of 2,390,000 shares of common stock under the ESPP.

### **Share-Based Compensation Expense**

Included in our share-based compensation expense is the cost related to stock option grants, ESPP stock purchases, restricted stock and restricted stock unit awards. Share-based compensation expense is allocated to Cost of goods sold, Research and development expense, and Selling, general and administrative expense in the Consolidated Statements of Income.

For 2010, 2009 and 2008, we recognized pre-tax share-based compensation expense of \$10.2 million, \$9.1 million and \$7.3 million, respectively. We did not capitalize any share-based compensation expense.

For options and awards, we amortize the fair value on a straight-line basis. All stock compensation awards are amortized over the requisite service periods of the awards, which are generally the vesting periods.

*Stock Options*

The following table summarizes stock option activity.

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding, January 1, 2008	1,488,275	\$		
Granted	59,000	\$	43.06	
Exercised	(269,731)	\$	88.35	
Forfeited/expired	(23,417)	\$	25.09	
Outstanding, December 31, 2008	1,254,127	\$	53.99	
Granted	58,500	\$	48.84	
Exercised	(90,542)	\$	75.07	
Forfeited/expired	(15,711)	\$	38.20	
Outstanding, December 31, 2009		\$	59.15	
Granted	1,206,374 58,500	\$	50.78	
Exercised	(200,125)	\$	84.57	
Forfeited/expired	(6,930)	\$	26.81	
			61.08	

Edgar Filing: BIO RAD LABORATORIES INC - Form 10-K

Outstanding, December 31, 2010	1,057,819	\$	4.40	\$ 49.4
			57.12	
Vested and expected to vest, December 31, 2010	1,041,954	\$	4.34	\$ 49.1
			56.75	
Exercisable, December 31, 2010	842,617	\$	3.59	\$ 43.7
			52.04	

The following summarizes information about stock options outstanding at December 31, 2010:

Range of Exercise Prices	Number Outstanding	Options Outstanding Weighted-Average Remaining Contractual Term (in years)		Options Exercisable	
		Weighted -Average Exercise Price	Weighted -Average Exercise Price	Number Exercisable	Weighted - Average Exercise Price
\$ 28.61 - \$ 53.50	321,677	1.95	\$ 37.12	321,677	\$ 37.12
\$ 53.75 - \$ 57.49	283,006	3.65	\$ 55.86	283,006	\$ 55.86
\$ 62.47 - \$ 75.00	277,736	5.51	\$ 65.33	196,634	\$ 64.48
\$ 75.32 - \$ 88.48	175,400	8.35	\$ 82.80	41,300	\$ 82.78

Intrinsic value for stock options is defined as the difference between the current market value and the grant price. The total intrinsic value on the date of exercise of stock options exercised during 2010, 2009 and 2008 was approximately \$13 million, \$4 million and \$17 million, respectively.

Cash received from stock options exercised during 2010, 2009 and 2008 was \$5.4 million, \$3.5 million and \$6.8 million, respectively. The actual tax benefit realized for the tax deductions from stock options exercised totaled \$5.0 million, \$2.0 million and \$6.3 million in 2010, 2009 and 2008, respectively.

As of December 31, 2010, there was \$5.5 million of total unrecognized compensation cost from stock options. The cost is expected to be recognized in the future over a weighted-average period of approximately 3 years.

The weighted-average fair value of stock options granted was estimated using a Black-Scholes option-pricing model with the following weighted-average assumptions:

	Year Ended December 31,		
	2010	2009	2008
Expected volatility	35%	34%	34%
Risk-free interest rate	2.40%	3.69%	3.92%
Expected life (in years)	8.7	8.4	8.5
Expected dividend	--	--	--
		\$	\$
Weighted-average fair value of options granted	\$ 38.19	35.56	42.21

Volatility is based on the historical volatilities of our common stock for a period equal to the stock option's expected life. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of the grant. The expected life represents the number of years that we estimate, based primarily on historical experience, that the options will be outstanding prior to exercise. We do not anticipate paying any cash dividends in the future and therefore use an expected dividend yield of zero.

#### *Restricted Stock*

Under the 2007 Plan, restricted stock was last granted in 2008 and there will be no further grants. The fair value of each share of restricted stock is the market value as determined by the closing price of the stock on the day of grant.

The following table summarizes restricted stock activity:

	Year Ended December 31,		
	2010	2009	2008

Edgar Filing: BIO RAD LABORATORIES INC - Form 10-K

	Weighted-		Weighted-		Weighted-	
	Restricted	Average	Restricted	Average	Restricted	Average
	Stock	Grant-Date	Stock	Grant-Date	Stock	Grant-Date
	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value
Nonvested shares, at beginning of year	101,247	\$ 82.86	135,914	\$	75,720	\$
Granted	--	--	--	82.64	78,485	75.33
Vested	(28,518)	\$ 81.94	(29,572)	\$	(14,625)	88.09
Cancelled/forfeited	(3,836)	\$ 83.47	(5,095)	81.94	(3,666)	75.33
Nonvested shares, at end of year	68,893	\$ 83.21	101,247	82.45	135,914	77.24
				82.86		82.64

As of December 31, 2010, there was approximately \$4.0 million of total unrecognized compensation cost related to restricted stock granted under the 2007 Plan. The cost is expected to be recognized over a remaining weighted-average period of approximately 2 years.

