

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

BIO RAD LABORATORIES INC

Form 10-Q

August 07, 2017

0.350.350false--12-31Q220170000012208YesLarge Accelerated FilerBIO RAD LABORATORIES

INCNoYes244540485123883245002495125094244539265122966244961275124177P9YP1YP8YP1YP12YP3YP9YP1YP9Y

0000012208 2017-01-01 2017-06-30 0000012208 us-gaap:CommonClassAMember 2017-07-27 0000012208

us-gaap:CommonClassBMember 2017-07-27 0000012208 bio:TreasuryClassAMember 2016-12-31 0000012208

2017-06-30 0000012208 2016-12-31 0000012208 us-gaap:CommonClassAMember 2017-06-30 0000012208

bio:TreasuryClassBMember 2017-06-30 0000012208 us-gaap:CommonClassAMember 2016-12-31 0000012208

us-gaap:CommonClassBMember 2016-12-31 0000012208 bio:TreasuryClassAMember 2017-06-30 0000012208

us-gaap:CommonClassBMember 2017-06-30 0000012208 bio:TreasuryClassBMember 2016-12-31 0000012208

2016-04-01 2016-06-30 0000012208 2017-04-01 2017-06-30 0000012208 2016-01-01 2016-06-30 0000012208

2016-03-31 0000012208 2015-12-31 0000012208 us-gaap:NewAccountingPronouncementMember 2017-01-01

0000012208 bio:AnalyticalFlowCytometerPlatformMember 2017-06-30 0000012208

bio:RainDanceTechnologiesInc.Member 2017-01-01 2017-03-31 0000012208

bio:AnalyticalFlowCytometerPlatformMember 2016-01-06 0000012208 us-gaap:DeferredTaxAssetDomain

bio:RainDanceTechnologiesInc.Member 2017-02-15 0000012208 bio:RainDanceTechnologiesInc.Member

2017-02-15 0000012208 bio:AnalyticalFlowCytometerPlatformMember 2016-01-01 2016-03-31 0000012208

us-gaap:FairValueMeasurementsRecurringMember us-gaap:CorporateDebtSecuritiesMember 2017-06-30

0000012208 us-gaap:BankTimeDepositsMember us-gaap:FairValueInputsLevel3Member

us-gaap:FairValueMeasurementsRecurringMember 2017-06-30 0000012208 us-gaap:CommercialPaperMember

us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember 2017-06-30 0000012208

us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2017-06-30 0000012208

us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember 2017-06-30 0000012208

us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember

us-gaap:InterestBearingDepositsMember 2017-06-30 0000012208 us-gaap:FairValueInputsLevel3Member

us-gaap:FairValueMeasurementsRecurringMember us-gaap:EquitySecuritiesMember 2017-06-30 0000012208

us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember 2017-06-30 0000012208

us-gaap:FairValueMeasurementsRecurringMember us-gaap:AssetBackedSecuritiesMember 2017-06-30 0000012208

us-gaap:FairValueMeasurementsRecurringMember us-gaap:USTreasuryAndGovernmentMember 2017-06-30

0000012208 us-gaap:CashEquivalentsMember us-gaap:FairValueInputsLevel1Member

us-gaap:FairValueMeasurementsRecurringMember 2017-06-30 0000012208 us-gaap:BankTimeDepositsMember

us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember 2017-06-30 0000012208

us-gaap:FairValueMeasurementsRecurringMember us-gaap:ForeignGovernmentDebtSecuritiesMember 2017-06-30

0000012208 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember

us-gaap:CorporateDebtSecuritiesMember 2017-06-30 0000012208 us-gaap:FairValueInputsLevel3Member

us-gaap:FairValueMeasurementsRecurringMember us-gaap:InterestBearingDepositsMember 2017-06-30 0000012208

us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember

us-gaap:USTreasuryAndGovernmentMember 2017-06-30 0000012208 us-gaap:MoneyMarketFundsMember

us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember 2017-06-30 0000012208

us-gaap:FairValueMeasurementsRecurringMember us-gaap:EquitySecuritiesMember 2017-06-30 0000012208

us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember

us-gaap:ForeignGovernmentDebtSecuritiesMember 2017-06-30 0000012208 us-gaap:FairValueInputsLevel1Member

us-gaap:FairValueMeasurementsRecurringMember us-gaap:CorporateDebtSecuritiesMember 2017-06-30

0000012208 us-gaap:MoneyMarketFundsMember us-gaap:FairValueMeasurementsRecurringMember 2017-06-30

0000012208 us-gaap:FairValueMeasurementsRecurringMember 2017-06-30 0000012208

us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember

us-gaap:USTreasuryAndGovernmentMember 2017-06-30 0000012208 us-gaap:MoneyMarketFundsMember

us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2017-06-30 0000012208

us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember

us-gaap:EquitySecuritiesMember 2017-06-30 0000012208 us-gaap:FairValueInputsLevel1Member

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

us-gaap:FairValueMeasurementsRecurringMember us-gaap:EquitySecuritiesMember 2017-06-30 0000012208  
us-gaap:BankTimeDepositsMember us-gaap:FairValueMeasurementsRecurringMember 2017-06-30 0000012208  
us-gaap:MoneyMarketFundsMember us-gaap:FairValueInputsLevel2Member  
us-gaap:FairValueMeasurementsRecurringMember 2017-06-30 0000012208 us-gaap:CashEquivalentsMember  
us-gaap:FairValueMeasurementsRecurringMember 2017-06-30 0000012208 us-gaap:FairValueInputsLevel2Member  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:AssetBackedSecuritiesMember 2017-06-30 0000012208  
us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:MunicipalBondsMember 2017-06-30 0000012208 us-gaap:FairValueInputsLevel2Member  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:MunicipalBondsMember 2017-06-30 0000012208  
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:AssetBackedSecuritiesMember 2017-06-30 0000012208 us-gaap:BankTimeDepositsMember  
us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2017-06-30 0000012208  
us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:InterestBearingDepositsMember 2017-06-30 0000012208 us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:MunicipalBondsMember 2017-06-30 0000012208 us-gaap:FairValueInputsLevel3Member  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:CorporateDebtSecuritiesMember 2017-06-30  
0000012208 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:ForeignGovernmentDebtSecuritiesMember 2017-06-30 0000012208 us-gaap:FairValueInputsLevel2Member  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:ForeignGovernmentDebtSecuritiesMember 2017-06-30  
0000012208 us-gaap:CommercialPaperMember us-gaap:FairValueInputsLevel3Member  
us-gaap:FairValueMeasurementsRecurringMember 2017-06-30 0000012208 us-gaap:CashEquivalentsMember  
us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember 2017-06-30 0000012208  
us-gaap:CashEquivalentsMember us-gaap:FairValueInputsLevel3Member  
us-gaap:FairValueMeasurementsRecurringMember 2017-06-30 0000012208 us-gaap:CommercialPaperMember  
us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2017-06-30 0000012208  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:InterestBearingDepositsMember 2017-06-30 0000012208  
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:MunicipalBondsMember 2017-06-30 0000012208 us-gaap:FairValueInputsLevel2Member  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:USTreasuryAndGovernmentMember 2017-06-30  
0000012208 us-gaap:CommercialPaperMember us-gaap:FairValueMeasurementsRecurringMember 2017-06-30  
0000012208 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:AssetBackedSecuritiesMember 2017-06-30 0000012208 us-gaap:OtherLongTermInvestmentsMember  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:EquitySecuritiesMember 2016-12-31 0000012208  
us-gaap:ShortTermInvestmentsMember us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:ForeignGovernmentDebtSecuritiesMember 2016-12-31 0000012208 us-gaap:ShortTermInvestmentsMember  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:MunicipalBondsMember 2016-12-31 0000012208  
us-gaap:ShortTermInvestmentsMember us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:InterestBearingDepositsMember 2016-12-31 0000012208 us-gaap:FairValueMeasurementsRecurringMember  
2016-12-31 0000012208 us-gaap:ShortTermInvestmentsMember us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:AvailableforsaleSecuritiesMember 2016-12-31 0000012208 us-gaap:ShortTermInvestmentsMember  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:AssetBackedSecuritiesMember 2016-12-31 0000012208  
us-gaap:ShortTermInvestmentsMember us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:USTreasuryAndGovernmentMember 2016-12-31 0000012208 us-gaap:OtherLongTermInvestmentsMember  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:AssetBackedSecuritiesMember 2016-12-31 0000012208  
us-gaap:ShortTermInvestmentsMember us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:CorporateDebtSecuritiesMember 2016-12-31 0000012208 us-gaap:OtherLongTermInvestmentsMember  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:AvailableforsaleSecuritiesMember 2016-12-31  
0000012208 us-gaap:ShortTermInvestmentsMember us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:EquitySecuritiesMember 2016-12-31 0000012208 bio:AnalyticalFlowCytometerPlatformMember  
bio:ProjectedVolatilityOfSalesMemberMember 2017-01-01 2017-06-30 0000012208  
bio:AnalyticalFlowCytometerPlatformMember bio:MarketPriceOfRiskMember 2017-01-01 2017-06-30 0000012208

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

bio:ForwardforeignexchangecontracttopurchaseforeigncurrencyMember 2017-01-01 2017-06-30 0000012208  
bio:ForwardforeignexchangecontracttopurchaseforeigncurrencyMember 2017-06-30 0000012208  
bio:ForwardforeignexchangecontracttosellforeigncurrencyMember 2017-01-01 2017-06-30 0000012208  
bio:ForwardforeignexchangecontracttosellforeigncurrencyMember 2017-06-30 0000012208  
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:AssetBackedSecuritiesMember 2016-12-31 0000012208 us-gaap:FairValueInputsLevel1Member  
us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000012208 us-gaap:CashEquivalentsMember  
us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000012208 us-gaap:MoneyMarketFundsMember  
us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000012208  
us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:EquitySecuritiesMember 2016-12-31 0000012208 us-gaap:MoneyMarketFundsMember  
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000012208  
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000012208  
us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000012208  
us-gaap:CommercialPaperMember us-gaap:FairValueInputsLevel2Member  
us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000012208 us-gaap:BankTimeDepositsMember  
us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000012208  
us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:CorporateDebtSecuritiesMember 2016-12-31 0000012208  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:USTreasuryAndGovernmentMember 2016-12-31  
0000012208 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:InterestBearingDepositsMember 2016-12-31 0000012208 us-gaap:FairValueInputsLevel3Member  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:EquitySecuritiesMember 2016-12-31 0000012208  
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:ForeignGovernmentDebtSecuritiesMember 2016-12-31 0000012208 us-gaap:FairValueInputsLevel1Member  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:ForeignGovernmentDebtSecuritiesMember 2016-12-31  
0000012208 us-gaap:CertificatesOfDepositMember us-gaap:FairValueInputsLevel2Member  
us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000012208 us-gaap:FairValueInputsLevel2Member  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:InterestBearingDepositsMember 2016-12-31 0000012208  
us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:EquitySecuritiesMember 2016-12-31 0000012208 us-gaap:FairValueInputsLevel1Member  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:USTreasuryAndGovernmentMember 2016-12-31  
0000012208 us-gaap:BankTimeDepositsMember us-gaap:FairValueMeasurementsRecurringMember 2016-12-31  
0000012208 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:USTreasuryAndGovernmentMember 2016-12-31 0000012208 us-gaap:FairValueInputsLevel1Member  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:InterestBearingDepositsMember 2016-12-31 0000012208  
us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:AssetBackedSecuritiesMember 2016-12-31 0000012208 us-gaap:USTreasuryAndGovernmentMember  
us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000012208  
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:USTreasuryAndGovernmentMember 2016-12-31 0000012208  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:CorporateDebtSecuritiesMember 2016-12-31  
0000012208 us-gaap:CashEquivalentsMember us-gaap:FairValueInputsLevel3Member  
us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000012208 us-gaap:FairValueInputsLevel2Member  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:MunicipalBondsMember 2016-12-31 0000012208  
us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:CorporateDebtSecuritiesMember 2016-12-31 0000012208 us-gaap:CertificatesOfDepositMember  
us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000012208 us-gaap:FairValueInputsLevel3Member  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:MunicipalBondsMember 2016-12-31 0000012208  
us-gaap:CommercialPaperMember us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000012208  
us-gaap:CommercialPaperMember us-gaap:FairValueInputsLevel1Member

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

us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000012208 us-gaap:BankTimeDepositsMember  
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000012208  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:MunicipalBondsMember 2016-12-31 0000012208  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:EquitySecuritiesMember 2016-12-31 0000012208  
us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:MunicipalBondsMember 2016-12-31 0000012208 us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:AssetBackedSecuritiesMember 2016-12-31 0000012208 us-gaap:FairValueInputsLevel2Member  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:ForeignGovernmentDebtSecuritiesMember 2016-12-31  
0000012208 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:AssetBackedSecuritiesMember 2016-12-31 0000012208 us-gaap:CashEquivalentsMember  
us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000012208  
us-gaap:CertificatesOfDepositMember us-gaap:FairValueInputsLevel1Member  
us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000012208 us-gaap:FairValueInputsLevel3Member  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:CorporateDebtSecuritiesMember 2016-12-31  
0000012208 us-gaap:CertificatesOfDepositMember us-gaap:FairValueInputsLevel3Member  
us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000012208  
us-gaap:USTreasuryAndGovernmentMember us-gaap:FairValueInputsLevel3Member  
us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000012208  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:InterestBearingDepositsMember 2016-12-31 0000012208  
us-gaap:USTreasuryAndGovernmentMember us-gaap:FairValueInputsLevel2Member  
us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000012208 us-gaap:BankTimeDepositsMember  
us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000012208  
us-gaap:CommercialPaperMember us-gaap:FairValueInputsLevel3Member  
us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000012208 us-gaap:MoneyMarketFundsMember  
us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000012208  
us-gaap:CashEquivalentsMember us-gaap:FairValueInputsLevel1Member  
us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000012208 us-gaap:MoneyMarketFundsMember  
us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000012208  
us-gaap:USTreasuryAndGovernmentMember us-gaap:FairValueMeasurementsRecurringMember 2016-12-31  
0000012208 us-gaap:FairValueMeasurementsRecurringMember us-gaap:ForeignGovernmentDebtSecuritiesMember  
2016-12-31 0000012208 us-gaap:ShortTermInvestmentsMember us-gaap:FairValueMeasurementsRecurringMember  
2016-12-31 0000012208 us-gaap:OtherInvestmentsMember us-gaap:FairValueMeasurementsRecurringMember  
2017-06-30 0000012208 us-gaap:ShortTermInvestmentsMember us-gaap:FairValueMeasurementsRecurringMember  
2017-06-30 0000012208 us-gaap:OtherInvestmentsMember us-gaap:FairValueMeasurementsRecurringMember  
2016-12-31 0000012208 us-gaap:OtherNoncurrentLiabilitiesMember  
us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000012208 us-gaap:OtherCurrentLiabilitiesMember  
us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000012208 us-gaap:OtherCurrentLiabilitiesMember  
us-gaap:FairValueMeasurementsRecurringMember 2017-06-30 0000012208  
us-gaap:OtherNoncurrentLiabilitiesMember us-gaap:FairValueMeasurementsRecurringMember 2017-06-30  
0000012208 bio:AnalyticalFlowCytometerPlatformMember 2017-01-01 2017-06-30 0000012208  
bio:CellsorterMember 2017-01-01 2017-06-30 0000012208 bio:GnuBIOMember 2016-12-31 0000012208  
bio:AnalyticalFlowCytometerPlatformMember bio:SalesmilestoneminimumamountMember 2017-06-30 0000012208  
bio:CellsorterMember 2012-09-30 2016-09-30 0000012208 bio:CellsorterMember 2016-12-31 0000012208  
bio:AnalyticalFlowCytometerPlatformMember bio:SalesmilestonepercentageofannualinvoicesMember 2017-06-30  
0000012208 bio:CellsorterMember 2012-09-30 0000012208 bio:GnuBIOMember 2014-04-10 0000012208  
bio:AnalyticalFlowCytometerPlatformMember bio:SalesmilestonepercentageofannualinvoiceslowMember  
2017-06-30 0000012208 us-gaap:CarryingReportedAmountFairValueDisclosureMember 2016-12-31 0000012208  
us-gaap:FairValueInputsLevel2Member us-gaap:EstimateOfFairValueFairValueDisclosureMember 2016-12-31  
0000012208 us-gaap:FairValueInputsLevel2Member us-gaap:EstimateOfFairValueFairValueDisclosureMember  
2017-06-30 0000012208 us-gaap:CarryingReportedAmountFairValueDisclosureMember 2017-06-30 0000012208  
us-gaap:OtherLongTermInvestmentsMember us-gaap:FairValueMeasurementsRecurringMember

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

us-gaap:EquitySecuritiesMember 2017-06-30 0000012208 us-gaap:OtherLongTermInvestmentsMember  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:AvailableforsaleSecuritiesMember 2017-06-30  
0000012208 us-gaap:ShortTermInvestmentsMember us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:InterestBearingDepositsMember 2017-06-30 0000012208 us-gaap:ShortTermInvestmentsMember  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:ForeignGovernmentDebtSecuritiesMember 2017-06-30  
0000012208 us-gaap:ShortTermInvestmentsMember us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:AssetBackedSecuritiesMember 2017-06-30 0000012208 us-gaap:ShortTermInvestmentsMember  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:MunicipalBondsMember 2017-06-30 0000012208  
us-gaap:OtherLongTermInvestmentsMember us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:AssetBackedSecuritiesMember 2017-06-30 0000012208 us-gaap:ShortTermInvestmentsMember  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:CorporateDebtSecuritiesMember 2017-06-30  
0000012208 us-gaap:ShortTermInvestmentsMember us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:USTreasuryAndGovernmentMember 2017-06-30 0000012208 us-gaap:ShortTermInvestmentsMember  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:EquitySecuritiesMember 2017-06-30 0000012208  
us-gaap:ShortTermInvestmentsMember us-gaap:FairValueMeasurementsRecurringMember  
us-gaap:AvailableforsaleSecuritiesMember 2017-06-30 0000012208 us-gaap:CustomerRelationshipsMember  
2016-12-31 0000012208 us-gaap:NoncompeteAgreementsMember 2016-12-31 0000012208  
us-gaap:LicensingAgreementsMember 2016-12-31 0000012208 us-gaap:DevelopedTechnologyRightsMember  
2016-12-31 0000012208 us-gaap:TradeNamesMember 2016-12-31 0000012208 bio:KnowHowMember 2016-12-31  
0000012208 us-gaap:CustomerRelationshipsMember 2017-06-30 0000012208  
us-gaap:DevelopedTechnologyRightsMember 2017-06-30 0000012208 bio:KnowHowMember 2017-06-30  
0000012208 us-gaap:LicensingAgreementsMember 2017-06-30 0000012208  
us-gaap:NoncompeteAgreementsMember 2017-06-30 0000012208 us-gaap:TradeNamesMember 2017-06-30  
0000012208 bio:ClinicalDiagnosticsMember 2017-01-01 2017-06-30 0000012208 bio:LifeScienceMember  
2016-12-31 0000012208 bio:LifeScienceMember 2017-01-01 2017-06-30 0000012208 bio:LifeScienceMember  
2017-06-30 0000012208 bio:ClinicalDiagnosticsMember 2016-12-31 0000012208 bio:ClinicalDiagnosticsMember  
2017-06-30 0000012208 us-gaap:NoncompeteAgreementsMember us-gaap:MaximumMember 2016-01-01  
2016-12-31 0000012208 us-gaap:OtherIntangibleAssetsMember us-gaap:MinimumMember 2016-01-01 2016-12-31  
0000012208 us-gaap:LicensingAgreementsMember us-gaap:MaximumMember 2016-01-01 2016-12-31 0000012208  
us-gaap:OtherIntangibleAssetsMember us-gaap:MaximumMember 2017-01-01 2017-06-30 0000012208  
bio:KnowHowMember us-gaap:MaximumMember 2016-01-01 2016-12-31 0000012208  
us-gaap:CustomerRelationshipsMember us-gaap:MaximumMember 2017-01-01 2017-06-30 0000012208  
us-gaap:TradeNamesMember us-gaap:MinimumMember 2017-01-01 2017-06-30 0000012208  
bio:KnowHowMember us-gaap:MaximumMember 2017-01-01 2017-06-30 0000012208 bio:KnowHowMember  
us-gaap:MinimumMember 2017-01-01 2017-06-30 0000012208 us-gaap:OtherIntangibleAssetsMember  
us-gaap:MinimumMember 2017-01-01 2017-06-30 0000012208 us-gaap:LicensingAgreementsMember  
us-gaap:MinimumMember 2016-01-01 2016-12-31 0000012208 us-gaap:DevelopedTechnologyRightsMember  
us-gaap:MinimumMember 2016-01-01 2016-12-31 0000012208 us-gaap:NoncompeteAgreementsMember  
us-gaap:MinimumMember 2017-01-01 2017-06-30 0000012208 us-gaap:TradeNamesMember  
us-gaap:MaximumMember 2017-01-01 2017-06-30 0000012208 us-gaap:DevelopedTechnologyRightsMember  
us-gaap:MaximumMember 2017-01-01 2017-06-30 0000012208 us-gaap:CustomerRelationshipsMember  
us-gaap:MaximumMember 2016-01-01 2016-12-31 0000012208 bio:KnowHowMember us-gaap:MinimumMember  
2016-01-01 2016-12-31 0000012208 us-gaap:TradeNamesMember us-gaap:MaximumMember 2016-01-01  
2016-12-31 0000012208 us-gaap:LicensingAgreementsMember us-gaap:MaximumMember 2017-01-01 2017-06-30  
0000012208 us-gaap:DevelopedTechnologyRightsMember us-gaap:MaximumMember 2016-01-01 2016-12-31  
0000012208 us-gaap:NoncompeteAgreementsMember us-gaap:MinimumMember 2016-01-01 2016-12-31  
0000012208 us-gaap:LicensingAgreementsMember us-gaap:MinimumMember 2017-01-01 2017-06-30 0000012208  
us-gaap:CustomerRelationshipsMember us-gaap:MinimumMember 2016-01-01 2016-12-31 0000012208  
us-gaap:CustomerRelationshipsMember us-gaap:MinimumMember 2017-01-01 2017-06-30 0000012208  
us-gaap:DevelopedTechnologyRightsMember us-gaap:MinimumMember 2017-01-01 2017-06-30 0000012208  
us-gaap:NoncompeteAgreementsMember us-gaap:MaximumMember 2017-01-01 2017-06-30 0000012208

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

us-gaap:TradeNamesMember us-gaap:MinimumMember 2016-01-01 2016-12-31 0000012208  
us-gaap:OtherIntangibleAssetsMember us-gaap:MaximumMember 2016-01-01 2016-12-31 0000012208  
bio:SeniorNotes4.875due2020Member us-gaap:UnsecuredDebtMember 2010-12-31 0000012208  
bio:SeniorNotes4.875due2020Member us-gaap:UnsecuredDebtMember 2017-04-01 2017-06-30 0000012208  
us-gaap:LineOfCreditMember 2017-06-30 0000012208 us-gaap:StandbyLettersOfCreditMember 2017-06-30  
0000012208 bio:SeniorNotes4.875due2020Member us-gaap:UnsecuredDebtMember 2016-12-31 0000012208  
bio:SeniorNotes4.875due2020Member us-gaap:UnsecuredDebtMember 2017-06-30 0000012208  
bio:CapitalLeasesandOtherDebtMember us-gaap:CapitalLeaseObligationsMember 2016-12-31 0000012208  
bio:CapitalLeasesandOtherDebtMember us-gaap:CapitalLeaseObligationsMember 2017-06-30 0000012208  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2017-01-01 2017-06-30 0000012208  
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2017-01-01 2017-06-30 0000012208  
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-01-01 2017-06-30 0000012208  
us-gaap:AccumulatedTranslationAdjustmentMember 2016-12-31 0000012208  
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2016-12-31 0000012208  
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-06-30 0000012208  
us-gaap:AccumulatedTranslationAdjustmentMember 2017-01-01 2017-06-30 0000012208  
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2016-12-31 0000012208  
us-gaap:AccumulatedTranslationAdjustmentMember 2017-06-30 0000012208  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2016-12-31 0000012208  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2017-06-30 0000012208  
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2017-06-30 0000012208  
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2015-12-31 0000012208  
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2016-01-01 2016-06-30 0000012208  
us-gaap:AccumulatedTranslationAdjustmentMember 2016-01-01 2016-06-30 0000012208  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2015-12-31 0000012208  
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2016-01-01 2016-06-30 0000012208  
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2016-06-30 0000012208  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2016-01-01 2016-06-30 0000012208  
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2015-12-31 0000012208  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2016-06-30 0000012208  
us-gaap:AccumulatedTranslationAdjustmentMember 2016-06-30 0000012208  
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2016-06-30 0000012208  
us-gaap:AccumulatedTranslationAdjustmentMember 2015-12-31 0000012208  
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2016-01-01 2016-06-30 0000012208  
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2017-01-01 2017-06-30 0000012208  
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember  
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2016-04-01 2016-06-30 0000012208  
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2016-04-01 2016-06-30 0000012208  
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2017-04-01 2017-06-30 0000012208  
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember  
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2017-01-01 2017-06-30 0000012208  
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember  
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2017-04-01 2017-06-30 0000012208  
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember  
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2016-01-01 2016-06-30 0000012208  
bio:USFederalMember 2017-04-01 2017-06-30 0000012208 bio:USFederalMember 2016-01-01 2016-06-30  
0000012208 bio:USFederalMember 2017-01-01 2017-06-30 0000012208 bio:USFederalMember 2016-04-01

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

2016-06-30 0000012208 bio:LifeScienceMember 2016-01-01 2016-06-30 0000012208  
bio:ClinicalDiagnosticsMember 2016-01-01 2016-06-30 0000012208 us-gaap:AllOtherSegmentsMember 2016-01-01  
2016-06-30 0000012208 us-gaap:AllOtherSegmentsMember 2017-01-01 2017-06-30 0000012208  
us-gaap:MaterialReconcilingItemsMember us-gaap:OtherNonoperatingIncomeExpenseMember 2017-04-01  
2017-06-30 0000012208 us-gaap:MaterialReconcilingItemsMember  
us-gaap:OtherNonoperatingIncomeExpenseMember 2016-01-01 2016-06-30 0000012208  
us-gaap:MaterialReconcilingItemsMember us-gaap:ForeignCurrencyGainLossMember 2017-01-01 2017-06-30  
0000012208 us-gaap:CorporateNonSegmentMember 2016-01-01 2016-06-30 0000012208  
us-gaap:MaterialReconcilingItemsMember us-gaap:ForeignCurrencyGainLossMember 2016-04-01 2016-06-30  
0000012208 us-gaap:MaterialReconcilingItemsMember us-gaap:ForeignCurrencyGainLossMember 2017-04-01  
2017-06-30 0000012208 us-gaap:OperatingSegmentsMember 2017-01-01 2017-06-30 0000012208  
us-gaap:OperatingSegmentsMember 2016-04-01 2016-06-30 0000012208 us-gaap:CorporateNonSegmentMember  
2017-04-01 2017-06-30 0000012208 us-gaap:OperatingSegmentsMember 2016-01-01 2016-06-30 0000012208  
us-gaap:CorporateNonSegmentMember 2017-01-01 2017-06-30 0000012208  
us-gaap:MaterialReconcilingItemsMember us-gaap:ForeignCurrencyGainLossMember 2016-01-01 2016-06-30  
0000012208 us-gaap:MaterialReconcilingItemsMember us-gaap:OtherNonoperatingIncomeExpenseMember  
2017-01-01 2017-06-30 0000012208 us-gaap:CorporateNonSegmentMember 2016-04-01 2016-06-30 0000012208  
us-gaap:MaterialReconcilingItemsMember us-gaap:OtherNonoperatingIncomeExpenseMember 2016-04-01  
2016-06-30 0000012208 us-gaap:OperatingSegmentsMember 2017-04-01 2017-06-30 0000012208  
us-gaap:AllOtherSegmentsMember 2016-04-01 2016-06-30 0000012208 bio:ClinicalDiagnosticsMember 2016-04-01  
2016-06-30 0000012208 us-gaap:AllOtherSegmentsMember 2017-04-01 2017-06-30 0000012208  
bio:LifeScienceMember 2017-04-01 2017-06-30 0000012208 bio:ClinicalDiagnosticsMember 2017-04-01  
2017-06-30 0000012208 bio:LifeScienceMember 2016-04-01 2016-06-30 0000012208  
us-gaap:CostOfGoodsTotalMember 2017-04-01 2017-06-30 0000012208  
us-gaap:SellingGeneralAndAdministrativeExpensesMember 2017-01-01 2017-06-30 0000012208  
us-gaap:CostOfGoodsTotalMember 2017-01-01 2017-06-30 0000012208  
us-gaap:SellingGeneralAndAdministrativeExpensesMember 2017-04-01 2017-06-30 0000012208  
us-gaap:EmployeeSeveranceMember 2017-01-01 2017-06-30 iso4217:USD xbrli:shares iso4217:USD xbrli:pure  
xbrli:shares

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

(Mark  
One)

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

For the quarterly period ended June 30, 2017

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.**

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

(Exact name of registrant as specified in its charter)

**Delaware**

**94-1381833**

(State or other jurisdiction of incorporation or organization)

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

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

**94547**

(Address of principal executive offices)

(Zip Code)

**(510) 724-7000**

(Registrant's telephone number, including area code)

**No Change**

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if smaller reporting company) Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Yes  No

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

Title of Class

Shares Outstanding at July 27, 2017

Class A Common Stock, Par Value \$0.0001 per share 24,528,198

Class B Common Stock, Par Value \$0.0001 per share 5,109,777



BIO-RAD LABORATORIES, INC.

FORM 10-Q JUNE 30, 2017

TABLE OF CONTENTS

<b><u>Part I – Financial Information</u></b>	<u>4</u>
<b><u>Item 1. Financial Statements</u></b>	<u>4</u>
<b><u>Condensed Consolidated Balance Sheets</u></b>	<u>4</u>
<b><u>Condensed Consolidated Statements of <a href="#">Income</a></u></b>	<u>5</u>
<b><u>Condensed Consolidated Statements of Comprehensive Income</u></b>	<u>6</u>
<b><u>Condensed Consolidated Statements of Cash Flows</u></b>	<u>7</u>
<b><u>Notes to Condensed Consolidated Financial Statements</u></b>	<u>8</u>
<b><u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u></b>	<u>28</u>
<b><u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u></b>	<u>39</u>
<b><u>Item 4. Controls and Procedures</u></b>	<u>39</u>
<b><u>Part II – Other Information</u></b>	<u>40</u>
<b><u>Item 1. Legal Proceedings</u></b>	<u>40</u>
<b><u>Item 1A. Risk Factors</u></b>	<u>40</u>
<b><u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	<u>51</u>
<b><u>Item 3. Defaults Upon Senior Securities</u></b>	<u>51</u>
<b><u>Item 4. Mine Safety Disclosures</u></b>	<u>51</u>
<b><u>Item 5. Other Information</u></b>	<u>51</u>
<b><u>Item 6. Exhibits</u></b>	<u>52</u>
<b><u>Signatures</u></b>	<u>53</u>

## **INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS**

Other than statements of historical fact, statements made in this report include forward-looking statements, such as statements with respect to our future financial performance, operating results, plans and objectives that involve risk and uncertainties. Forward-looking statements generally can be identified by the use of forward-looking terminology, such as “believe,” “expect,” “anticipate,” “may,” “will,” “intend,” “estimate,” “continue,” or similar expressions or the negative 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, but not limited to, those identified under “Part II, Item 1A, Risk Factors” of this Quarterly Report on Form 10-Q. 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 law.

## PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

## BIO-RAD LABORATORIES, INC.

## Condensed Consolidated Balance Sheets

(In thousands, except share data)

	June 30, 2017	December 31, 2016
	(Unaudited)	
<b>ASSETS:</b>		
Cash and cash equivalents	\$321,584	\$456,264
Short-term investments	391,268	383,176
Restricted investments	4,560	4,560
Accounts receivable, net	392,842	372,348
Inventories:		
Raw materials	115,043	116,540
Work in process	133,055	125,982
Finished goods	332,483	282,439
Total inventories	580,581	524,961
Prepaid expenses	125,655	91,014
Other current assets	10,038	12,201
Total current assets	1,826,528	1,844,524
Property, plant and equipment, at cost	1,277,970	1,227,388
Less: accumulated depreciation and amortization	(774,641 )	(738,774 )
Property, plant and equipment, net	503,329	488,614
Goodwill, net	530,287	477,115
Purchased intangibles, net	184,819	161,609
Other investments	1,040,959	830,790
Other assets	57,537	47,852
Total assets	\$4,143,459	\$3,850,504
<b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>		
Accounts payable, accrued payroll and employee benefits	\$277,566	\$296,473
Current maturities of long-term debt and notes payable	505	334
Income and other taxes payable	33,308	28,124
Other current liabilities	143,731	146,391
Total current liabilities	455,110	471,322
Long-term debt, net of current maturities	434,386	434,186
Deferred income taxes	294,843	222,919
Other long-term liabilities	148,123	135,318
Total liabilities	1,332,462	1,263,745
Stockholders' equity:		
Class A common stock, shares issued 24,500,249 and 24,454,048 at 2017 and 2016, respectively; shares outstanding 24,496,127 and 24,453,926 at 2017 and 2016, respectively	2	2
Class B common stock, shares issued 5,125,094 and 5,123,883 at 2017 and 2016, respectively; shares outstanding 5,124,177 and 5,122,966 at 2017 and 2016, respectively	1	1
Additional paid-in capital	347,658	332,911

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

Class A treasury stock at cost, 4,122 shares and 122 shares at 2017 and 2016, respectively	(895	)	(12	)
Class B treasury stock at cost, 917 shares at 2017 and 2016	(89	)	(89	)
Retained earnings	1,853,372		1,836,180	
Accumulated other comprehensive income	610,948		417,766	
Total stockholders' equity	2,810,997		2,586,759	
Total liabilities and stockholders' equity	\$4,143,459		\$3,850,504	