*Restricted Stock Units*

Restricted stock units, which are rights to receive shares of company stock, were granted from 2007 through 2010 under the 2007 Plan. The fair value of each restricted stock unit is the market value as determined by the closing price of the stock on the day of grant.

The following table summarizes restricted stock unit activity:

	Restricted Stock	Weighted- Average Grant-Date	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value as of December 31, 2010 (in millions)
	Units	Fair Value	(in years)	
Outstanding, January 1, 2008	26,750	\$		
			75.32	
Granted	37,445	\$		
			88.00	
Vested	(2,593)	\$		
			75.32	
Forfeited	<u>(953)</u>	\$		
			79.58	
Outstanding, December 31, 2008	60,649	\$		
			83.08	
Granted	120,685	\$		
			74.40	
Vested	(11,885)	\$		
			79.77	
Forfeited	<u>(6,251)</u>	\$		
			80.20	
Outstanding, December 31, 2009	163,198	\$		
			77.01	
Granted	126,330	\$		

Edgar Filing: BIO RAD LABORATORIES INC - Form 10-K

Vested	(33,825)	\$	84.57		
Forfeited	(13,481)	\$	78.41		
Outstanding, December 31, 2010	242,222	\$	79.71	2.24	\$ 25.2
			80.61		

As of December 31, 2010, there was approximately \$14.8 million of total unrecognized compensation cost related to restricted stock units granted under the 2007 Plan. The cost is expected to be recognized over a remaining weighted-average period of approximately 4 years.

*Employee Stock Purchase Plan*

The fair value of the employees' purchase rights was estimated using a Black-Scholes model with the following weighted-average assumptions:

	Year Ended December 31,		
	2010	2009	2008
Expected volatility	23%	35%	37%
Risk-free interest rate	.15%	.14%	1.87%
Expected life (in years)	.25	.25	.25
Expected dividend	--	--	--
Weighted-average fair value	\$	\$	\$
of purchase rights	18.27	16.71	20.79



The major assumptions are primarily based on historical data. Volatility is based on the historical volatilities of our common stock for a period equal to the expected life of the purchase rights. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of the grant. We do not anticipate paying any cash dividends in the future and therefore use an expected dividend yield of zero.

We sold 96,586 shares for \$7.4 million, 109,025 shares for \$6.8 million and 88,533 shares for \$6.1 million under the ESPP to employees in 2010, 2009 and 2008, respectively. At December 31, 2010, 132,018 shares remain authorized under the ESPP.

We currently issue new shares to satisfy stock option exercises, restricted stock issuances and ESPP stock purchases.

## 9. OTHER INCOME AND EXPENSE, NET

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

	Year Ended December 31,		
	2010	2009	2008
	\$	\$	\$
Interest and investment income	(5.2)	(5.7)	(10.6)
Net realized (gains) losses on investments	(0.6)	--	0.7
Other-than-temporary impairment of investments	0.2	3.5	10.9
Foreign non-income tax relief	--	(4.6)	--
Miscellaneous other items	1.7	(0.1)	(0.6)
	\$	\$	\$
Other (income) expense, net	(3.9)	(6.9)	0.4

Other-than-temporary impairments of investments were recorded in 2010, 2009 and 2008 on certain of our available-for-sale investments in light of the continuing declines in their market prices at that time. We did not believe these particular investments would recover their carrying value.

## 10. SUPPLEMENTAL CASH FLOW INFORMATION

The reconciliation of net income including noncontrolling interests to net cash provided by operating activities is as follows (in millions):

	Year Ended December 31,		
	2010	2009	2008
	\$	\$	\$
Net income including noncontrolling interests	186.9	149.2	98.3
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities (net of effects of acquisitions):			
Depreciation	74.5	69.5	66.3
Amortization	34.4	32.2	30.8
Excess tax benefits from share-based compensation	(2.9)	(0.7)	(5.1)
Share-based compensation	10.2	9.1	7.3
Foreign currency economic hedge transactions, net	(3.2)	2.5	5.4
Losses (gains) on dispositions of securities	(0.5)	3.5	10.6
Decrease (increase) in accounts receivable, net	(37.0)	4.3	11.1
Decrease (increase) in inventories, net	(15.9)	35.8	(51.9)
Decrease (increase) in other current assets	(9.3)	11.8	(0.6)
Increase (decrease) in accounts payable and other current liabilities	9.1	6.1	(3.6)
Increase (decrease) in income taxes payable	(19.3)	8.7	(1.6)
Decrease in deferred income taxes	(6.5)	(11.6)	(3.2)
Goodwill and purchased intangible asset impairments	--	3.8	28.8
Other	5.4	0.9	(1.2)
	\$	\$	\$
Net cash provided by operating activities	225.9	325.1	191.4

## 11. COMMITMENTS AND CONTINGENT LIABILITIES

**Rents and Leases**

Net rental expense under operating leases was \$38.3 million in 2010, \$37.0 million in 2009 and \$38.8 million in 2008. Leases are principally for facilities and automobiles.

Annual future minimum lease payments at December 31, 2010 under operating leases are as follows: 2011 - \$33.1 million; 2012 - \$27.2 million; 2013 - \$18.8 million; 2014 - \$14.7 million and subsequent to 2015 - \$38.9 million.

### **Deferred Profit Sharing Retirement Plan**

We have a profit sharing plan covering substantially all U.S. employees. Contributions are made at the discretion of the Board of Directors. Bio-Rad has no liability other than for the current year's contribution. Contribution expense was \$12.2 million, \$11.5 million and \$10.5 million in 2010, 2009 and 2008, respectively.

### **Other Post-Employment Benefits**

In several foreign locations we are statutorily required to provide a lump sum severance or termination indemnity to our employees. Under these plans, the vested benefit obligation at December 31, 2010 and 2009 was \$28.8 million and \$22.4 million, respectively, and has been included in Other current liabilities and Other long-term liabilities in the Consolidated Balance Sheets. These plans are not required to be funded, and as such, there is no trust or other device used to accumulate assets to settle these obligations.

### **Purchase Obligations**

As of December 31, 2010, we had purchase obligations of \$59.2 million, which include agreements to purchase goods or services that are enforceable and legally binding to Bio-Rad and that specify all significant terms and exclude agreements that are cancelable without penalty.

### **Letters of Credit**

In the ordinary course of business, we are at times required to post letters of credit. The letters of credit are issued by our banks to guarantee our obligations to various parties including insurance companies. We were contingently liable for \$13.9 million of standby letters of credit with banks as of December 31, 2010.

## **12. LEGAL PROCEEDINGS**

Based on an internal review, we have 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) and is likely to have violated the FCPA's books and records and internal controls provisions and our own internal policies. In May 2010, we voluntarily disclosed these matters to the U.S. Department of Justice (DOJ) and the Securities and Exchange Commission (SEC), which each commenced an investigation. The Audit Committee of our Board of Directors (Audit Committee) has assumed direct responsibility for reviewing these matters and has hired experienced independent counsel to conduct an investigation and provide legal advice. We have provided, and intend to continue to provide, additional information to the DOJ and the SEC as the Audit Committee's investigation progresses.

The Audit Committee's investigation and the DOJ and SEC investigations are continuing and we are presently unable to predict the duration, scope or results of the Audit Committee's investigation, of any investigations by the DOJ or the SEC or whether either agency will commence any legal actions. 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, the imposition of compliance programs and the retention of a monitor to oversee compliance with the FCPA. We are unable to estimate the outcome of this matter, however, the imposition of any of these sanctions or remedial measures could have a material adverse effect on our business or financial condition. We have not to date assessed whether any of the activities in question violated the laws of the foreign jurisdictions in which they took place.

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.

### 13. SEGMENT INFORMATION

Bio-Rad is a multinational manufacturer and worldwide distributor of its own life science research products and clinical diagnostics products. We have two reportable segments: Life Science and Clinical Diagnostics. These reportable segments are strategic business lines that offer different products and services and require different marketing strategies.

The Life Science segment develops, manufactures, sells and services reagents, apparatus and instruments used for biological research. These products are sold to university and medical school laboratories, pharmaceutical and biotechnology companies, food testing laboratories and government and industrial research facilities.

The Clinical Diagnostics segment develops, manufactures, sells and services automated test systems, informatics systems, test kits and specialized quality controls for the healthcare market. These products are sold to reference laboratories, hospital laboratories, state newborn screening facilities, physicians office laboratories, transfusion laboratories and insurance and forensic testing laboratories.

Other Operations include the remainder of our former Analytical Instruments segment.

The accounting policies of the segments are the same as those described in Significant Accounting Policies (see Note 1). Segment profit or loss used for corporate management purposes includes an allocation of corporate expense based upon sales and an allocation of interest expense based upon accounts receivable and inventories. Segments are expected to manage only assets completely under their control. Accordingly, segment assets include primarily accounts receivable, inventories and gross machinery and equipment. Goodwill balances have been included in corporate for segment reporting purposes.

Information regarding industry segments at December 31, 2010, 2009, and 2008 and for the years then ended is as follows (in millions):

		Life Science	Clinical Diagnostics	Other Operations
Segment net sales	2010	\$	\$	\$
		648.1	1,265.3	13.7
	2009	631.5	1,139.9	12.8
	2008	643.5	1,106.4	14.5
Allocated interest expense	2010	\$	\$	\$
		17.1	46.4	0.2
	2009	13.9	32.8	0.3
	2008	10.5	21.4	0.2
Depreciation and amortization	2010	\$	\$	\$
		15.0	84.9	0.2
	2009	16.5	78.2	0.3
	2008	17.5	74.9	0.1
Segment profit	2010	\$	\$	\$
		51.1	171.4	1.4
	2009	38.6(1)	145.7	0.9
	2008	13.3(2)	139.8	0.6
Segment assets	2010	\$	\$	\$
		332.0	807.0	6.1
	2009	311.1	711.4	5.8
Capital expenditures	2010	\$	\$	\$
		10.6	62.3	0.1
	2009	10.4	49.8	--

(1) The Life Science segment profit for 2009 included \$3.8 million of intangibles impairment expense (see Note 4).