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

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Net sales	\$504,666	\$516,777	\$1,004,717	\$987,974
Cost of goods sold	231,367	236,545	461,431	443,713
Gross profit	273,299	280,232	543,286	544,261
Selling, general and administrative expense	213,027	205,536	407,967	395,252
Research and development expense	62,623	49,811	112,111	98,397
Impairment loss on long-lived asset	—	2,360	—	2,360
Income (loss) from operations	(2,351 )	22,525	23,208	48,252
Interest expense	5,770	5,632	10,811	11,212
Foreign currency exchange losses, net	2,516	1,237	4,305	2,366
Other (income) expense, net	(11,757 )	(11,208 )	(13,175 )	(12,385 )
Income before income taxes	1,120	26,864	21,267	47,059
Benefit (provision) for income taxes	3,915	(8,850 )	(3,819 )	(16,769 )
Net income	\$5,035	\$18,014	\$17,448	\$30,290
Basic earnings per share:				
Net income per basic share	\$0.17	\$0.61	\$0.59	\$1.03
Weighted average common shares - basic	29,613	29,398	29,597	29,381
Diluted earnings per share:				
Net income per diluted share	\$0.17	\$0.61	\$0.58	\$1.03
Weighted average common shares - diluted	30,006	29,589	29,962	29,549

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

## BIO-RAD LABORATORIES, INC.

## Condensed Consolidated Statements of Comprehensive Income

(In thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	\$5,035	\$18,014	\$17,448	\$30,290
Other comprehensive income:				
Foreign currency translation adjustments	41,679	(18,424 )	60,522	19,512
Foreign other post-employment benefits adjustments, net of income taxes	(1,938 )	535	(2,053 )	(105 )
Net unrealized holding gains on available-for-sale (AFS) investments, net of income taxes	54,564	62,109	134,713	58,015
Other comprehensive income, net of income taxes	94,305	44,220	193,182	77,422
Comprehensive income	\$99,340	\$62,234	\$210,630	\$107,712

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

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

BIO-RAD LABORATORIES, INC.  
 Condensed Consolidated Statements of Cash Flows  
 (In thousands, unaudited)

	Six Months Ended	
	June 30,	
	2017	2016
Cash flows from operating activities:		
Cash received from customers	\$999,779	\$1,020,149
Cash paid to suppliers and employees	(970,116 )	(935,587 )
Interest paid, net	(10,315 )	(10,911 )
Income tax payments, net	(19,066 )	(11,085 )
Investment proceeds and miscellaneous receipts, net	13,947	12,810
Excess tax benefits from share-based compensation	—	(75 )
Payments for forward foreign exchange contracts, net	(8,029 )	(5,594 )
Net cash provided by operating activities	6,200	69,707
Cash flows from investing activities:		
Capital expenditures	(64,951 )	(56,865 )
Proceeds from dispositions of property, plant and equipment	21	21
Payments for acquisitions and long-term investments	(73,573 )	(11,477 )
Payments for purchases of intangible assets	(3,920 )	(6 )
Payments for purchases of marketable securities and investments	(142,993 )	(148,423 )
Proceeds from sales of marketable securities and investments	39,362	42,386
Proceeds from maturities of marketable securities and investments	98,379	64,036
Net cash used in investing activities	(147,675 )	(110,328 )
Cash flows from financing activities:		
Net payments on line-of-credit arrangements and notes payable	(36 )	—
Payments on long-term borrowings	(149 )	(156 )
Payments of contingent consideration	(3,105 )	(3,500 )
Proceeds from issuances of common stock for share-based compensation	3,778	6,875
Payments for purchases of treasury stock	(883 )	—
Excess tax benefits from share-based compensation	—	75
Net cash (used in) provided by financing activities	(395 )	3,294
Effect of foreign exchange rate changes on cash	7,190	(1,571 )
Net decrease in cash and cash equivalents	(134,680 )	(38,898 )
Cash and cash equivalents at beginning of period	456,264	457,549
Cash and cash equivalents at end of period	\$321,584	\$418,651
Reconciliation of net income to net cash used in operating activities:		
Net income	\$17,448	\$30,290
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	70,688	71,668
Share-based compensation	10,579	9,407
Losses (gains) on dispositions of securities	310	(66 )
Excess tax benefits from share-based compensation	—	(75 )
Changes in fair value of contingent consideration	(8,700 )	(1,873 )
(Increase) decrease in accounts receivable	(1,849 )	32,067
Increase in inventories	(37,870 )	(50,979 )
Increase in other current assets	(14,878 )	(2,561 )
Decrease in accounts payable and other current liabilities	(24,160 )	(32,564 )

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

(Decrease) increase in income taxes payable	(13,208	) 11
(Decrease) increase in deferred income taxes	(3,057	) 4,060
Net decrease/increase in other long-term assets/liabilities	10,897	10,322
Net cash provided by operating activities	\$6,200	\$69,707

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

7

---



BIO-RAD LABORATORIES, INC

Notes to Condensed Consolidated Financial Statements  
(Unaudited)

***I. BASIS OF PRESENTATION AND USE OF ESTIMATES***

*Basis of Presentation*

In this report, “Bio-Rad,” “we,” “us,” “the Company” and “our” refer to Bio-Rad Laboratories, Inc. and its subsidiaries. The accompanying unaudited condensed consolidated financial statements of Bio-Rad have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and reflect all adjustments which are, in the opinion of management, necessary to fairly state the results of the interim periods presented. All such adjustments are of a normal recurring nature. Results for the interim period are not necessarily indicative of the results for the entire year. The condensed consolidated balance sheet at December 31, 2016 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements. The condensed consolidated financial statements should be read in conjunction with the notes to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2016.

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 of those events and conditions.

*Use of Estimates*

The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting periods. Bio-Rad bases its estimates on historical experience and on various other market-specific and other relevant 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. Actual results could differ materially from those estimates.

*Recent Accounting Standards Updates*

In May 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. (“ASU”) 2017-09, “Scope of Modification Accounting.” ASU 2017-09 clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. ASU 2017-09 will allow companies to make certain changes to awards, such as vesting conditions, without accounting for them as modifications. It does not change the accounting for modifications. ASU 2017-09 will be applied prospectively to awards modified on or after the adoption date. We early adopted ASU 2017-09 during the second quarter of 2017, which has not affected our condensed consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." ASU 2017-07 will change how employers that sponsor defined benefit pension and/or other postretirement benefit plans present the net periodic benefit cost, which is comprised of several components, in the income statement. Under ASU 2017-07, employers will present the service cost component of the net periodic benefit cost in the same income statement line item(s) as other employee compensation costs arising from services rendered during the period, and will be the only costs eligible for

8

---

capitalization. Employers will present the other components separately from the line item(s) that includes the service cost outside of the subtotal of Income from operations. ASU 2017-07 is effective for fiscal years beginning after December 15, 2017, and interim periods within those years. Employers will apply the guidance on the presentation of the components of net periodic benefit cost in the income statement retrospectively. In several foreign locations, we are statutorily required to provide a lump sum severance or termination indemnity to our employees and are currently evaluating the applicability of ASU 2017-07 to our situation.

In January 2017, the FASB issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment." ASU 2017-04 removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. ASU 2017-04 is effective prospectively for annual and interim periods beginning after December 15, 2019. ASU 2017-04 will provide a more stream-lined approach to evaluating future goodwill impairment and we early adopted on January 1, 2017 on a prospective basis as a change in accounting principle. There was no impact of ASU 2017-04 on our consolidated financial statements because a goodwill impairment has not occurred after January 1, 2017.

In January 2017, the FASB issued ASU 2017-01, "Clarifying the Definition of a Business." ASU 2017-01 changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. If substantially all of the fair value is concentrated in a single asset or a group of similar assets, the acquired set is not a business. If this is not met, the entity then evaluates whether the set meets the requirement that a business include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Determining whether a set constitutes a business is critical because the accounting for a business combination differs significantly from that of an asset acquisition. We early adopted ASU 2017-01 on January 1, 2017 on a prospective basis.

In November 2016, the FASB issued ASU 2016-18, "Restricted Cash." ASU 2016-18 requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. ASU 2016-18 will be applied retrospectively and is effective for fiscal years beginning after December 15, 2017, and interim periods within those years. We do not expect ASU 2016-18 to have a material impact to our financial statements.

In October 2016, the FASB issued ASU 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory." ASU 2016-16 requires immediate recognition of income tax consequences of intercompany asset transfers, other than inventory transfers. Existing GAAP prohibits recognition of income tax consequences of intercompany asset transfers whereby the seller defers any net tax effect and the buyer is prohibited from recognizing a deferred tax asset on the difference between the newly created tax basis of the asset in its tax jurisdiction and its financial statement carrying amount as reported in the consolidated financial statements. ASU 2016-16 specifically excludes from its scope intercompany inventory transfers whereby the recognition of tax consequences will take place when the inventory is sold to third parties. ASU 2016-16 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. ASU 2016-16 should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. We are currently evaluating the effect ASU 2016-16 will have on our consolidated financial statements.

In August 2016, FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments." ASU 2016-15 is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. We are currently evaluating the effect ASU 2016-15 will have on our consolidated statements of cash flows.

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments." ASU 2016-13 will replace the current incurred loss approach with an expected loss model for instruments measured at amortized cost and require entities to record allowances for available-for-sale debt securities rather than reduce the

9

---

carrying amount under the current other-than-temporary impairment model. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted for all entities for annual periods beginning after December 15, 2018, and interim periods therein. We are currently evaluating the effect ASU 2016-13 will have on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting." ASU 2016-09 will require all income tax effects of awards to be recognized in the income statement when the awards vest or are settled. It also will allow an employer to repurchase more of an employee's shares than permitted today for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. We adopted ASU 2016-09 prospectively as a change in accounting principal on January 1, 2017, and made a policy election to account for forfeitures as they occur. As a result of adopting ASU 2016-09 as of January 1, 2017, the cumulative effect of the change on Retained earnings decreased by \$0.3 million, and increased Additional paid-in capital and Deferred tax assets by \$0.4 million and \$0.1 million, respectively, in the Condensed Consolidated Balance Sheet.

In March 2016, the FASB issued ASU 2016-07, "Simplifying the Transition to the Equity Method of Accounting," which eliminates the requirement to retrospectively apply the equity method in previous periods when an investor initially obtains significant influence over an investee. Under current guidance, an investor that does not consolidate an investment and initially accounts for it under a method other than the equity method is required to retrospectively apply the equity method in prior periods in which it held the investment when it subsequently obtained significant influence. We adopted ASU 2016-07 on January 1, 2017 on a prospective basis, which currently has not affected our condensed consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases," which will require, among other items, lease accounting to recognize most leases as assets and liabilities on the balance sheet. Qualitative and quantitative disclosures will be enhanced to better understand the amount, timing and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. We do not plan to early adopt. ASU 2016-02 will be adopted on a modified retrospective basis, with elective reliefs, which requires application of ASU 2016-02 for all periods presented. We are currently gathering, documenting and analyzing lease agreements related to this ASU and anticipate material additions to the balance sheet for right-of-use assets, offset by the associated liabilities.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities." Amendments under ASU 2016-01, among other items, require that all equity investments in unconsolidated entities (other than those accounted for using the equity method of accounting) will generally be measured at fair value through earnings. There will no longer be an available-for-sale classification, for which changes in fair value are reported in other comprehensive income, for equity securities with readily determinable fair values. For equity investments without readily determinable fair values, the cost method is also eliminated. However, entities will be able to elect to record equity investments without readily determinable fair values at cost, less impairment, and plus or minus subsequent adjustments for observable price changes. Changes in the basis of these equity investments will be reported in current earnings. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For equity securities that would be affected by ASU 2016-01, see the available-for-sale investments table in Note 3 to the condensed consolidated financial statements. At the time of adoption, we cannot assure whether these same equity securities will be held or what other equity securities we may have.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory." Under current guidance, an entity subsequently measures inventory at the lower of cost or market, with market defined as replacement cost, net realizable value (NRV), or NRV less a normal profit margin. An entity uses current replacement cost provided that it

is not above NRV (i.e., the ceiling) or below NRV less an “approximately normal profit margin” (i.e., the floor). ASU 2015-11 eliminates this analysis and requires entities to measure most inventory “at the lower of cost and NRV.” We prospectively adopted ASU 2015-11 as a change in accounting

10

---

principle on January 1, 2017, which did not have a material impact on our condensed consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. In August 2015, the FASB issued ASU 2015-14 to defer the effective date for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted as of the original effective date in ASU 2014-09, which is annual reporting periods beginning after December 15, 2016, however, we will not early adopt. In December 2016, the FASB issued ASU 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers" which affect narrow aspects of the guidance issued in ASU 2014-09. In May 2016, the FASB issued ASU 2016-12, "Narrow-Scope Improvements and Practical Expedients," which amends and clarifies certain aspects in ASU 2014-09 that include collectibility, presentation of sales and other taxes collected from customers, noncash consideration, contract modifications and completed contracts at transition. In April 2016, the FASB issued ASU 2016-10, "Identifying Performance Obligations and Licensing," which amends the guidance in ASU 2014-09 on accounting for licenses of intellectual property and identifying performance obligations. In March 2016, the FASB issued ASU 2016-08, "Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," which amends the principal versus agent guidance in ASU 2014-09. The standards are to be applied retrospectively and permit the use of either the retrospective or cumulative effect transition method. We will use the cumulative effect transition method once we adopt ASUs 2014-09, 2016-20, 2016-12, 2016-10 and 2016-08 on January 1, 2018. We have completed revenue recognition diagnostic surveys across all regions in our decentralized sales contracting process, which is based on local country commercial regulations and practices. We are in the process of assessing individual contracts to identify performance obligations under these ASU's, as compared with the deliverables and separate units of accounting previously identified under current U.S. GAAP, to determine the effect that these ASU's will have on our consolidated financial statements and related disclosures.

## **2.ACQUISITIONS**

### *RainDance Technologies, Inc.*

In February 2017, we acquired all the issued and outstanding stock of RainDance Technologies, Inc. (RainDance) for approximately \$76.6 million including certain assumed net liabilities. Cash payments at closing were \$72.8 million. In addition, we had a cash payment of \$10.0 million for a one-time expense associated with the acquisition that was recorded in Cost of goods sold. The acquisition was included in our Life Science segment's results of operations from the acquisition date and was accounted for as a business combination. The amount of acquisition-related costs was minimal as Bio-Rad primarily represented itself during the acquisition process. The goodwill related to this acquisition is not deductible for income tax purposes. Pro forma financial statements are not provided as the acquisition is immaterial to Bio-Rad taken as a whole for the periods presented.

The preliminary allocation of the payments were \$10.0 million for the one-time expense, \$35.0 million to purchased intangibles consisting primarily of a large patent and license portfolio, limited know how and customer relationships, \$3.8 million to assumed net liabilities, and \$36.2 million to goodwill. We recorded a deferred tax liability of \$12.9 million related to the purchased intangibles and a deferred tax asset of \$18.3 million related to the acquired net operating losses. The purchase price allocation is preliminary as additional time is required to complete the valuation of the intangibles.

RainDance's foundational intellectual property portfolio and product lines encompass a wide range of biological reactions in droplets, with potential applications in life science research and clinical research. These genomic tools provide ultra-sensitive detection of genetic variations in cancer as well as inherited and infectious diseases, enabling research in areas such as non-invasive liquid biopsy. We believe that RainDance's droplet-based solutions will extend

our reach into next-generation sequencing applications and strengthen our position in the area of Droplet Digital™ PCR, offering customers with solutions for a wide range of nucleic acid detection applications.



*Propel Labs, Inc.*

In January 2016, we acquired a high performance analytical flow cytometer platform from Propel Labs (Propel) that will enable advanced and novice users to perform basic and multi-parameter cytometry for a wide range of applications and chemistries. This asset acquisition was accounted for as a business combination, as the new analytical flow cytometer platform represented an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return and therefore constitutes a business in accordance with GAAP. The amount of the acquisition-related cost was minimal as Bio-Rad primarily represented itself during the acquisition process. This business acquisition is included in our Life Science segment's results of operations from the acquisition date.

The fair value of the consideration as of the acquisition date was \$32.8 million, which included \$9.5 million paid in cash at the closing date and \$23.3 million in contingent consideration potentially payable to Propel. The amount of contingent consideration was determined based on a probability-weighted income approach related to the achievement of sales milestones, and was recognized at its estimated fair value of \$26.7 million as of June 30, 2017 (see Note 3, "Fair Value Measurements").

The fair values of the net assets acquired from Propel as of the acquisition date were determined to be \$32.7 million of definite-lived intangible assets and \$0.1 million of goodwill. The goodwill related to this acquisition will be deductible for income tax purposes. The acquired analytical flow cytometer platform fits well into Bio-Rad's existing Life Science segment product offerings and may offer researchers greater access to this technology.

In addition, Bio-Rad contracted with Propel to provide development services concurrent with and included in the purchase agreement. Bio-Rad is receiving future manufacturing, engineering and marketing support from Propel on which payments will be made upon the successful completion of all contracted services. As a result, these services are not included in the total purchase consideration and a majority will be expensed in future periods.