(2) The Life Science segment profit for 2008 included \$28.8 million of goodwill and intangibles impairment expense (see Note 4).





Edgar Filing: BIO RAD LABORATORIES INC - Form 10-K

The difference between total segment allocated interest expense, depreciation and amortization, and capital expenditures and the corresponding consolidated amounts is attributable to our corporate headquarters. The following reconciles total segment profit to consolidated income before taxes (in millions):

	Year Ended December 31,		
	2010	2009	2008
Total segment profit	\$	\$	\$
	223.9	185.2	153.7
Other income (expense), net	3.9	6.9	(0.4)
Foreign exchange losses	(3.9)	(5.0)	(7.6)
Net corporate operating, interest and other income (expense), net not allocated to segments	(3.6)	(1.3)	(2.9)
Consolidated income before taxes	\$	\$	\$
	220.3	185.8	142.8

The following reconciles total segment assets to consolidated total assets (in millions):

	December 31,	
	2010	2009
Total segment assets	\$	\$
	1,145.1	1,028.3
Cash and other current assets	1,197.2	873.9
Property, plant and equipment, net, excluding segment specific gross machinery and equipment	(20.3)	(23.9)
Goodwill, net	364.0	327.6
Other long-term assets	376.8	330.0
Total assets	\$	\$
	3,062.8	2,535.9

The following presents net sales to external customers by geographic area based primarily on the location of the use of the product or service (in millions):

	Year Ended December 31,		
	2010	2009	2008

Edgar Filing: BIO RAD LABORATORIES INC - Form 10-K

Europe	\$	\$	\$
	842.6	814.4	872.1
Pacific Rim	347.8	291.5	253.3
United States	600.5	565.8	525.3
Other (primarily Canada and Latin America)	136.2	112.5	113.7
Total net sales	\$	\$	\$
	1,927.1	1,784.2	1,764.4

65

The following presents Other assets and Property, plant and equipment, net by geographic area based upon the location of the asset (in millions).

	December 31,	
	2010	2009
Europe	\$	\$
	181.8	163.9
Pacific Rim	23.1	17.2
United States	287.8	233.7
Other (primarily Canada and Latin America)	13.9	12.7
Total Other assets and Property, plant and equipment, net	\$	\$
	506.6	427.5

#### 14. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data for 2010 and 2009 are as follows (in millions, except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<u>2010</u>				
Net sales	\$	\$	\$	\$
	454.2	467.7	471.5	533.7
Gross profit	257.1	268.3	266.3	299.7
Net income attributable to Bio-Rad	34.9	38.0	44.8	67.9
Basic earnings per share	\$	\$	\$	\$
	1.27	1.37	1.62	2.44
Diluted earnings per share	\$	\$	\$	\$
	1.24	1.35	1.59	2.41
<u>2009</u>				
Net sales	\$	\$	\$	\$
	400.9	427.2	461.1	495.1
Gross profit	228.9	242.0	260.5	268.5
Net income attributable to Bio-Rad	30.3	38.0	38.5	37.9
Basic earnings per share	\$	\$	\$	\$

Edgar Filing: BIO RAD LABORATORIES INC - Form 10-K

Diluted earnings per share	\$	1.11	\$	1.39	\$	1.40	\$	1.38
		1.10		1.37		1.38		1.35

**ITEM 9. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

(a)

*Evaluation of Disclosure 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 on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, although our disclosure controls and procedures were generally effective in timely alerting them to material information relating to us and our consolidated subsidiaries required to be disclosed in the reports we file and submit under the Securities Exchange Act of 1934, as amended (the Exchange Act), they were not effective as disclosed below.

The conclusion that our disclosure controls and procedures were not effective relates in part to the results to date of our Audit Committee's investigation with the assistance of independent special counsel of our compliance with the United States Foreign Corrupt Practices Act (FCPA). Based on that investigation, we have determined that our previous lack of a comprehensive FCPA compliance policy and training program and other inadequate entity-level controls, as discussed below, led us to fail to identify FCPA compliance issues that were presented.

We have commenced the initial implementation of changes in our disclosure controls and procedures to provide greater assurance of future compliance with the requirements of the FCPA and to ensure that potential FCPA issues are appropriately identified, reported and evaluated in the future. These initial remediation efforts include:

Our initiation of company-wide, comprehensive training of our personnel in the requirements of the FCPA, including training with respect to those areas of our operations that are most likely to raise FCPA compliance concerns;

With the assistance of special counsel to the Audit Committee, which has extensive experience in the area of FCPA compliance, our adoption of interim FCPA compliance protocols and guidelines, which are expected to be followed by the adoption of a comprehensive FCPA compliance policy that is appropriate for us in light of our worldwide operations, particularly in geographical areas that present challenges to regulatory compliance because of less mature legal frameworks; and

Our determination that, in the future, FCPA compliance will be a point of emphasis to be evaluated quarterly by our internal legal group and our internal audit group, and that a report on our FCPA compliance will be provided regularly to the Audit Committee.

***Management's Annual Report on, and Changes in Internal Control Over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Our internal control system is designed to provide reasonable assurance regarding the preparation and fair presentation of our financial statements presented in accordance with generally accepted accounting principles. An internal control system over financial reporting has inherent limitations and may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management has used the framework set forth in the report entitled *Internal Control - Integrated Framework* published by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission to evaluate the effectiveness of Bio-Rad's internal control over financial reporting as of December 31, 2010.

Based on that evaluation and assessment, our management concluded that our internal control over financial reporting was not effective as of December 31, 2010 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America, to the extent and for the reasons set forth below. Our management reviewed the results of its evaluation and assessment with our Audit Committee.

In connection with our Audit Committee's investigation of our compliance with the FCPA discussed above, our management identified three significant deficiencies in our internal control over financial reporting as of December 31, 2010 that, when considered and taken together, constitute a material weakness in our internal control over financial reporting as of December 31, 2010. A significant deficiency is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of our financial reporting. A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Our conclusion that we have a material weakness in our internal control over financial reporting as of December 31, 2010 is not based on quantified misstatements in our historical financial statements or our financial statements as of and for our fiscal year ended December 31, 2010, but instead on the risk that we may be unable to prevent or detect on a timely basis potential material errors in our future financial statements. We do not presently anticipate that the material weakness in our internal control over financial reporting as of December 31, 2010 will have any material effect on our previously reported financial results or our financial results for our fiscal year ended December 31, 2010.

The three significant deficiencies that we identified in our internal control over financial reporting as of December 31, 2010 are as follows:

*Inadequate Entity-Level Controls.* As of December 31, 2010, we identified a number of entity-level control deficiencies that, when considered and taken together, constitute a significant deficiency in our internal control over financial reporting as of December 31, 2010. These entity-level control deficiencies relate both to the design and to the operation of our internal controls and include:

Our lack of a comprehensive FCPA policy and training program;

Our lack of a formal, effective disclosure committee to facilitate our compliance with Section 302 of the Sarbanes-Oxley Act of 2002;



Inadequate policies regarding enterprise-wide risk assessment and management related to doing business in high-risk, emerging markets;

Our failure to perform background checks on certain parties prior to entering into material contracts with such parties;

Our lack of compliance with our existing Code of Business Ethics and Conduct in certain countries; and

Ineffective disclosure of significant exceptions to compliance with company policies through our quarterly management sub-certification process.

*Inadequate Expenditure Processes at Certain of Our International Subsidiaries.* As of December 31, 2010, we identified a number of control deficiencies relating to our expenditure processes at certain of our international subsidiaries that, when considered and taken together, constitute a significant deficiency in our internal control over financial reporting as of December 31, 2010. These control deficiencies relate both to the design and to the operation of our internal controls and include our lack of compliance with our existing management guidelines for contract and expenditure authorization and with our Code of Business Ethics and Conduct and our inability to produce documentary evidence to support certain contractual obligations.

*Inadequate Revenue and Accounts Receivable Processes at Certain of Our International Subsidiaries.* As of December 31, 2010, we identified a number of control deficiencies relating to our revenue and accounts receivable process at certain of our international subsidiaries that, when considered and taken together, constitute a significant deficiency in our internal control over financial reporting as of December 31, 2010. These control deficiencies relate both to the design and to the operation of our internal controls and include our inability, in certain instances, to produce documentary evidence of effective operation of internal controls relating to contract management; our lack of evidence regarding credit note authorizations; inadequate control over changes to master customer files; and our lack of compliance with reagent rental contracts and sales cut-off.

In addition to our FCPA-related remediation efforts described above under *Disclosure Controls and Procedures*, we have commenced the initiation of a number of actions to attempt to remediate the foregoing significant deficiencies and the resulting material weakness, including:

Our institution of a formal FCPA policy and training program;

Our formation of a disclosure committee to facilitate our compliance with Section 302 of the Sarbanes-Oxley Act of 2002;

Our implementation of new procedures regarding the performance of background checks on certain parties prior to entering into material contracts with such parties; and

Our termination of certain employees.

We are also in the process of evaluating and expect to initiate additional actions to attempt to remediate these significant deficiencies and the resulting material weakness, including developing and implementing additional policies, further strengthening our disclosure processes, and potentially increasing the resources that we devote to our internal compliance and audit functions.

We cannot assure you that we will be able to remediate these significant deficiencies and the resulting material weakness or that additional significant deficiencies or material weaknesses in our internal control over financial reporting will not be identified in the future. Any failure to maintain or implement new or improved internal controls, or any difficulties that we may encounter in their maintenance or implementation, could result in additional significant deficiencies or material weaknesses, result in material misstatements in our financial statements and cause us to fail to meet our reporting obligations, which in turn could cause the trading price of our common stock to decline.