### **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 in an orderly transaction between market participants at the measurement date. The identification of market participant assumptions provides a basis for determining what inputs are to be used for pricing each asset or liability. A fair value hierarchy has been established which gives precedence to fair value measurements calculated using observable inputs over those using unobservable inputs. This hierarchy prioritizes the inputs into three broad levels as follows:

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

Financial assets and liabilities carried at fair value and measured on a recurring basis as of June 30, 2017 are classified in the hierarchy as follows (in millions):

	Level 1	Level 2	Level 3	Total
Financial Assets Carried at Fair Value:				
Cash equivalents:				
Commercial paper	\$—	\$15.2	\$—	\$15.2
Foreign time deposits	12.4	—	—	12.4
Money market funds	4.6	—	—	4.6
Total cash equivalents (a)	17.0	15.2	—	32.2
Restricted investment:				
Available-for-sale investments:	4.6	—	—	4.6
Corporate debt securities	—	201.7	—	201.7
U.S. government sponsored agencies	—	72.1	—	72.1
Foreign government obligations	—	3.0	—	3.0
Brokered certificates of deposit	—	3.6	—	3.6
Municipal obligations	—	13.8	—	13.8
Marketable equity securities	980.1	—	—	980.1
Asset-backed securities	—	58.1	—	58.1
Total available-for-sale investments (b)	980.1	352.3	—	1,332.4
Forward foreign exchange contracts (c)	—	0.4	—	0.4
Total financial assets carried at fair value	\$1,001.7	\$367.9	\$—	\$1,369.6
Financial Liabilities Carried at Fair Value:				
Forward foreign exchange contracts (d)	\$—	\$1.0	\$—	\$1.0
Contingent consideration (e)	—	—	26.7	26.7
Total financial liabilities carried at fair value	\$—	\$1.0	\$26.7	\$27.7

Financial assets and liabilities carried at fair value and measured on a recurring basis as of December 31, 2016 are classified in the hierarchy as follows (in millions):

	Level 1	Level 2	Level 3	Total
<b>Financial Assets Carried at Fair Value:</b>				
<b>Cash equivalents:</b>				
Commercial paper	\$—	\$14.1	\$—	\$14.1
Foreign time deposits	11.8	—	—	11.8
Domestic time deposits	—	20.0	—	20.0
U.S. government sponsored agencies	—	1.1	—	1.1
Money market funds	5.9	—	—	5.9
Total cash equivalents (a)	17.7	35.2	—	52.9
<b>Restricted investment:</b>				
<b>Available-for-sale investments:</b>				
Corporate debt securities	—	179.4	—	179.4
U.S. government sponsored agencies	—	82.5	—	82.5
Foreign government obligations	—	4.4	—	4.4
Brokered certificates of deposit	—	3.6	—	3.6
Municipal obligations	—	15.4	—	15.4
Marketable equity securities	767.8	—	—	767.8
Asset-backed securities	—	62.5	—	62.5
Total available-for-sale investments (b)	767.8	347.8	—	1,115.6
Forward foreign exchange contracts (c)	—	0.6	—	0.6
Total financial assets carried at fair value	\$790.1	\$383.6	\$—	\$1,173.7
<b>Financial Liabilities Carried at Fair Value:</b>				
Forward foreign exchange contracts (d)	\$—	\$1.3	\$—	\$1.3
Contingent consideration (e)	—	—	38.5	38.5
Total financial liabilities carried at fair value	\$—	\$1.3	\$38.5	\$39.8

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

(b) Available-for-sale investments are included in the following accounts in the Condensed Consolidated Balance Sheets (in millions):

	June 30, 2017	December 31, 2016
Short-term investments	\$391.3	\$ 383.2
Other investments	941.1	732.4
Total	\$1,332.4	\$ 1,115.6

(c) Forward foreign exchange contracts in an asset position are included in Other current assets in the Condensed Consolidated Balance Sheets.

(d) Forward foreign exchange contracts in a liability position are included in Other current liabilities in the Condensed Consolidated Balance Sheets.



(e) Contingent consideration liability is included in the following accounts in the Condensed Consolidated Balance Sheets (in millions):

	June 30, December 31,	
	2017	2016
Other current liabilities	\$ 3.2	\$ 14.5
Other long-term liabilities	23.5	24.0
Total	\$ 26.7	\$ 38.5

In 2012, we recognized a contingent consideration liability for certain milestones of \$44.6 million upon our acquisition of a cell sorting system from Propel. Since 2012, we have paid \$32.0 million upon reaching the milestones and have reduced the valuation of the milestones by \$12.6 million. The remaining liability of \$3.1 million was paid in February 2017.

During the first quarter of 2016, we recognized a contingent consideration liability upon our acquisition of a high performance analytical flow cytometer platform from Propel. At the acquisition date, the amount of contingent consideration was determined based on a probability-weighted income approach related to the achievement of sales milestones, ranging from 39% to 20% for the calendar years 2017 through 2020. The sales milestones could potentially range from \$0 to an unlimited amount through December 31, 2020. The contingent consideration was accrued at its estimated fair value of \$26.7 million as of June 30, 2017.

The following table provides a reconciliation of the Level 3 cell sorting system and analytical flow cytometer platform contingent consideration liabilities measured at estimated fair value (in millions):

January 1, 2017	\$28.5
<u>Cell sorting system:</u>	
Payment of sales milestone	(3.1 )
<u>Analytical flow cytometer platform:</u>	
Increase in estimated fair value of contingent consideration included in Selling, general and administrative expense	1.3
June 30, 2017	\$26.7

analytical flow cytometer platform

June 30, 2017

	Valuation Technique	Unobservable Input
Analytical flow cytometer platform	Probability-weighted income approach	<u>Sales milestones:</u>
		Discount rate 10.5 %
		Cost of debt 4.3 %

In 2014, we recognized a contingent consideration liability upon our acquisition of GnuBIO, Inc. The contingent consideration for the milestones was valued at \$10.7 million at the acquisition date based on assumptions regarding the probability of achieving the milestones, with such amounts discounted to present value. The contingent

15

---

consideration was revalued to a fair value of \$10.0 million as of December 31, 2016 and was reversed to selling, general and administrative expenses during the first quarter of 2017 due to reaching a favorable outcome with GnuBIO, Inc.

To estimate the fair value of Level 2 debt securities as of June 30, 2017 and December 31, 2016, our primary pricing provider uses S&P Capital IQ as the primary pricing source. Our pricing process allows us to select a hierarchy of pricing sources for securities held. The chosen pricing hierarchy for our Level 2 securities, other than certificates of deposit and commercial paper, is S&P Capital IQ as the primary pricing source and then our custodian as the secondary pricing source. If S&P Capital IQ does not price a Level 2 security that we hold, then the pricing provider will utilize our custodian supplied pricing.

For commercial paper as of June 30, 2017 and December 31, 2016, pricing is determined by a straight-line calculation, starting with the purchase price on the date of purchase and increasing to par at maturity. Interest bearing certificates of deposit and commercial paper are priced at par.

Our pricing provider performs daily reasonableness testing of the S&P Capital IQ prices. Price changes of 5% or greater are investigated and resolved. In addition, we perform a quarterly testing of the S&P Capital IQ prices to custodian reported prices. Price differences outside a tolerable variance of approximately 1% are investigated and resolved.

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

	June 30, 2017			Estimated Fair Value
	Amortized Cost	Unrealized Gains	Unrealized Losses	
Short-term investments:				
Corporate debt securities	\$201.6	\$ 0.4	\$ (0.3 )	\$ 201.7
Brokered certificates of deposit	3.6	—	—	3.6
Municipal obligations	13.8	—	—	13.8
Asset-backed securities	57.9	0.1	(0.1 )	57.9
U.S. government sponsored agencies	72.4	0.1	(0.4 )	72.1
Foreign government obligations	3.0	—	—	3.0
Marketable equity securities	32.5	7.0	(0.3 )	39.2
	384.8	7.6	(1.1 )	391.3
Long-term investments:				
Marketable equity securities	54.5	886.4	—	940.9
Asset-backed securities	0.2	—	—	0.2
	54.7	886.4	—	941.1
Total	\$439.5	\$ 894.0	\$ (1.1 )	\$ 1,332.4

	December 31, 2016			Estimated Fair Value
	Amortized Cost	Unrealized Gains	Unrealized Losses	
Short-term investments:				
Corporate debt securities	\$179.7	\$ 0.2	\$ (0.5 )	\$ 179.4
Brokered certificates of deposit	3.6	—	—	3.6
Municipal obligations	15.5	—	(0.1 )	15.4
Asset-backed securities	62.2	0.1	(0.1 )	62.2
U.S. government sponsored agencies	83.1	0.1	(0.7 )	82.5
Foreign government obligations	4.4	—	—	4.4
Marketable equity securities	32.4	3.7	(0.4 )	35.7
	380.9	4.1	(1.8 )	383.2
Long-term investments:				
Marketable equity securities	54.5	677.6	—	732.1
Asset-backed securities	0.3	—	—	0.3
	54.8	677.6	—	732.4
Total	\$435.7	\$ 681.7	\$ (1.8 )	\$ 1,115.6

The unrealized gains of our long-term marketable equity securities are primarily due to our investment in Sartorius AG preferred shares.

The following is a summary of investments with gross unrealized losses and the associated fair value (in millions):

	June 30, 2017	December 31, 2016
Fair value of investments in a loss position 12 months or more	\$ 8.1	\$ 11.8
Fair value of investments in a loss position less than 12 months	\$ 164.8	\$ 160.5
Gross unrealized losses for investments in a loss position 12 months or more	\$ 0.3	\$ 0.3
Gross unrealized losses for investments in a loss position less than 12 months	\$ 0.8	\$ 1.5

The unrealized losses on these securities are due to a number of factors, including changes in interest rates, changes in economic conditions and changes in market outlook for various industries, among others. Because Bio-Rad has the ability and intent to hold these investments with unrealized losses until a recovery of fair value, or for a reasonable period of time sufficient for a forecasted recovery of fair value, which may be maturity, we do not consider these investments to be other-than-temporarily impaired at June 30, 2017 or at December 31, 2016.

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 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 denominated primarily in currencies of industrial countries, are recorded at their fair value at each balance sheet date. The notional principal amounts provide one measure of the transaction volume outstanding as of June 30, 2017 and do not represent the amount of Bio-Rad's exposure to loss. The estimated fair value of these contracts was derived using the spot rates from Reuters 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 included in Foreign currency exchange



losses, net in the Condensed Consolidated Statements of Income.

17

---

The following is a summary of our forward foreign exchange contracts (in millions):

	June 30, 2017
Contracts maturing in July through September 2017 to sell foreign currency:	
Notional value	\$ 76.8
Unrealized loss	\$ 0.2
Contracts maturing in July through September 2017 to purchase foreign currency:	
Notional value	\$ 327.0
Unrealized loss	\$ 0.4

The following is a summary of the amortized cost and estimated fair value of our debt securities at June 30, 2017 by contractual maturity date (in millions):

	Amortized Cost	Estimated Fair Value
Mature in less than one year	\$ 156.2	\$ 156.2
Mature in one to five years	144.9	144.9
Mature in more than five years	51.4	51.2
Total	\$ 352.5	\$ 352.3

The estimated fair value of financial instruments that are not recognized at fair value in the Condensed Consolidated Balance Sheets and are included in Other investments, are presented in the table below. Fair value has been determined using significant observable inputs, including quoted prices in active markets for similar instruments.

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 investments include financial instruments, the majority of which have fair value based on similar, actively traded stock adjusted for various discounts, including a discount for marketability. Long-term debt, excluding leases and current maturities, has an estimated fair value based on quoted market prices for the same or similar issues.

The estimated fair value of the financial instruments discussed above and the level of the fair value hierarchy within which the fair value measurement is categorized are as follows (in millions):

	June 30, 2017			December 31, 2016		
	Carrying Amount	Estimated Fair Value	Fair Value Hierarchy Level	Carrying Amount	Estimated Fair Value	Fair Value Hierarchy Level
Other investments	\$93.7	\$ 1,265.8	2	\$92.8	\$ 984.2	2
Total long-term debt, excluding leases and current maturities	\$422.8	\$ 456.7	2	\$422.5	\$ 454.2	2

We own shares of ordinary voting stock of Sartorius AG (Sartorius), of Goettingen, Germany, a process technology supplier to the biotechnology, pharmaceutical, chemical and food and beverage industries. We own over 35% of the outstanding voting shares (excluding treasury shares) of Sartorius as of June 30, 2017. 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 the ability to exercise significant

influence over the operating and financial policies of Sartorius. We account for this investment using the cost method. The carrying value of this investment is included in Other investments in our Condensed Consolidated Balance Sheets. As the stock is thinly traded and in conjunction with the valuation method discussed above, we have classified the estimated fair value as Level 2. The Level 2 classification is appropriate given the valuation method employed, which incorporates an observable input of the fair value of the Sartorius' actively traded preferred stock.

#### **4. GOODWILL AND OTHER PURCHASED INTANGIBLE ASSETS**

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

	Life Science	Clinical Diagnostics	Total
Balances as of January 1, 2017:			
Goodwill	\$207.1	\$ 311.7	\$518.8
Accumulated impairment losses	(27.2 )	(14.5 )	(41.7 )
Goodwill, net	179.9	297.2	477.1
Acquisitions	36.2	—	36.2
Currency fluctuations	0.4	16.6	17.0

Balances as of June 30, 2017:

Goodwill	243.7	328.3	572.0
Accumulated impairment losses	(27.2 )	(14.5 )	(41.7 )
Goodwill, net	\$216.5	\$ 313.8	\$530.3

In conjunction with the purchase of all the issued and outstanding stock of RainDance Technologies, Inc. in February 2017 (see Note 2, "Acquisitions"), we recorded \$36.2 million of goodwill and \$35.0 million for licenses.

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):

	June 30, 2017			Net
	Average Remaining Life (years)	Purchase Price	Accumulated Amortization	Carrying Amount
Customer relationships/lists	1-8	\$ 90.0	\$ (59.5 )	\$ 30.5
Know how	1-9	190.2	(149.2 )	41.0
Developed product technology	2-12	129.8	(63.3 )	66.5
Licenses	2-14	74.8	(33.9 )	40.9
Tradenames	4-7	3.6	(2.7 )	0.9
Covenants not to compete	2-9	7.9	(2.9 )	5.0
Total definite-lived intangible assets		\$ 496.3	\$ (311.5 )	\$ 184.8

	December 31, 2016			
	Average Remaining Life (years)	Purchase Price	Accumulated Amortization	Net Carrying Amount
Customer relationships/lists	1-8	\$ 84.4	\$ (52.8 )	\$ 31.6
Know how	1-9	182.6	(136.9 )	45.7
Developed product technology	3-12	125.9	(56.3 )	69.6
Licenses	1-9	39.0	(30.6 )	8.4
Tradenames	4-8	3.5	(2.5 )	1.0
Covenants not to compete	2-9	7.8	(2.5 )	5.3
Total definite-lived intangible assets		\$ 443.2	\$ (281.6 )	\$ 161.6

Amortization expense related to purchased intangible assets is as follows (in millions):

	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017	2016
Amortization expense	\$8.7	\$9.6	\$15.6
			\$19.0

Amortization expense \$8.7 \$9.6 \$15.6 \$19.0

### **5.PRODUCT WARRANTY LIABILITY**

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

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

January 1, 2017	\$17.6
Provision for warranty	13.9
Actual warranty costs	(13.8 )
June 30, 2017	\$17.7

**6. LONG-TERM DEBT**

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

	June 30, December 31,	
	2017	2016
4.875% Senior Notes due 2020 principal amount	\$425.0	\$ 425.0
Less unamortized discount and debt issuance costs	(2.2 )	(2.5 )
Long-term debt less unamortized discount and debt issuance costs	422.8	422.5
Capital leases and other debt	12.1	12.0
	434.9	434.5
Less current maturities	(0.5 )	(0.3 )
Long-term debt	\$434.4	\$ 434.2

*Senior Notes due 2020*

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. Certain covenants apply at each year end to the 4.875% Notes including limitations on the following: liens, sale and leaseback transactions, mergers, consolidations or sales of assets and other covenants. There are no restrictive covenants relating to total indebtedness, interest coverage, stock repurchases, recapitalizations, dividends and distributions to shareholders or current ratios.

*Credit Agreement*

In June 2014, Bio-Rad entered into a \$200.0 million unsecured Credit Agreement. Borrowings under the Credit Agreement are on a revolving basis and can be used to make permitted acquisitions, for working capital and for other general corporate purposes. We had no outstanding borrowings under the Credit Agreement as of June 30, 2017 or December 31, 2016, however \$0.5 million was utilized for domestic standby letters of credit that reduced our borrowing availability as of June 30, 2017. The Credit Agreement matures in June 2019. If we had borrowed against our Credit Agreement, the borrowing rate would have been 2.55% at June 30, 2017.

The Credit Agreement requires 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 and create liens. We were in compliance with all of these ratios and covenants as of June 30, 2017.

## 7. ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income included in our Condensed Consolidated Balance Sheets consists of the following components (in millions):

	Foreign currency translation adjustments	Foreign other post-employment benefits adjustments	Net unrealized holding gains on available-for-sale investments	Total accumulated other comprehensive income
Balances as of January 1, 2017:	\$ 1.3	\$ (18.6	) \$ 435.0	\$ 417.7
Other comprehensive income (loss), before reclassifications	60.5	(2.5	) 213.2	271.2
Amounts reclassified from Accumulated other comprehensive income	—	—	—	—
Income tax effects	—	0.5	(78.5	) (78.0
Other comprehensive income (loss), net of income taxes	60.5	(2.0	) 134.7	193.2
Balances as of June 30, 2017:	\$ 61.8	\$ (20.6	) \$ 569.7	\$ 610.9
	Foreign currency translation adjustments	Foreign other post-employment benefits adjustments	Net unrealized holding gains on available-for-sale investments	Total accumulated other comprehensive income
Balances as of January 1, 2016:	\$ 33.7	\$ (20.7	) \$ 369.1	\$ 382.1
Other comprehensive income (loss), before reclassifications	19.5	(0.6	) 92.3	111.2
Amounts reclassified from Accumulated other comprehensive income	—	0.6	(0.5	) 0.1
Income tax effects	—	(0.1	) (33.8	) (33.9
Other comprehensive income (loss), net of income taxes	19.5	(0.1	) 58.0	77.4
Balances as of June 30, 2016:	\$ 53.2	\$ (20.8	) \$ 427.1	\$ 459.5

The amounts reclassified out of Accumulated other comprehensive income into the Condensed Consolidated Statements of Income, with presentation location, were as follows:

Components of Comprehensive income	Income before taxes impact (in millions):			Location
	Three Months Ended	Six Months Ended	Three Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2016	
Amortization of foreign other post-employment benefit items	\$0.2	\$(0.3)	\$(0.6)	Selling, general and administrative expense
Net holding (losses) gains on available-for-sale investments	\$(0.2)	\$0.5	\$(0.5)	Other (income) expense, net

Reclassification adjustments are calculated using the specific identification method.





**8. EARNINGS PER SHARE**

Basic earnings per share is computed by dividing net income attributable to Bio-Rad by the weighted average number of common shares outstanding for that period. Diluted earnings per share takes into account the effect of dilutive instruments, such as stock options and restricted stock, and uses the average share price for the period in determining the number of potential common shares that are to be added to the weighted average number of shares outstanding.

Potential common shares are excluded from the diluted earnings per share calculation if the effect of including such securities would be anti-dilutive.

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

	Three Months Ended June 30, 2017		Six Months Ended June 30, 2016	
Basic weighted average shares outstanding	29,613	29,398	29,597	29,381
Effect of potentially dilutive stock options and restricted stock awards	393	191	365	168
Diluted weighted average common shares	30,006	29,589	29,962	29,549
Anti-dilutive shares	—	75	15	74

**9. OTHER INCOME AND EXPENSE, NET**

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

	Three Months Ended June 30, 2017		Six Months Ended June 30, 2016	
Interest and investment income	\$(12.0)	\$(10.6)	\$(13.1)	\$(11.9)
Net realized loss (gain) on investments	0.2	(0.6)	(0.1)	(0.5)
Other (income) expense, net	\$(11.8)	\$(11.2)	\$(13.2)	\$(12.4)

**10. INCOME TAXES**

Our effective income tax rate was (350)% and 33% for the three months ended June 30, 2017 and 2016, respectively. Our effective income tax rate was 18% and 36% for the first half of 2017 and 2016, respectively. The effective tax rate for the second quarter of 2017 was unusually low because of discrete tax benefits related to share-based compensation and the transfer of intangibles associated with our European reorganization, combined with low earnings before tax. The effective tax rate for the first half of 2017 was lower primarily due to the second quarter discrete tax benefits.

Our foreign taxes result primarily from income earned in France and Switzerland. Many jurisdictions in which we operate including Switzerland and Singapore have statutory tax rates that are significantly lower than the U.S. statutory tax rate of 35%.

Our income tax returns are audited by U.S. federal, state and foreign tax authorities. We are currently under examination by many of these tax authorities. There are differing interpretations of tax laws and regulations, and as a result, significant disputes may arise with these tax authorities involving issues of the timing and amount of deductions and allocations of income among various tax jurisdictions. We evaluate our exposures associated with our tax filing positions on a quarterly basis.

We record liabilities for unrecognized tax benefits related to uncertain tax positions. We do not believe any currently pending uncertain tax positions will have a material adverse effect on our condensed consolidated financial statements, although an adverse resolution of one or more of these uncertain tax positions in any period may have a material impact on the results of operations for that period.

As of June 30, 2017, based on the expected outcome of certain examinations or as a result of the expiration of statute of limitations for certain jurisdictions, we believe that within the next 12 months it is reasonably possible that our previously unrecognized tax benefits could decrease by approximately \$3.5 million. Substantially all such amounts will favorably impact our effective income tax rate.

**11. SEGMENT INFORMATION**

Information regarding industry segments for the three months ended June 30, 2017 and 2016 is as follows (in millions):

	Life Science	Clinical Diagnostics	Other Operations
Segment net sales	2017\$179.4	\$ 322.1	\$ 3.2
	2016\$180.0	\$ 333.7	\$ 3.1
Segment net (loss) profit	2017\$(23.0 )	\$ 17.9	\$ 0.2
	2016\$(5.1 )	\$ 23.9	\$ (0.3 )

Information regarding industry segments for the six months ended June 30, 2017 and 2016 is as follows (in millions):

	Life Science	Clinical Diagnostics	Other Operations
Segment net sales	2017\$353.6	\$ 644.4	\$ 6.7
	2016\$345.8	\$ 635.4	\$ 6.8
Segment net (loss) profit	2017\$(41.8 )	\$ 58.9	\$ 0.4
	2016\$(8.4 )	\$ 48.6	\$ 0.1

Segment results are presented in the same manner as we present our operations internally to make operating decisions and assess performance. Net corporate operating, interest and other expense for segment results consists of receipts and expenditures that are not the primary responsibility of segment operating management and therefore are not allocated to the segments for performance assessment by our chief operating decision maker. Interest expense is charged to segments based on the carrying amount of inventory and receivables employed by that segment. During the second quarter of 2017, our Clinical Diagnostics segment had an asset purchase for an early stage device for \$7.5 million that was recorded in Research and development expense. See Note 13 for a discussion of restructuring costs. The following reconciles total segment profit to consolidated income before taxes (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Total segment (loss) profit	\$(4.9)	\$18.5	\$17.5	\$40.3
Foreign currency exchange losses, net	(2.5 )	(1.2 )	(4.3 )	(2.4 )
Net corporate operating, interest and other expense not allocated to segments	(3.3 )	(1.6 )	(5.1 )	(3.2 )
Other income (expense), net	11.8	11.2	13.2	12.4
Consolidated income before income taxes	\$1.1	\$26.9	\$21.3	\$47.1

## 12. LEGAL PROCEEDINGS

On January 23, 2015, the City of Riviera Beach General Employees' Retirement System filed a shareholder derivative lawsuit in the Superior Court of California, Contra Costa County, against three of our then current directors and one former director. We were also named as a nominal defendant. In the complaint, the plaintiff alleged that our directors breached their fiduciary duty of loyalty by failing to ensure that we had sufficient internal controls and systems for compliance with the Foreign Corrupt Practices Act ("FCPA"); that we failed to provide adequate training on the FCPA; and that based on these actions, the directors had been unjustly enriched. Purportedly seeking relief on our behalf, the plaintiff sought an award of restitution and unspecified damages, costs and expenses (including attorneys' fees). On April 23, 2015, we and the individual defendants filed a demurrer requesting dismissal of the complaint in this case. The demurrer was heard on August 6, 2015, and the Court granted the demurrer for failure to make a demand on our Board of Directors on August 17, 2015, but provided leave to amend. On September 4, 2015, the plaintiff filed an amended complaint and simultaneously served a litigation demand letter on our Board of Directors ("Board") via its counsel in this action. The letter demanded that we investigate and bring appropriate legal action against certain individuals, including the defendants in the City of Riviera Beach case and six current and former employees. The plaintiff also moved for a temporary stay in the proceedings, purportedly to enable the Board to respond to the demand. The Board formed a Demand Review Committee to respond to the demand. On February 24, 2016, the Demand Review Committee reported to the Board that it had concluded its investigation and unanimously

determined that it was not in the best interests of the

25

---

Company and its stockholders to pursue litigation against any individuals named in the City of Riviera Beach's litigation demand letter. On October 6, 2015, we and the individual defendants filed a second demurrer, seeking to dismiss the case for failure to make a timely pre-suit demand. The case was stayed pending mediation. The caption was City of Riviera Beach General Employees' Retirement System v. Schwartz et al., Case No. C-15-00140. The lawsuit and demand letter are referred to collectively as the "California Action".

On August 13, 2015 and August 18, 2015, respectively, each of International Brotherhood of Electrical Workers Local 38 Pension Fund and Wayne County Employees' Retirement System filed a stockholder derivative complaint in the Delaware Court of Chancery against four of our then current directors and one former director. We were named as a nominal defendant in the complaints. The complaints alleged that the defendants failed to cause us to develop internal controls sufficient to ensure our compliance with the FCPA. The plaintiffs asserted claims for breach of fiduciary duty and unjust enrichment and requested an award of the damages we sustained as a result of the alleged violations, among other relief. The two lawsuits were consolidated on August 27, 2015. The case was stayed pending mediation. The caption of the consolidated case is In re Bio-Rad Laboratories, Inc. Stockholder Litigation, Consol. C.A. No. 11387-VCN (Del. Ch.). The cases filed in the Delaware Court of Chancery, together with the California Action, are referred to collectively as the "Derivative Actions".

The parties filed a Stipulation dated November 4, 2016 with the Superior Court of California for Contra Costa County that set forth the terms of a proposed settlement of the Derivative Actions. The proposed settlement included the dismissal with prejudice of all claims asserted in the Derivative Actions, an agreed-upon set of revised corporate procedures, and no monetary payment other than an award of attorneys' fees and costs to the plaintiffs' counsel. We and the other defendants did not admit any liability or fault in connection with the proposed settlement. On December 22, 2016 the Superior Court of California for Contra Costa County issued an order granting preliminary approval of this proposed settlement. The Court held a hearing for final approval of the settlement on March 2, 2017, and the Court approved the settlement.

On May 27, 2015, our former general counsel, Sanford S. Wadler, filed a lawsuit in the U.S. District Court, Northern District of California, against us and four of our then current directors and one former director. The plaintiff's suit alleged whistleblower retaliation in violation of the Sarbanes-Oxley Act and the Dodd-Frank Act for raising FCPA-related concerns. Mr. Wadler also alleged wrongful termination in violation of public policy, non-payment of wages and waiting time penalties in violation of the California Labor Code. The plaintiff sought back pay, compensatory damages for lost wages, earnings, retirement benefits and other employee benefits, compensation for mental pain and anguish and emotional distress, waiting time penalties, punitive damages, litigation costs (including attorneys' fees) and reinstatement of employment. On July 28, 2015 we filed a motion to dismiss the plaintiff's complaint and specifically requested dismissal of the claims alleged against us under the Dodd-Frank Act and California Labor Code 1102.5 and the claims against the directors under the Sarbanes-Oxley Act and the Dodd-Frank Act. On October 23, 2015, the District Court granted our motion with respect to the alleged violations of the Sarbanes-Oxley Act against all the director defendants except Norman Schwartz with prejudice. The Court denied our motion to dismiss the claims under the Dodd-Frank Act as against both us and the director defendants. The trial commenced on January 17, 2017 and concluded on February 6, 2017. Mr. Wadler was awarded \$10.92 million, plus prejudgment interest of \$141,608, post-judgment interest, and Mr. Wadler's litigation costs, expert witness fees, and reasonable attorneys' fees as approved by the Court. We have provided for the judgment, interest and Mr. Wadler's litigation costs. On June 6, 2017 we filed a notice of appeal with the United States Court of Appeals for the Ninth Circuit.

Bio-Rad received three notices of violations from the Bay Area Air Quality Management District ("District"). The District alleges that we operated three (3) power generation units without appropriate monitoring and recordkeeping and exceeded permissible levels of emissions during those operations. We are cooperating with the District and are investigating the allegations. No formal proceeding has been initiated by the District.



We are also party to various other claims, legal actions and complaints arising in the ordinary course of business. We cannot at this time reasonably estimate a range of exposure, if any, of the potential liability with respect to these matters. While 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, 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. RESTRUCTURING COSTS

For the three and six months ended June 30, 2017, we recorded less than \$0.1 million related to restructuring actions that include the elimination or relocation of various positions. These actions are generally intended to streamline and focus our efforts and more properly align our cost structure with projected future revenue streams.

The following table summarizes the activity of our restructuring reserves for severance (in millions):

	<u>Life Science</u>	<u>Clinical Diagnostics</u>	<u>Total</u>
Balance at December 31, 2016	\$ 3.2	\$ 5.8	\$9.0
Charged to expense	—	—	—
Adjustment to expense	—	—	—
Cash payments	(0.7 )	(1.2 )	(1.9 )
Foreign currency translation losses	0.3	0.4	0.7
Balance at June 30, 2017	\$ 2.8	\$ 5.0	\$7.8

In May, 2016, management announced that it will take certain actions in our Europe geographic region designed to better align expenses to our revenue and gross margin profile and position us for improved operating performance. These actions, aligned with creation and evolution of our organization structure and coordinated with the implementation of our global single instance ERP platform, are expected to be incurred through 2019. As a result, we recorded less than \$0.1 million of adjustments in restructuring charges related to severance and other employee benefits for the three and six months ended June 30, 2017. The liability of \$7.8 million as of June 30, 2017 encompassed a short-term liability of \$5.2 million and a long-term liability of \$2.6 million, and is anticipated to be paid through 2019. The amounts recorded were reflected in Cost of goods sold of less than \$0.1 million and \$(0.2) million, and in Selling, general and administrative expense of less than \$0.1 million and \$0.2 million in the Condensed Consolidated Statements of Income for the three and six months ended June 30, 2017, respectively. The amounts adjusted were primarily due to employees finding other positions within Bio-Rad or leaving prematurely.

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

This discussion should be read in conjunction with the information contained in both our Consolidated Financial Statements for the year ended December 31, 2016 and the financial statements for the three and six months ended June 30, 2017.

**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 reportable segments, Life Science and Clinical Diagnostics, with the mission to provide scientists with specialized tools needed for biological research and clinical diagnostics.

We sell more than 8,000 products and services to a diverse client base comprised of scientific research, healthcare, education and government customers worldwide. We do not disclose quantitative information about our different products and services as it is impractical to do so based primarily on the numerous products and services that we sell and the global markets that we serve.

We manufacture and supply our customers with a range of reagents, apparatus and equipment to separate complex chemical and biological materials and to identify, analyze and purify components. Because our customers require standardization for their experiments and test results, much of our revenues are recurring.

We are impacted by the support of many governments for both research and healthcare. The current global economic outlook is still uncertain as the need to control government social spending by many governments limits opportunities for growth. Adding to this uncertainty was the referendum in the United Kingdom to withdraw from the European Union, and a change in the U.S. executive branch of government. Approximately 39% of our year-to-date 2017 consolidated net sales are derived from the United States and approximately 61% are derived from international locations, with Europe being our largest international region. The international sales are largely denominated in local currencies such as the Euro, Swiss Franc, Japanese Yen, Chinese Yuan and British Sterling. As a result, our consolidated net sales expressed in dollars benefit when the U.S. dollar weakens and suffer when the dollar strengthens. When the U.S. dollar strengthens, we benefit from lower cost of sales from our own international manufacturing sites as well as non-U.S. suppliers, and from lower international operating expenses. We regularly discuss our changes in revenue and expense categories in terms of both changing foreign exchange rates and in terms of a currency neutral basis, if notable, to explain the impact currency has on our results.

In February 2017, we acquired all the issued and outstanding stock of RainDance Technologies, Inc. (RainDance) for approximately \$76.6 million including certain assumed net liabilities. Cash payments at closing were \$72.8 million. In addition, we had a cash payment of \$10.0 million for a one-time expense associated with the acquisition that was recorded in Cost of goods sold. The acquisition was included in our Life Science segment's results of operations from the acquisition date and was accounted for as a business combination. RainDance's foundational intellectual property portfolio and product lines encompass a wide range of biological reactions in droplets, with potential applications in life science research and clinical research. These genomic tools provide ultra-sensitive detection of genetic variations in cancer as well as inherited and infectious diseases, enabling research in areas such as non-invasive liquid biopsy. We believe that RainDance's droplet-based solutions will extend our reach into next-generation sequencing applications and strengthen our position in the area of Droplet Digital™ PCR, offering customers with solutions for a wide range of nucleic acid detection applications. See Note 2 to the condensed consolidated financial statements.

The preliminary allocation of the payments were \$10.0 million for the one-time expense, \$35.0 million to purchased intangibles consisting primarily of a large patent and license portfolio, limited know how and customer relationships, \$3.8 million to assumed net liabilities, and \$36.2 million to goodwill. We recorded a deferred tax liability of \$12.9



million related to the purchased intangibles and a deferred tax asset of \$18.3 million related to the acquired net operating losses. The purchase price allocation is preliminary as additional time is required to complete the valuation of the intangibles.

28

---

In January 2016, we acquired a high performance analytical flow cytometer platform from Propel Labs (Propel) that will enable advanced and novice users to perform basic and multi-parameter cytometry for a wide range of applications and chemistries. This asset acquisition was accounted for as a business combination and is included in our Life Science segment's results of operations from the acquisition date. The fair values of the net assets acquired from Propel as of the acquisition date were determined to be \$32.7 million of definite-lived intangible assets and \$0.1 million of goodwill.

The fair value of the consideration as of the acquisition date was \$32.8 million, which included \$9.5 million paid in cash at the closing date and \$23.3 million in contingent consideration potentially payable to Propel. The amount of contingent consideration was determined based on a probability-weighted income approach related to the achievement of sales milestones, ranging from 39% to 20% for the calendar years 2017 through 2020. The sales milestones could potentially range from \$0 to an unlimited amount through December 31, 2020. The contingent consideration was accrued at its estimated fair value of \$26.7 million as of June 30, 2017.