Other than the changes discussed above, we identified no changes in our internal control over financial reporting that occurred during our fiscal quarter ended December 31, 2010 that have materially affected, or that are reasonably likely materially to affect, our internal control over financial reporting.

Ernst & Young LLP, an independent registered public accounting firm, has audited the consolidated financial statements of Bio-Rad Laboratories, Inc. for the year ended December 31, 2010 and 2009 and has issued an adverse attestation report on the effectiveness of Bio-Rad's internal control over financial reporting as of December 31, 2010, as stated in their report.

(b)

#### **Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of Bio-Rad Laboratories, Inc.

We have audited Bio-Rad Laboratories, Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Bio-Rad Laboratories, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing

such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment. Management has identified three significant deficiencies related to entity level controls and the expenditure and revenue processes at certain of the Company's international subsidiaries that, when considered and taken together, represent a material weakness in internal control over financial reporting.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Bio-Rad Laboratories, Inc. as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity and comprehensive income, and cash flows for the years then ended. This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the 2010 consolidated financial statements and this report does not affect our report dated February 28, 2011, which expressed an unqualified opinion on those financial statements.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, Bio-Rad Laboratories, Inc. has not maintained effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

/s/ Ernst & Young LLP

Palo Alto, California

February 28, 2011



## **ITEM 9B. OTHER INFORMATION**

None.

## **PART III.**

## **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Part of the information required to be furnished pursuant to this item is incorporated by reference from portions of Bio-Rad's definitive proxy statement to be mailed to stockholders in connection with our 2011 annual meeting of stockholders (the 2011 Proxy Statement ) under Election of Directors, Committees of the Board of Directors and Section 16(a) Beneficial Ownership Reporting Compliance.

Bio-Rad's Board of Directors has determined that Mr. Louis Drapeau is the audit committee financial expert, as defined in Item 407(d)(5) of Regulation S-K. Mr. Drapeau is also an independent director, as determined in accordance with the independence standards set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended, and Section 303A.02 of the New York Stock Exchange (NYSE) Listed Company Manual.

We have adopted a code of business ethics and conduct that applies to our principal executive officer, principal financial officer, controller and all other employees and is available through our Corporate/Investor Relations website ([www.bio-rad.com](http://www.bio-rad.com)). We will also provide a copy of the code of ethics to any person, without charge, upon request, by writing to us at Bio-Rad Laboratories, Inc., Investor Relations, 1000 Alfred Nobel Drive, Hercules, CA 94547.

## **ITEM 11. EXECUTIVE COMPENSATION**

The information required to be furnished pursuant to this item is incorporated by reference from portions of the 2011 Proxy Statement under Compensation Discussion and Analysis, Summary Compensation Table, Grants of Plan-Based

Awards, Outstanding Equity Awards at Fiscal Year-End, Option Exercises and Stock Vested Table, Pension Benefits, Nonqualified Defined Contribution and Other Nonqualified Deferred Compensation Plans, Potential Payments on Termination or Change in Control, Director Compensation and Compensation Committee Interlocks and Insider Participation. In addition, the information from a portion of the 2011 Proxy Statement under Compensation Committee Report is incorporated herein by reference and furnished on this Form 10-K and shall not be deemed filed for purposes of Section 18 of the Securities and Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933.



**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Part of the information required to be furnished pursuant to this item is incorporated by reference from a portion of the 2011 Proxy Statement under Principal and Management Stockholders.

**Equity Compensation Plan Information as of December 31, 2010**

Plan category	Number of securities		Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	
	(a)	(b)	(c)
Equity compensation plans approved by security holders <sup>(1)</sup>	1,300,041\$		1,115,245 <sup>(2)</sup>
Equity compensation plans not approved by security holders	--	46.47	--
Total	1,300,041\$	46.47	1,115,245

(1) Consists of the Bio-Rad Laboratories, Inc. 1994 Stock Option Plan, the 2003 Stock Option Plan of Bio-Rad Laboratories, Inc., the Bio-Rad Laboratories, Inc. 2007 Incentive Award Plan and the Bio-Rad Laboratories, Inc. Amended and Restated 1988 Employee Stock Purchase Plan.

(2) Consists of 983,227 shares available under the Bio-Rad Laboratories, Inc. 2007 Incentive Award Plan and 132,018 shares available for issuance under the Bio-Rad Laboratories, Inc.

Amended and Restated 1988 Employee Stock Purchase Plan.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required to be furnished pursuant to this item is incorporated by reference from portions of the 2011 Proxy Statement under Transactions with Related Persons and Committees of the Board of Directors.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required to be furnished by this item is incorporated by reference from a portion of the 2011 Proxy Statement under Report of the Audit Committee of the Board of Directors.