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

	Three Months Ended June 30, 2017		Six Months Ended June 30, 2016	
	2017	2016	2017	2016
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	45.8	45.8	45.9	44.9
Gross profit	54.2	54.2	54.1	55.1
Selling, general and administrative expense	42.2	39.8	40.6	40.0
Research and development expense	12.4	9.6	11.2	10.0
Net income	1.0	3.5	1.7	3.1

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

As previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016, we have identified accounting for income taxes, valuation of goodwill and long-lived assets, valuation of inventories, warranty reserves, valuation of investments, allowance for doubtful accounts and litigation accruals as the accounting policies and estimates critical to the operations of Bio-Rad.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably likely to occur could materially impact the financial statements. Management believes that there have been no significant changes during the three and six months ended June 30, 2017 to the items that we disclosed as our critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016. For a full discussion of these policies and estimates, please refer to our Form 10-K for the period ended December 31, 2016 filed with the SEC.

**Three Months Ended June 30, 2017 Compared to  
Three Months Ended June 30, 2016**

***Results of Operations -- Sales, Margins and Expenses***

Net sales (sales) for the second quarter of 2017 were \$504.7 million compared to \$516.8 million in the second quarter of 2016, a decrease of 2.3%. Excluding the impact of foreign currency, second quarter 2017 sales decreased by approximately 1.6% compared to the same period in 2016. Currency neutral sales decreased primarily in Europe and the U.S. In anticipation of going live with the third deployment of our global single instance ERP system in Western Europe that was implemented in April 2017, the sales decline during the second quarter of 2017, especially in Clinical Diagnostics, was impacted due to customers ordering essential products during the first quarter of 2017 to avoid disruption to their operations. Additionally, a slowing of productivity in our supply chain operations occurred associated with the transition to a new ERP system in Western Europe, which had a substantial negative impact on sales during the second quarter of 2017.

The Life Science segment sales for the second quarter of 2017 were \$179.4 million, a decrease of 0.3% compared to the same period last year. On a currency neutral basis, sales increased 0.3% compared to the second quarter in 2016. The currency neutral sales increase was primarily in our Droplet Digital™ PCR product line and the RainDance acquisition, partially offset by a decline in process chromatography mostly due to customer ordering patterns. Currency neutral sales increases occurred in North America and Asia Pacific, excluding Japan. Declines occurred in Europe that were related to the ERP deployment, and in Latin America.

The Clinical Diagnostics segment sales for the second quarter of 2017 were \$322.1 million, a decrease of 3.5% compared to the same period last year. On a currency neutral basis, sales decreased 2.7% compared to the second quarter in 2016. Currency neutral sales decrease was primarily attributable to declines in infectious disease and immuno-hematology product lines, both with major manufacturing in Europe and participants in the current ERP deployment. On a geographic view, currency neutral sales for the quarter were down in Europe and the Americas, partially offset by growth in Asia Pacific.

Consolidated gross margins were 54.2% for the second quarter of 2017, were flat compared to 54.2% for the second quarter of 2016. Included in the second quarter of 2016 was \$1.7 million for restructuring costs. Life Science segment gross margins for the second quarter of 2017 decreased from the prior year period by approximately 1.9 percentage points primarily due to lower margins in cell biology, food science and gene expression, and higher acquisition intangible amortization, partially offset by antibody and protein quantification margin increases. Clinical Diagnostics segment gross margins for the second quarter of 2017 increased by approximately 0.8 percentage points from the same period last year. The increase compared to the second quarter of 2016 was primarily driven by lower amortization of intangibles and favorable manufacturing variances versus the prior year period.

Selling, general and administrative expenses (SG&A) increased to \$213.0 million or 42.2% of sales for the second quarter of 2017 compared to \$205.5 million or 39.8% of sales for the second quarter of 2016. Increases to SG&A primarily included professional fees and other temporary support, primarily related to our latest ERP deployment, and increase for the inclusion of RainDance, facilities, contingent consideration and software. Employee-related expenses, our largest cost, included increased annual salary and benefit costs in the second quarter of 2017. Also during the current quarter, a transition took place from local sales and finance support to a new European shared services center, resulting in higher employee-related costs during the transition. Reductions in headcount and expense are expected to begin in the third quarter of 2017. In the second quarter of 2016, we recorded 10.0 million of restructuring costs associated with the European reorganization announced in June 2016 (see Note 13).

Research and development expense (R&D) increased to \$62.6 million or 12.4% of sales in the second quarter of 2017 compared to \$49.8 million or 9.6% of sales in the second quarter of 2016. Life Science segment R&D increased in the second quarter of 2017 from the prior year period primarily due to milestone expense of \$4.0

million in the second quarter of 2017 associated with the Propel 2016 acquisition, and increased project activities, including our recent RainDance acquisition. Clinical Diagnostics segment R&D increased in the second quarter of 2017 from the prior year period primarily driven by an asset purchase for an early stage diagnostic device for \$7.5 million. During the second quarter of 2016, we impaired an intellectual property license associated with a R&D project for \$2.4 million.

### ***Results of Operations – Non-operating***

Interest expense for the second quarter of 2017 increased to \$5.8 million compared to \$5.6 million for the second quarter of 2016 primarily due to lower capitalization of interest expense as the third deployment of our global single instance ERP platform was implemented in April 2017 in Europe. As we implement the remaining phases of the ERP platform, we expect capitalized interest to be lower going forward as the largest segments of our deployment are now complete.

Foreign currency exchange gains and losses consist primarily of foreign currency transaction gains and losses on intercompany net receivables and payables and the change in fair value of our forward foreign exchange contracts used to manage our foreign currency exchange risk. Foreign currency exchange losses, net for the quarter ended June 30, 2017 increased compared to the prior year period primarily due to the timing of product shipments and intercompany debt payments, and the higher cost of hedging.

Other (income) expense, net for the second quarter of 2017 increased to \$11.8 million income compared to \$11.2 million income for the second quarter of 2016. The increase was due to higher Sartorius dividends in 2017 for the ordinary and preferred shares of our investment in Sartorius AG, partially offset by lower investment income.

Our effective income tax rate was (350)% and 33% for the three months ended June 30, 2017 and 2016, respectively. The effective tax rate for the second quarter of 2017 was unusually low because of discrete tax benefits related to share-based compensation and the transfer of intangibles associated with our European reorganization, combined with low earnings before tax.

Our foreign taxes result primarily from income earned in France and Switzerland. Many jurisdictions in which we operate including Switzerland and Singapore have statutory tax rates that are significantly lower than the U.S. statutory tax rate of 35%.

Our income tax returns are audited by U.S. federal, state and foreign tax authorities. We are currently under examination by many of these tax authorities. There are differing interpretations of tax laws and regulations, and as a result, significant disputes may arise with these tax authorities involving issues of the timing and amount of deductions and allocations of income among various tax jurisdictions. We evaluate our exposures associated with our tax filing positions on a quarterly basis.

We record liabilities for unrecognized tax benefits related to uncertain tax positions. We do not believe any currently pending uncertain tax positions will have a material adverse effect on our condensed consolidated financial statements, although an adverse resolution of one or more of these uncertain tax positions in any period may have a material impact on the results of operations for that period.

Our effective tax rate may be impacted in the future, either favorably or unfavorably, by many factors including, but not limited to, changes in the mix of earnings in the U.S. and jurisdictions with tax rates lower than the U.S. statutory rate, tax benefits from share-based compensation, changes to statutory tax rates, changes in tax laws or regulations, tax audits and settlements, and tax credits.

As of June 30, 2017, based on the expected outcome of certain examinations or as a result of the expiration of statute of limitations for certain jurisdictions, we believe that within the next 12 months it is reasonably possible that our previously unrecognized tax benefits could decrease by approximately \$3.5 million. Substantially all such amounts will positively impact our effective income tax rate.

**Six Months Ended June 30, 2017 Compared to**  
**Six Months Ended June 30, 2016**

***Results of Operations -- Sales, Margins and Expenses***

Net sales (sales) for the first half of 2017 were \$1.0 billion compared to \$988.0 million in the first half of 2016, an increase of 1.7%. Excluding the impact of foreign currency, the first half of 2017 sales increased by approximately 2.3% compared to the same period in 2016. Currency neutral sales increased primarily in Asia Pacific, excluding Japan. Sales were impacted by our transition to a new global ERP system in Western Europe in April 2017, causing a decrease in our supply chain operations.

The Life Science segment sales for the first half of 2017 were \$353.6 million, an increase of 2.3% compared to the same period last year. On a currency neutral basis, sales increased 3.2% compared to the first half of 2016. The currency neutral sales increase was primarily in our Droplet Digital™ PCR product line and the RainDance acquisition, partially offset by a decline in process chromatography mostly due to customer ordering patterns. The currency neutral sales increase was primarily reflected in Asia Pacific, excluding Japan, partially offset by declines in Latin America.

The Clinical Diagnostics segment sales for the first half of 2017 were \$644.4 million, an increase of 1.4% compared to the same period last year. On a currency neutral basis, sales increased 1.9% compared to the first half of 2016. The currency neutral sales increase was primarily attributable to growth across immunology, diabetes and quality control product lines. On a geographic view, currency neutral sales for the first half of 2017 were up in Asia Pacific, and slightly down in North America and Europe.

Consolidated gross margins were 54.1% for the first half of 2017 compared to 55.1% for the first half of 2016. Included in the first half of 2016 was \$1.7 million for restructuring costs. Life Science segment gross margins for the first half of 2017 decreased from the prior year period by approximately 3.3 percentage points primarily due to a \$10.0 million one-time expense associated with the RainDance acquisition and higher acquisition intangible amortization, partially offset by higher margins in antibody, gene expression, protein quantification, and a decline in royalty expense for a license agreement relating to amplification reagents. Clinical Diagnostics segment gross margins for the first half of 2017 increased by approximately 0.2 percentage points from the same period last year. The increase compared to the first half of 2016 was primarily driven by lower amortization of intangibles and favorable manufacturing variances.

Selling, general and administrative expenses (SG&A) increased to \$408.0 million or 40.6% of sales for the first half of 2017 compared to \$395.3 million or 40.0% of sales for the first half of 2016. Increases to SG&A primarily included employee-related expenses, our largest cost, primarily due to increased annual salary and benefit costs starting in the second quarter of 2017. Also during the current quarter, a transition took place from local sales and finance support to a new European shared services center, resulting in higher employee-related costs during the transition. Reductions in headcount and expense are expected to begin in the third quarter of 2017. In the second quarter of 2016, we recorded \$10.0 million of restructuring costs associated with the European reorganization announced in June 2016 (see Note 13). Other increases in the first half of 2017 compared to the prior year period were in professional fees and other temporary support, primarily for the third ERP deployment, and increases for the inclusion of RainDance, facilities and software. These expenses were partially offset by a benefit for contingent consideration. Beginning in June of 2017 and as announced in June 2016 (see Note 13), a reduction in force began, in accordance with various local social plans that will produce future costs reductions from our current level.

Research and development expense (R&D) increased to \$112.1 million or 11.2% of sales in the first half of 2017

compared to \$98.4 million or 10.0% of sales in the first half of 2016. Life Science segment R&D increased in the first half of 2017 from the prior year period primarily due to a milestone expense of \$4.0 million in the second quarter of 2017 associated with the Propel 2016 acquisition, and increased project activities, including our recent RainDance acquisition. Clinical Diagnostics segment R&D increased in the first half of 2017 from the prior year



period primarily driven by an asset purchase for an early stage diagnostic device for \$7.5 million. During the second quarter of 2016, we impaired an intellectual property license associated with a R&D project for \$2.4 million.

***Results of Operations – Non-operating***

Interest expense for the first half of 2017 decreased to \$10.8 million compared to \$11.2 million for the first half of 2016 primarily due to higher capitalization of interest expense associated with the third deployment of our global single instance ERP platform that was implemented in April 2017 in Western Europe. Capitalized interest primarily ceased during the second quarter of 2017 with the implementation of the third deployment of our global ERP platform. As we implement the remaining phases of the ERP platform, we expect capitalized interest to be lower going forward as the largest segments of our deployment are now complete.

Foreign currency exchange gains and losses consist primarily of foreign currency transaction gains and losses on intercompany net receivables and payables and the change in fair value of our forward foreign exchange contracts used to manage our foreign currency exchange risk. Foreign currency exchange losses, net for the first half of 2017 increased compared to the prior year period primarily due to the timing of product shipments and intercompany debt payments.

Other (income) expense, net for the first half of 2017 increased to \$13.2 million income compared to \$12.4 million income for the first half of 2016. The increase was due to higher Sartorius dividends in 2017 for the ordinary and preferred shares of our investment in Sartorius AG, partially offset by lower investment income.

Our effective income tax rate was 18% and 36% for the six months ended June 30, 2017 and 2016, respectively. The effective tax rate for the first half of 2017 was lower primarily because of discrete tax benefits related to share-based compensation and the transfer of intangibles associated with our European reorganization.

Our foreign taxes result primarily from income earned in France and Switzerland. Many jurisdictions in which we operate including Switzerland and Singapore have statutory tax rates that are significantly lower than the U.S. statutory tax rate of 35%.

Our effective tax rate may be impacted in the future, either favorably or unfavorably, by many factors including, but not limited to, changes in the mix of earnings in the U.S. and jurisdictions with tax rates lower than the U.S. statutory rate, tax benefits from share-based compensation, changes to statutory tax rates, changes in tax laws or regulations, tax audits and settlements, and 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, and funding for research and development of new products, as well as routine outflows of capital expenditures, interest and taxes.

Also, additional liquidity is readily available via the sale of short-term investments and access to our domestic \$200.0 million unsecured Credit Agreement, and to a lesser extent international lines of credit. Borrowings under the 2014 Credit Agreement are available on a revolving basis and can be used to make permitted acquisitions, for working capital and for other general corporate purposes. We had no outstanding borrowings under the Credit Agreement as of June 30, 2017, however \$0.5 million was utilized for domestic standby letters of credit that reduced our borrowing availability. The Credit Agreement matures in June 2019. In total under domestic and international lines of credit, standby letters of credit and guarantee arrangements, we had approximately \$207.8 million available for borrowing and usage as of June 30, 2017, which was reduced by approximately \$4.4 million that was utilized for standby letters of credit and guarantee arrangements issued by our banks to support our obligations. 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 an acquisition of reasonable proportion to our existing total available capital.

At June 30, 2017, we had \$712.9 million in cash, cash equivalents and short-term investments, of which approximately 31% was held in our foreign subsidiaries. We believe that our holdings of cash, cash equivalents and short-term investments in the U.S. and in our foreign subsidiaries are sufficient to meet both the current and long-term needs of our global operations. The amount of funds held in the United States can fluctuate due to the timing of receipts and payments in the ordinary course of business and due to other reasons, such as business-development activities. As part of our ongoing liquidity assessments, we regularly monitor the mix of domestic and foreign cash flows (both inflows and outflows). Repatriation of overseas funds will result in additional U.S. federal and state income tax payments. In general, it is our practice and intention to indefinitely reinvest the cash generated by our foreign subsidiaries in our foreign subsidiaries' operations.

Demand for our products and services could change more dramatically than in previous years based on activity, funding, reimbursement constraints 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. As of June 30, 2017 and December 31, 2016, we had accounts receivable, net of an allowance for doubtful accounts, in Spain, Italy, Greece and Portugal of \$39.9 million and \$32.7 million, respectively. While economic growth is improving in some geographical locations, instability still exists in some of the developed nations, such as a less dependable rate of growth in the Chinese economy and in emerging markets, especially those oil producing countries that have been affected by a decline in oil prices, which may adversely affect our future cash flows.

### *Cash Flows from Operations*

Net cash provided by operations was \$6.2 million compared to \$69.7 million for the six months ended June 30, 2017 and 2016, respectively. The decrease in operating cash flows was primarily the net effect of:

- more cash paid to suppliers to close open purchase orders received and related payables to minimize the transition for the third deployment of our ERP system that was implemented in April 2017, and an asset purchase for an early stage diagnostic device for \$7.5 million,
- lower cash received from customers in 2017 primarily due to the implementation of our current ERP deployment, a transitioning workforce, and there was higher cash received in 2016 that resulted from delays in the latter part of 2015 associated with the second deployment of the ERP system,
- higher income tax payments in 2017 compared to 2016 as 2016 included refunds of \$12.1 million of U.S. federal income taxes, and
- higher net payments in 2017 compared to 2016 for forward foreign exchange contracts.

### *Cash Flows from Investing Activities*

Net cash used in investing activities was \$147.7 million compared to \$110.3 million for the six months ended June 30, 2017 and 2016, respectively. The increase of payments for acquisitions and long-term investments was primarily due to more cash paid for the acquisition of RainDance Technologies, Inc. in February 2017 than the acquisition of a high performance analytical flow cytometer platform from Propel in January 2016. Capital expenditures were higher for the six months ended June 30, 2017 compared to the same period last year, reflecting the third phase of the ERP system that was completed in April 2017, in addition to more routine items included in capital expenditures listed below. Purchase of intangibles increased primarily due to a \$3.9 million payment for an acquired technology and know-how to expand our product offerings. Purchases, sales and maturities of marketable securities and investments combined had an overall increase of \$36.7 million primarily due to increases in maturities and lower purchases, slightly offset by lower security sales.

Our investment objective is to maintain liquidity to meet anticipated operational and other corporate requirements in which capital is preserved and increased through investing in low risk, high quality securities with commensurate returns, consistent with our risk tolerance level.

We continue to review possible acquisitions to expand both our Life Science and Clinical Diagnostics segments. We routinely meet with the principals or brokers of the subject companies. We are currently in discussion and assessing a few possible acquisitions in which we expect our current reported cash and cash equivalents to be sufficient for any cash consideration required for these possible acquisitions. However, it is not certain at this time that any of these discussions involving material or significant acquisitions will advance to completion.

Capital expenditures totaled \$65.0 million and \$56.9 million for the six months ended June 30, 2017 and 2016, respectively. Capital expenditures represent the addition and replacement of production machinery and research equipment, ongoing manufacturing and facility additions for expansion, regulatory, environmental and compliance. Also included in capital expenditures are investments in business systems and data communication upgrades and enhancements. All periods include equipment placed with Clinical Diagnostics segment customers who then contract to purchase our reagents for use. As we continue to implement the remaining phases of the ERP platform, we expect capital expenditures to moderate in 2017. The current estimated future project cost for global implementation for the single instance ERP platform is projected to be \$100 million to \$130.0 million, and is estimated to take approximately the next three to four years to fully implement.



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

Net cash used in financing activities was \$0.4 million compared to net cash provided by \$3.3 million for the six months ended June 30, 2017 and 2016, respectively. This decrease for the six months ended June 30, 2017 was primarily due to a decrease in proceeds from the issuance of common stock, and repurchases of Bio-Rad's common stock as indicated below, slightly offset by lower payments of contingent consideration.

We have outstanding Senior Notes of \$425 million, which are not due until 2020. We believe the current cash is sufficient to meet normal operating costs, and funding for research and development of new products, as well as routine outflows of capital expenditures, interest and taxes.

The Board of Directors has authorized the repurchase of up to \$18.0 million of Bio-Rad's common stock, of which \$2.3 million has yet to be repurchased as of June 30, 2017. During the second quarter of 2017, we made open market purchases of 4,000 shares of our Class A common stock. We made these purchases in order to obtain a tax deduction in some of our foreign entities associated with vesting restricted stock units. The Credit Agreement may limit our ability to repurchase our stock. In prior periods, we withheld 122 shares of our Class A common stock and 917 shares of our Class B common stock to satisfy tax obligations due upon the vesting of restricted stock of certain of our employees, which is considered a repurchase of our stock.

### ***Recent Accounting Standards Updates***

In May 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. ("ASU") 2017-09, "Scope of Modification Accounting." ASU 2017-09 clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. ASU 2017-09 will allow companies to make certain changes to awards, such as vesting conditions, without accounting for them as modifications. It does not change the accounting for modifications. ASU 2017-09 will be applied prospectively to awards modified on or after the adoption date. We early adopted ASU 2017-09 during the second quarter of 2017, which has not affected our condensed consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." ASU 2017-07 will change how employers that sponsor defined benefit pension and/or other postretirement benefit plans present the net periodic benefit cost, which is comprised of several components, in the income statement. Under ASU 2017-07, employers will present the service cost component of the net periodic benefit cost in the same income statement line item(s) as other employee compensation costs arising from services rendered during the period, and will be the only costs eligible for capitalization. Employers will present the other components separately from the line item(s) that includes the service cost outside of the subtotal of Income from operations. ASU 2017-07 is effective for fiscal years beginning after December 15, 2017, and interim periods within those years. Employers will apply the guidance on the presentation of the components of net periodic benefit cost in the income statement retrospectively. In several foreign locations, we are statutorily required to provide a lump sum severance or termination indemnity to our employees and are currently evaluating the applicability of ASU 2017-07 to our situation.

In January 2017, the FASB issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment." ASU 2017-04 removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. ASU 2017-04 is effective prospectively for annual and interim periods beginning after December 15, 2019. ASU 2017-04 will provide a more stream-lined approach to evaluating future goodwill impairment and we early adopted on January 1, 2017 on a prospective basis as a change in accounting principle. There

was no impact of ASU 2017-04 on our consolidated financial statements because a goodwill impairment has not occurred after January 1, 2017.

In January 2017, the FASB issued ASU 2017-01, "Clarifying the Definition of a Business." ASU 2017-01 changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. If substantially all of the fair value is concentrated in a single asset or a group of similar assets, the acquired set is not a business. If this is not met, the entity then evaluates whether the set meets the requirement that a business include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Determining whether a set constitutes a business is critical because the accounting for a business combination differs significantly from that of an asset acquisition. We early adopted ASU 2017-01 on January 1, 2017 on a prospective basis.

In November 2016, the FASB issued ASU 2016-18, "Restricted Cash." ASU 2016-18 requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. ASU 2016-18 will be applied retrospectively and is effective for fiscal years beginning after December 15, 2017, and interim periods within those years. We do not expect ASU 2016-18 to have a material impact to our financial statements.

In October 2016, the FASB issued ASU 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory." ASU 2016-16 requires immediate recognition of income tax consequences of intercompany asset transfers, other than inventory transfers. Existing GAAP prohibits recognition of income tax consequences of intercompany asset transfers whereby the seller defers any net tax effect and the buyer is prohibited from recognizing a deferred tax asset on the difference between the newly created tax basis of the asset in its tax jurisdiction and its financial statement carrying amount as reported in the consolidated financial statements. ASU 2016-16 specifically excludes from its scope intercompany inventory transfers whereby the recognition of tax consequences will take place when the inventory is sold to third parties. ASU 2016-16 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. ASU 2016-16 should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. We are currently evaluating the effect ASU 2016-16 will have on our consolidated financial statements.

In August 2016, FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments." ASU 2016-15 is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. We are currently evaluating the effect ASU 2016-15 will have on our consolidated statements of cash flows.

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments." ASU 2016-13 will replace the current incurred loss approach with an expected loss model for instruments measured at amortized cost and require entities to record allowances for available-for-sale debt securities rather than reduce the carrying amount under the current other-than-temporary impairment model. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted for all entities for annual periods beginning after December 15, 2018, and interim periods therein. We are currently evaluating the effect ASU 2016-13 will have on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting." ASU 2016-09 will require all income tax effects of awards to be recognized in the income statement when the awards vest or are settled. It also will allow an employer to repurchase more of an employee's shares than it can today for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. We adopted ASU 2016-09 prospectively as a change in accounting principal on January 1, 2017, and made a policy election to account for forfeitures as they occur. As a result of adopting ASU 2016-09 as of January 1, 2017, the cumulative effect of the change on Retained earnings decreased by \$0.3 million, and increased Additional paid-in

capital and Deferred tax assets by \$0.4 million and \$0.1 million, respectively, in the Condensed Consolidated Balance Sheet.



In March 2016, the FASB issued ASU 2016-07, "Simplifying the Transition to the Equity Method of Accounting," which eliminates the requirement to retrospectively apply the equity method in previous periods when an investor initially obtains significant influence over an investee. Under current guidance, an investor that does not consolidate an investment and initially accounts for it under a method other than the equity method is required to retrospectively apply the equity method in prior periods in which it held the investment when it subsequently obtained significant influence. We adopted ASU 2016-07 on January 1, 2017 on a prospective basis, which currently has not affected our condensed consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases," which will require, among other items, lease accounting to recognize most leases as assets and liabilities on the balance sheet. Qualitative and quantitative disclosures will be enhanced to better understand the amount, timing and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. We do not plan to early adopt. ASU 2016-02 will be adopted on a modified retrospective basis, with elective reliefs, which requires application of ASU 2016-02 for all periods presented. We are currently gathering, documenting and analyzing lease agreements related to this ASU and anticipate material additions to the balance sheet for right-of-use assets, offset by the associated liabilities.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities." Amendments under ASU 2016-01, among other items, require that all equity investments in unconsolidated entities (other than those accounted for using the equity method of accounting) will generally be measured at fair value through earnings. There will no longer be an available-for-sale classification, for which changes in fair value are reported in other comprehensive income, for equity securities with readily determinable fair values. For equity investments without readily determinable fair values, the cost method is also eliminated. However, entities will be able to elect to record equity investments without readily determinable fair values at cost, less impairment, and plus or minus subsequent adjustments for observable price changes. Changes in the basis of these equity investments will be reported in current earnings. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For equity securities that would be affected by ASU 2016-01, see the available-for-sale investments table in Note 3 to the condensed consolidated financial statements. At the time of adoption, we cannot assure whether these same equity securities will be held or what other equity securities we may have.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory." Under current guidance, an entity subsequently measures inventory at the lower of cost or market, with market defined as replacement cost, net realizable value (NRV), or NRV less a normal profit margin. An entity uses current replacement cost provided that it is not above NRV (i.e., the ceiling) or below NRV less an "approximately normal profit margin" (i.e., the floor). ASU 2015-11 eliminates this analysis and requires entities to measure most inventory "at the lower of cost and NRV." We prospectively adopted ASU 2015-11 as a change in accounting principle on January 1, 2017, which did not have a material impact on our condensed consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. In August 2015, the FASB issued ASU 2015-14 to defer the effective date for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted as of the original effective date in ASU 2014-09, which is annual reporting periods beginning after December 15, 2016, however, we will not early adopt. In December 2016, the FASB issued ASU 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers" which affect narrow aspects of the guidance issued in ASU 2014-09. In May 2016, the FASB issued ASU 2016-12, "Narrow-Scope Improvements and Practical Expedients," which amends and clarifies certain aspects in ASU 2014-09 that include collectibility, presentation of sales and other taxes collected from customers, noncash consideration, contract modifications and completed contracts at transition. In April 2016, the FASB issued ASU 2016-10, "Identifying Performance Obligations and Licensing," which amends the guidance in ASU 2014-09 on accounting for licenses of intellectual property and identifying performance obligations. In March 2016, the FASB issued ASU 2016-08, "Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," which amends the principal versus agent guidance in ASU 2014-09. The standards are to be applied retrospectively and permit the use of either the retrospective or cumulative effect transition method. We will use the cumulative effect transition method once we adopt ASUs 2014-09, 2016-20, 2016-12, 2016-10 and 2016-08 on January 1, 2018. We have completed revenue recognition diagnostic surveys across all regions in our decentralized sales contracting process, which is based on local country commercial regulations and practices. We are in the process of assessing individual contracts to identify performance obligations under these ASU's, as compared with the deliverables and separate units of accounting previously identified under current U.S. GAAP, to determine the effect that these ASU's will have on our consolidated financial statements and related disclosures.

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

During the six months ended June 30, 2017, there have been no material changes from the disclosures about market risk provided in our Annual Report on Form 10-K for the year ended December 31, 2016.

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

#### ***Disclosure Controls and Procedures***

We maintain "disclosure controls and procedures," as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act"), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will

succeed in achieving its stated goals under all potential future conditions.

Subject to the limitations noted above, our management, with the participation of our CEO and CFO, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, the CEO and CFO have concluded that, as of such date, our disclosure controls and procedures were effective to meet the objective for which they were designed and operate at the reasonable assurance level.

### ***Changes to Internal Control Over Financial Reporting***

During our quarter ended June 30, 2017, we launched our third deployment of the SAP enterprise resource planning system ("ERP") in Western Europe to support our billing, revenue, inventory management and purchase processes. The implementation of the ERP resulted primarily in changes to reports, interfaces and IT dependent controls. Therefore, we have modified the design and documentation of internal control processes and procedures relating to the new systems to enhance existing internal controls. The system changes were undertaken as an ongoing business initiative to integrate systems amongst our global operations and improve and enhance our internal control over financial reporting and were not undertaken in response to any actual or perceived deficiencies in our internal control over financial reporting.

Except as described in the previous paragraph, we identified no changes in internal control over financial reporting during our quarter ended June 30, 2017 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II – OTHER INFORMATION**

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

See Note 12, "Legal Proceedings" in the Notes to Condensed Consolidated Financial Statements of Part I, Item 1 of this Quarterly Report on Form 10-Q.

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

***Our settlement with government agencies in connection with violations by us of the U.S. Foreign Corrupt Practices Act could have a material adverse effect on our business, results of operations and financial condition.***

As previously disclosed, we entered into a non-prosecution agreement (NPA) with the U.S. Department of Justice (DOJ) and the Securities and Exchange Commission (SEC) and consented to the entry of an Order by the SEC (SEC Order), effective November 3, 2014, which actions resolved both the DOJ and the SEC investigations into our violations of the U.S. Foreign Corrupt Practices Act (FCPA). Under the terms of the NPA and the SEC Order, we agreed to pay a financial penalty and certain amounts in disgorgement and interest as well as to compliance, reporting and cooperation obligations to be performed for two years. On October 28, 2016, the DOJ and SEC informed Bio-Rad that they did not intend to extend the NPA after it expired November 2, 2016.

Whether by virtue of disclosure of the NPA and the SEC Order or otherwise, we may be subject to investigations by foreign governments or further claims by third parties arising from conduct subject to the investigation or our other international operations. For additional information regarding further claims by third parties, see Note 12, "Legal Proceedings" in the Notes to Condensed Consolidated Financial Statements of Part I, Item 1 of this Quarterly Report on Form 10-Q. Many of our customers in our significant international operations are government agencies or state-owned or state-controlled universities, hospitals and laboratories. The disclosure of the NPA and the SEC Order could harm

our reputation with these customers, which could materially adversely affect our business, results of operations and financial condition.

40

---

***Our international operations expose us to additional costs and legal and regulatory risks, which could have a material adverse effect on our business, results of operations and financial condition.***

We have significant international operations. We have direct distribution channels in over 35 countries outside the United States, and during the first six months of 2017 our foreign subsidiaries generated 61% of our net sales. Compliance with complex foreign and U.S. laws and regulations that apply to our international operations increases our cost of doing business. These numerous and sometimes conflicting laws and regulations include, among others, data privacy requirements (including with respect to the invalidation of the U.S.-European Union safe harbor by the European Court of Justice in October 2015, compliance with the EU-U.S. Privacy Shield adopted by the European Commission in July 2016, and the requirements for compliance with the EU General Data Protection Regulation, which takes effect May 25, 2018), labor relations laws, tax laws, anti-competition regulations, import and trade restrictions, export requirements, U.S. laws such as the FCPA and other U.S. federal laws and regulations established by the office of Foreign Asset Control, local laws such as the UK Bribery Act 2010 or other local laws which prohibit corrupt payments to governmental officials or certain payments or remunerations to customers.

Given the high level of complexity of these laws, there is a risk that we may inadvertently breach some provisions, for example, through fraudulent or negligent behavior of individual employees, our failure to comply with certain formal documentation requirements, or otherwise. Our success depends, in part, on our ability to anticipate these risks and manage these challenges through policies, procedures and internal controls. However, we have a dispersed international sales organization, and we use distributors and agents in many of our international operations. This structure makes it more difficult for us to ensure that our international selling operations comply with our global policies and procedures.

Violations of these laws and regulations could result in fines, criminal sanctions against us, our officers or our employees, requirements to obtain export licenses, cessation of business activities in sanctioned countries, implementation of compliance programs, and prohibitions on the conduct of our business. Violations of laws and regulations also could result in prohibitions on our ability to offer our products in one or more countries and could materially damage our reputation, our brand, our international expansion efforts, our ability to attract and retain employees, or our business, results of operations and financial condition. See also our risk factor regarding government regulations below.

***The industries and market segments in which we operate are highly competitive, and we may not be able to compete effectively.***

The life science and clinical diagnostics markets are each highly competitive. Some of our competitors have merged, and 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. Many public tenders have become more competitive due to governments lengthening the commitments of their public tenders to multiple years, which reduce the number of tenders in which we can participate annually. Because the value of these multiple-year tenders is so high, our competitors have been more aggressive with their pricing. Our failure to compete effectively and/or pricing pressures resulting from competition could adversely affect our business, results of operations and financial condition.

***We may not be able to grow our business because of our failure to develop new or improved products.***

Our future growth depends in part on our ability to continue to improve our product offerings and develop and introduce new product lines and extensions that integrate technological advances. In particular, we may not be able to keep up with changes in the clinical diagnostics industry, such as the trend toward molecular diagnostics or point-of-care tests. 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 business, results

of operations and financial condition will be adversely affected. We have experienced product launch delays in the past, and may do so in the future. We cannot assure you that our product and process development efforts will be successful or that new products we introduce will achieve market acceptance. Failure to launch successful new products or improvements to existing products may cause our products to become obsolete, which could harm our business, results of operations and financial condition.

***We are subject to foreign currency exchange fluctuations, which could have a material adverse effect on our results of operations and financial condition.***

As stated above, a significant portion of our operations and sales are outside of the United States. When we make purchases and sales in currencies other than the U.S. dollars, we are exposed to fluctuations in foreign currencies relative to the U.S. dollar that may adversely affect our results of operations and financial condition. Our international sales are largely denominated in local currencies. As a result, the strengthening of the U.S. dollar negatively impacts our consolidated net sales expressed in U.S. dollars. Conversely, when the U.S. dollar weakens, our expenses at our international sites increase. In addition, the volatility of other currencies, such as the Swiss Franc, Brazilian Real and Russian Ruble, may negatively impact our operations outside of the United States and increase our costs to hedge against currency fluctuations. We cannot assure you that future shifts in currency exchange rates will not have a material adverse effect on our results of operations and financial condition.