**PART IV.****ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) Index to Financial Statements See Item 8 Financial Statements and

1. Supplementary Data on page 30 for a list of financial statements.

2. Schedule II Valuation and Qualifying Accounts

All other financial statement schedules are omitted because they are not required or the required information is included in the consolidated financial statements or the notes thereto.

3. Index to Exhibits

The exhibits listed in the accompanying Index to Exhibits on pages 76 through 79 of this report are filed or incorporated by reference as part of this report.

BIO-RAD LABORATORIES, INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

Years Ended December 31, 2010, 2009, and 2008

(in thousands)

Allowance for doubtful accounts receivable

	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions	Other (A)	Balance at End of Year
2010	\$	\$	\$	\$	\$
	23,100	7,984	(6,032)	--	25,052
2009	\$	\$	\$	\$	\$
	19,567	7,783	(4,250)	--	23,100
2008	\$	\$	\$	\$	\$
	21,410	7,602	(9,472)	27	19,567

(A) Due to acquisitions.

Valuation allowance for current and long-term deferred tax assets

		Balance at Beginning of Year	Additions Charged (Credited) to Income Tax Expense	Deductions		Other (B)	Balance at End of Year
	\$	\$	\$	\$	\$	\$	\$
2010							
		37,926	(2,631)	--		1,720	37,015
2009	\$	\$	\$	\$	\$	\$	\$
		40,663	6,602	(9,339)		--	37,926
2008	\$	\$	\$	\$	\$	\$	\$
		31,119	10,570	(1,026)		--	40,663

(B) Due to acquisitions.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BIO-RAD LABORATORIES, INC.

By: /s/ Sanford S. Wadler  
Sanford S. Wadler  
Secretary

Date: February 28, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Principal Executive Officer:

/s/ Norman Schwartz (Norman Schwartz)	President and Director	February 28, 2011
--	------------------------	-------------------

Principal Financial Officer

/s/ Christine A. Tsingos (Christine A. Tsingos)	Vice President, Chief Financial Officer	February 28, 2011
--	--	-------------------

Principal Accounting Officer

/s/ James R. Stark (James R. Stark)	Corporate Controller	February 28, 2011
--	----------------------	-------------------

Other Directors:

/s/ James J. Bennett (James J. Bennett)	Director	February 28, 2011
--	----------	-------------------

/s/ Louis Drapeau (Louis Drapeau)	Director	February 28, 2011
--------------------------------------	----------	-------------------

/s/ Albert J. Hillman (Albert J. Hillman)	Director	February 28, 2011
--	----------	-------------------

Edgar Filing: BIO RAD LABORATORIES INC - Form 10-K

/s/ Dr. Ted W. Love  
(Dr. Ted. W. Love)

Director

February 28, 2011

/s/ Alice N. Schwartz  
(Alice N. Schwartz)

Director

February 28, 2011

/s/ David Schwartz  
(David Schwartz)

Director

February 28, 2011

BIO-RAD LABORATORIES, INC.

INDEX TO EXHIBITS ITEM 15(a)3

Exhibits 32.1 and 32.2 are furnished herewith and should not be deemed to be filed under the Securities Exchange Act of 1934.

Exhibit No.

- 2.1 Share Purchase Agreement as of May 14, 2007 by and among Bio-Rad Laboratories, Inc. and certain selling shareholders regarding the purchase of 77.6765% of the equity of DiaMed Holding AG. (1)
- 3.1 Restated Certificate of Incorporation of Bio-Rad Laboratories, Inc.
- 3.1.1 Certificate of Amendment to Restated Certificate of Incorporation of Bio-Rad Laboratories, Inc.
- 3.2 Bylaws of Bio-Rad Laboratories, Inc.
- 4.1 Indenture dated as of August 11, 2003 for 7.50% Senior Subordinated Notes due 2013 among Bio-Rad Laboratories, Inc., as Issuer, and Wells Fargo Bank, N.A., as Trustee. (2)
- 4.2 Exchange and Registration Rights Agreement dated as of August 11, 2003 for 7.50% Senior Subordinated Notes due 2013. (2)
- 4.3 Indenture dated as of May 26, 2009 for 8.00% Senior Subordinated Notes due 2016 Among Bio-Rad Laboratories, Inc., as Issuer, and Wells Fargo Bank, N.A., as Trustee. (3)
- 4.4 Exchange and Registration Rights Agreement dated as of May 26, 2009 for 8.00% Senior Subordinated Notes due 2016. (3)
- 4.5 Indenture dated as of December 9, 2010 for 4.875% Senior Notes due 2020 among Bio-Rad Laboratories, Inc., as Issuer, and Wilmington Trust FSB, as Trustee. (4)
- 10.1 Second Amended and Restated Credit Agreement, dated as of June 21, 2010, by and

among Bio-Rad Laboratories, Inc., the lenders referred to therein, JPMorgan Chase Bank, N.A. as administrative agent, Union Bank of California N.A., and Wells Fargo Bank, N.A., as co-syndication agents, and Bank of America, N.A. and HSBC Bank USA, National Association, as co-documentation agents. (5)

10.2 Second Amended and Restated Security Agreement, dated as of June 21, 2010, between Bio-Rad Laboratories, Inc. and JPMorgan Chase Bank, N.A., as administrative agent. (5)

10.3 Second Amended and Restated Pledge Agreement, dated as of June 21, 2010, between Bio-Rad Laboratories, Inc. and JPMorgan Chase Bank, N.A., as administrative agent. (5)



- 10.4 1994 Stock Option Plan. (6)
- 10.4.1 Amendment to the Bio-Rad Laboratories, Inc. 1994 Stock Option Plan dated April 28, 1998. (7)
- 10.4.2 Second Amendment to the Bio-Rad Laboratories, Inc. 1994 Stock Option Plan dated December 6, 1999. (7)
- 10.4.3 Third Amendment to the Bio-Rad Laboratories, Inc. 1994 Stock Option Plan dated September 19, 2000. (7)
- 10.4.4 Fourth Amendment to the Bio-Rad Laboratories, Inc. 1994 Stock Option Plan dated April 25, 2001. (7)
- 10.4.5 Amendment to the 1994 Stock Option Plan of Bio-Rad Laboratories, Inc., dated February 18, 2009. (8)
- 10.5 Amended and Restated 1988 Employee Stock Purchase Plan. (9)
- 10.5.1 Amendment to the Amended 1988 Employee Stock Purchase Plan. (10)
- 10.5.2 Amendment to the Bio-Rad Laboratories, Inc. Amended and Restated 1988 Employee Stock Purchase Plan (11)
- 10.6 Employees' Deferred Profit Sharing Retirement Plan (Amended and Restated effective January 1, 1997). (12)
- 10.7 2003 Stock Option Plan. (13)
- 10.7.1 Amendment to the 2003 Stock Option Plan of Bio-Rad Laboratories, Inc. (14)
- 10.8 2007 Incentive Award Plan. (15)
- 10.8.1 Restricted Stock Unit Award Grant Notice and Restricted Stock Unit Award Agreement under the 2007 Incentive Award Plan. (16)
- 21.1 Listing of Subsidiaries.
- 23.1 Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
- 23.2 Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm.
- 31.1 Certification of Chief Executive Officer Required by Rule 13a-14(a) (17CFR 240.13a-14(a)).
- 31.2 Certification of Chief Financial Officer Required by Rule 13a-14(a) (17CFR 240.13a-14(a)).



- 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- (1) Incorporated by reference to Exhibit 2.1 to Bio-Rad's June 30, 2007 Form 10-Q filing, dated August 8, 2007.
- (2) Incorporated by reference to the Exhibits to Bio-Rad's Form S-4 filing, dated September 19, 2003.
- (3) Incorporated by reference to the Exhibits to Bio-Rad's Form 8-K filing, dated May 28, 2009.
- (4) Incorporated by reference to Exhibit 4.1 to Bio-Rad's Form 8-K filing, dated December 9, 2010.
- (5) Incorporated by reference to the Exhibits to Bio-Rad's 8-K filing, dated December 22, 2004.
- (6) Incorporated by reference to Exhibit 4.1 to Bio-Rad's Form S-8 filing, dated April 29, 1994.
- (7) Incorporated by reference to the Exhibits to Bio-Rad's Form 10-K filing for the fiscal year ended December 31, 2000, dated March 28, 2001 (File No. 001-7928; Film No. 1582270).
- (8) Incorporated by reference to Exhibit 10.4.5 to Bio-Rad's June 30, 2009 Form 10-Q filing, dated August 5, 2009.
- (9) Incorporated by reference to Exhibit 10.5 to Bio-Rad's September 30, 1998 Form 10-Q filing, dated November 12, 1998 (File No. 001-7928; Film No. 98743709).
- (10) Incorporated by reference to Exhibit 10.5.1 to Bio-Rad's Form 10-K filing for the fiscal year ended December 31, 2003, dated March 15, 2004 (File No. 001-7928; Film No. 04669434).
- (11) Incorporated by reference to Exhibit 10.5.2 to Bio-Rad's Form 10-K filing for the fiscal year ended December 31, 2009, dated February 26, 2010.
- (12) Incorporated by reference to Exhibit 10.6 to Bio-Rad's September 30, 1997 Form 10-Q filing, dated November 13, 1997 (File No. 001-7928; Film No. 9771652).
- (13) Incorporated by reference to Exhibit 10.7 to Bio-Rad's March 31, 2003 Form 10-Q

Edgar Filing: BIO RAD LABORATORIES INC - Form 10-K  
filing, dated May 13, 2003 (File No. 001-7928; Film No. 03696450).

- (14) Incorporated by reference to Exhibit 10.7.1 to Bio-Rad's March 31, 2007 Form 10-Q filing, dated May 4, 2007 (File No. 001-7928; Film No. 07819469).
- (15) Incorporated by reference to Exhibit 4.1 to Bio-Rad's Form S-8 filing, dated July 30, 2007.
- (16) Incorporated by reference to Exhibit to 10.8.1 Bio-Rad's September 30, 2009 Form 10-Q filing, dated November 4, 2009.