***We may experience difficulties implementing our new global enterprise resource planning system.***

We are engaged in a multi-year implementation of a new global enterprise resource planning system (ERP). The ERP is designed to efficiently maintain our books and records and provide information important to the operation of our business to our management team. The ERP will continue to require significant investment of human and financial resources. In implementing the ERP, we may experience significant delays, increased costs and other difficulties. Any significant disruption or deficiency in the design and implementation of the ERP could adversely affect our ability to process orders, ship product, send invoices and track payments, fulfill contractual obligations or otherwise operate our business. For example, we experienced system implementation issues in our Clinical Diagnostics segment during our first deployment that impacted invoicing and caused an increase in accounts receivable. In our second deployment, we experienced delays in manufacturing and logistics, which adversely impacted our sales. We launched our third deployment in Western Europe in April 2017. We have experienced system implementation issues impacting the timing of payment of vendor invoices and resulting in delays in product availability and shipments. We also have experienced lower productivity levels related to the recent go-live of the ERP in Western Europe, which adversely impacted our sales during the second quarter of 2017. The third deployment was more complex than our prior deployments due to its scope. While we invested significant resources in planning, project management and training, additional and significant implementation issues may arise. In addition, our efforts to centralize various business processes and functions within our organization in connection with our ERP implementation may continue to disrupt our operations and negatively impact our business, results of operations and financial condition.

***Recent and planned changes to our organizational structure and executive management team could negatively impact our business.***

We made significant changes to our organizational structure in 2014, 2015 and 2016, and we are continuing to make significant organizational changes in 2017. In 2014 and 2015, we functionalized our manufacturing and selling organizations globally and separated them from our marketing and research and development organizations. Specifically, we combined our international selling organization with our North American selling divisions into one global selling group and consolidated our manufacturing, procurement and logistics operations into one global supply chain group. We also created new management positions to head each of these groups. In addition, we appointed new executives to head each of our Life Science and Clinical Diagnostics segments, and we appointed a Chief Operating



Officer. We also restructured our Life Science segment based on functional groups rather than product line divisions. In 2016, we began implementing the reorganization of the structure of our European organization. We continue to implement the reorganization of our European organization in 2017. These changes

may have unintended consequences, such as distraction of our management and employees, business disruption, attrition of our workforce, inability to attract or retain key employees, and reduced employee morale or productivity.

***Our failure to establish and maintain effective internal control over financial reporting could result in material misstatements in our financial statements, 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.***

Maintaining effective internal control over financial reporting is necessary for us to produce reliable financial statements. We previously identified different material weaknesses in internal controls at December 31, 2013, December 31, 2012 and December 31, 2010, each of which has been remediated. We cannot assure you that additional material weaknesses in our internal control over financial reporting will not be identified in the future.

Such material weaknesses have adversely affected us in the past and could affect us in the future, and 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. Any failure to maintain new and more precise monitoring controls and improved detection and communication of financial misstatements across all levels of the organization could result in additional material weaknesses, result in material misstatements in our financial statements and cause us to fail to meet our reporting obligations. This could cause us to lose public confidence, and could cause the trading price of our common stock to decline. For further information regarding our controls and procedures, see Part I, Item 4 of this Quarterly Report on Form 10-Q.

***Breaches of our information systems could have material adverse effect on our business and results of operations.***

Through our sales and eCommerce channels, we collect and store confidential information that customers provide to, among other things, purchase products or services, enroll in promotional programs and register on our Web site. We also acquire and retain information about suppliers and employees in the normal course of business. We also create and maintain proprietary information that is critical to our business, such as our product designs and manufacturing processes. Despite recent initiatives to improve our technology systems, such as our enterprise resource planning implementation and the centralization of our global information technology organization, we could experience a significant data security breach. Computer hackers may attempt to penetrate our or our vendors' information systems and, if successful, misappropriate confidential customer, supplier, employee or other business information, such as our intellectual property. Third parties could also gain control of our systems and use them for criminal purposes while appearing to be us. As a result, we could lose existing customers, have difficulty attracting new customers, be exposed to claims from customers, financial institutions, payment card associations, employees and other persons, have regulatory sanctions or penalties imposed, incur additional expenses or lose revenues as a result of a data privacy breach, or suffer other adverse consequences. Our operations and ability to process sales orders, particularly through our eCommerce channels, could also be disrupted. Any significant breakdown, intrusion, interruption, corruption, or destruction of our systems, as well as any data breaches, could have a material adverse effect on our business and results of operations. See also our risk factors regarding our ERP implementation above and our information technology systems below.

***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, unauthorized third parties have attempted to copy our intellectual property, reverse engineer or obtain and use information that we regard as

proprietary, or have developed equivalent technologies independently, and may do so in the future. Additionally, third parties have asserted patent, copyright and other intellectual property rights to technologies that are important

to us, and may do so in the future. 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. From time to time, we also must enforce our patents or other intellectual property rights or defend ourselves against claimed infringement of the rights of others through litigation. As a result, we could incur substantial costs, be forced to redesign our products, or be required to pay damages to an infringed party. Any of the foregoing matters could adversely impact our business, results of operations and financial condition.

***Global economic conditions could continue to adversely affect our operations.***

In recent years, we have been faced with very challenging global economic conditions. Further deterioration in the global economic environment may result in decreased demand for our products, increased competition, downward pressure on the prices for our products and longer sales cycles. A weakening of macroeconomic conditions may also adversely affect our suppliers, which could result in interruptions in supply in the future. We have also experienced delays in collecting receivables in certain countries in Western Europe, and we may experience similar delays in these and other countries or regions experiencing liquidity problems. As of June 30, 2017, we had accounts receivable, net of allowance for doubtful accounts, in Spain, Italy, Greece and Portugal of \$39.9 million. In addition, a slowing of growth in the Chinese economy and in emerging markets, especially those oil-producing countries that have been affected by the decline in oil prices, could adversely affect our business, results of operations or financial condition. We also are monitoring developments following the United Kingdom's decision to leave the European Union to determine if there will be any potential impact on our business.

***Reductions in government funding and the capital spending programs of our customers could have a material adverse effect on our business, results of operations or financial condition.***

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 programs 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 for 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, results of operations or financial condition could be materially and adversely affected.

***Changes in the healthcare industry could have an adverse effect on our business, results of operations and financial condition.***

There have been, and will continue to be, significant changes in the healthcare industry in an effort to reduce costs. These changes include:

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 selling prices. Consolidation among healthcare providers has resulted in fewer, more powerful groups, whose purchasing power gives them cost containment leverage. In particular, there has been a consolidation of blood transfusion centers, as well as an industry decline in the number of blood transfusions. These industry trends and competitive forces place constraints on the levels of overall pricing, and thus could have a material adverse effect on our gross margins for products we sell in clinical diagnostic markets.

Third party payors, such as Medicare and Medicaid in the United States, have reduced their reimbursements for certain medical products and services. Our Clinical Diagnostics business is impacted by the level of reimbursement

available for clinical tests from third party payors. In the United States payment for many diagnostic tests furnished to Medicare fee-for-service beneficiaries is made based on the Medicare Clinical Laboratory Fee Schedule (CLFS), a fee schedule established and adjusted from time to time by the Centers

for Medicare and Medicaid Services (CMS). Some commercial payors are guided by the CLFS in establishing their reimbursement rates. Clinicians may decide not to order clinical diagnostic tests if third party payments are inadequate, and we cannot predict whether third party payors will offer adequate reimbursement for tests utilizing our products to make them commercially attractive. Legislation, such as the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (PPACA) and the Middle Class Tax Relief and Job Creation Act of 2012, has reduced the payments for clinical laboratory services paid under the CLFS. In addition, the Protecting Access to Medicare Act of 2014 will make significant changes to the way Medicare will pay for clinical laboratory services, which will further reduce reimbursement rates.

The PPACA has also imposed a 2.3% excise tax on the sales of certain medical devices in the U.S., which we are required to pay on most of our United States Clinical Diagnostic sales. However, the Consolidated Appropriations Act, 2016 (Pub. L. 114-113), signed into law on December 18, 2015, includes a two year moratorium on the medical device excise tax during the period beginning on January 1, 2016, and ending on December 31, 2017.

To the extent that the healthcare industry seeks to address the need to contain costs stemming from reform measures such as those contained in the PPACA and the Protecting Access to Medicare Act of 2014, or in future legislation, by limiting the number of clinical tests being performed or the amount of reimbursement available for such tests, our business, results of operations and financial condition could be 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.

***We are subject to substantial government regulation, and any changes in regulation or violations of regulations by us could adversely affect our business, prospects, results of operations or financial condition.***

Some of our products (primarily our Clinical Diagnostic products), production processes and marketing are subject to U.S. federal, state and local, and foreign regulation, including by the FDA in the United States and its foreign counterparts. The FDA regulates our Clinical Diagnostic products as medical devices, and we are subject to significant regulatory clearances or approvals to market our Clinical Diagnostic products and other requirements including, for example, recordkeeping and reporting requirements, such as the FDA's medical device reporting regulations and reporting of corrections and removals. The FDA has broad regulatory and enforcement powers. If the FDA determines that we have failed to comply with applicable regulatory requirements, it can impose a variety of enforcement actions ranging from public warning letters, fines, injunctions, consent decrees and civil penalties to suspension or delayed issuance of approvals, seizure or recall of our products, total or partial shutdown of production, withdrawal of approvals or clearances already granted, and criminal prosecution.

The FDA can also require us to repair, replace or refund the cost of devices that we manufactured or distributed. In addition, the FDA may change its clearance and approval policies, adopt additional regulations or revise existing regulations, or take other actions, which may prevent or delay approval or clearance of our products or impact our ability to modify our currently approved or cleared products on a timely basis. Changes in the FDA's review of certain clinical diagnostic products referred to as laboratory developed tests, which are tests developed by a single laboratory for use only in that laboratory, could affect some of our customers who use our Life Science instruments for laboratory developed tests. In the past, the FDA has chosen to not enforce applicable regulations and has not reviewed such tests for approval. However, the FDA has issued draft guidance that it may begin enforcing its medical device requirements, including premarket submission requirements, to such tests. Any delay in, or failure to receive or maintain, clearance or approval for our products could prevent us from generating revenue from these products and adversely affect our business operations and financial results. Additionally, the FDA and other regulatory authorities have broad enforcement powers. Regulatory enforcement or inquiries, or other increased scrutiny on us, could affect the perceived safety and efficacy of our products and dissuade our customers from using our products.



Many foreign governments have similar rules and regulations regarding the importation, registration, labeling, sale and use of our products. Such agencies may also impose new requirements that may require us to modify or re-register products already on the market or otherwise impact our ability to market our products in those countries. For example, in April 2017 the European Parliament voted to enact final regulations that include broad changes to its regulations regarding in vitro diagnostic devices and medical devices, including stricter product labeling requirements, Russia has recently enacted more stringent medical product registration and labeling regulations, China has enacted stricter labeling requirements, and we expect other countries, such as Brazil and India, to impose more regulations that impact our product registrations. Due to these evolving and diverse requirements, we face uncertain product approval timelines, additional time and effort to comply, reduced sales and potential fines for noncompliance. Increasing protectionism in such countries also impedes our ability to compete with local companies. For example, we may not be able to participate in certain public tenders in Russia because of increasing measures to restrict access to such tenders for companies without local manufacturing capabilities. Specifically, a resolution passed by Russia in February 2015 prohibited the procurement of certain types of medical devices by Russian state entities from foreign companies provided there are a sufficient number of Russian manufacturers submitting tenders. In December 2016, Russia continued its focus on import substitution by passing a resolution that added to the list of certain medical devices which participate in state procurement on a restricted basis. Such regulations could adversely affect our business, results of operations and financial condition.

We are also subject to government regulation of the use and handling of a number of materials and controlled substances. The U.S. Drug Enforcement Administration establishes registration, security, recordkeeping, reporting, storage, distribution and other requirements for controlled substances pursuant to the Controlled Substances Act of 1970. Failure to comply with present or future laws and 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 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 control 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 acquisitions 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, results of operations and



financial condition.

46

---

***Product quality and liability issues could harm our reputation and negatively impact our business, results of operations and financial condition.***

We must adequately address quality issues associated with our products, including defects in our engineering, design and manufacturing processes, as well as defects in third-party components included in our products. Our instruments, reagents and consumables are complex, and identifying the root cause of quality issues, especially those affecting reagents or third-party components, is difficult. We may incur significant costs and expend substantial time in researching and remediating such issues. Quality issues could also delay our launching or manufacturing of new products. In addition, quality issues, unapproved uses of our products, or inadequate disclosure of risks related to our products, could result in product recalls or product liability or other claims being brought against us. These issues could harm our reputation, impair our relationship with existing customers and harm our ability to attract new customers, which could negatively impact our business, results of operations and financial condition.

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

Our products are very technical in nature. In general, only highly qualified and well-trained scientists have the necessary skills to develop, market and sell our products, and many of our manufacturing positions require very specialized knowledge and skills. In addition, the global nature of our business also requires that we have sophisticated and experienced staff to comply with increasingly complex international laws and regulations. We face intense competition for these professionals from our competitors, customers, marketing partners and other companies throughout our industry. In particular, the job market in Northern California, where many of our employees are located, is very competitive. If we do not offer competitive compensation and benefits, we may fail to retain or attract a sufficient number of qualified personnel, which could impair our ability to properly run our business.

In some cases we rely on temporary personnel or consultants, and we may do so in the future. Such temporary personnel or consultants may lack the knowledge and/or specific skills necessary for our business, require time to train without benefiting us through extended employment and increase our costs. In addition, as noted above, our strategic initiatives, such as our internal restructuring and ERP implementation, may be burdensome and disruptive and lead to employee dissatisfaction and attrition.

***A reduction or interruption in the supply of components and raw materials could adversely affect our manufacturing operations and related product sales.***

The manufacture of many of our products requires the timely delivery of sufficient amounts of quality components and materials. We manufacture our products in numerous manufacturing facilities around the world. We acquire our components and materials from many suppliers in various countries. We work closely with our suppliers to ensure the continuity of supply but we cannot guarantee these efforts will always be successful. Further, while we seek to diversify our sources of components and materials, in certain instances we acquire components and materials from a sole supplier. In addition, due to the regulatory environment in which we operate, we may be unable to quickly establish additional or replacement sources for some components or materials. If our supply is reduced or interrupted or of poor quality, and we are unable to develop alternative sources for such supply, our ability to manufacture our products in a timely or cost-effective manner could be adversely affected, which would adversely affect our ability to sell our products.

***If our information technology systems are disrupted, or if we fail to successfully implement, manage and integrate our information technology and reporting systems, our business, results of operations and financial condition could be harmed.***

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, results of operations and financial condition. 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 may experience disruption of our IT systems due to redundancy issues with our network servers. 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. We may suffer interruptions in service, loss of data or reduced functionality when we upgrade or change systems. If we fail to successfully manage and integrate our IT systems, reporting systems and operating procedures, it could adversely affect our business, results of operations and financial condition. See also our risk factors regarding our ERP implementation and data security above and events beyond our control below.

***Natural disasters, terrorist attacks, acts of war or other events beyond our control may cause damage or disruption to us and our employees, facilities, information systems, security systems, vendors and customers, which could significantly impact our business, results of operations and financial condition.***

We have significant manufacturing and distribution facilities, including in the western United States, France, Switzerland, Germany and Singapore. In particular, the western United States has experienced a number of earthquakes, wildfires, floods, landslides and other natural disasters in recent years. These occurrences could damage or destroy our facilities which may result in interruptions to our business and losses that exceed our insurance coverage. In addition, strikes or other labor unrest at any of our sites or surrounding areas could cause disruption to our business.

Acts of terrorism, bioterrorism, violence or war could also affect the markets in which we operate, our business operations and strategic plans. Political unrest may affect our sales in certain regions, such as in Southeast Asia, the Middle East and Eastern Europe. In particular, the political turmoil in Ukraine, along with the response of the Russian and U.S. governments to this situation, has the potential to impact our operations in Russia. Any of these events could adversely affect our business, results of operations and financial condition.

***Environmental, health and safety regulations and enforcement proceedings may negatively impact our business, results of operations and financial condition.***

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 must also comply with various health and safety regulations in the United States and abroad in connection with our operations.

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/or 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 cannot assure you, however, that such matters or any future

obligations to comply with environmental or health and safety laws and regulations will not adversely affect our business, results of operations or financial condition.

48

---

***We may be subject to additional tax liabilities.***

We are subject to income taxes in the United States and many foreign jurisdictions. We calculate our provision for income taxes in each jurisdiction in which we operate. Significant judgment is required in determining our worldwide provision for income taxes and in the ordinary course of business, there are many tax positions taken where the ultimate resolution is uncertain. We are subject to the examination of our tax positions in the United States and foreign jurisdictions. Taxing authorities have disagreed with our judgment in the past and may disagree with positions we take in the future resulting in assessments of additional taxes. Economic and political pressures to increase tax revenues in various jurisdictions may make resolving tax disputes more difficult. For example, in recent years, the tax authorities in Europe have disagreed with our tax positions related to hybrid debt, research and development credits, transfer pricing and indirect taxes, among others. We regularly assess the likelihood of the outcome resulting from these examinations to determine the adequacy of our provision for income taxes. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. The results of an audit or litigation could have a material effect on our consolidated financial statements in the period or periods for which that determination is made. Changes in factors outside of our control, such as changes in tax laws or rates, changes in the interpretation of tax laws or changes in the jurisdictional mix of our earnings could adversely affect our financial position and results of operations.

***Our debt may restrict our future operations.***

We have substantial debt and have the ability to incur additional debt. As of June 30, 2017, we had approximately \$434.9 million of outstanding indebtedness. In addition, we have a revolving credit facility that provides for up to \$200.0 million, \$0.5 million of which has been utilized for domestic standby letters of credit. 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 debt;
- require us to dedicate a substantial portion of our cash flow from operations to the payment of interest and principal due under our debt, 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 existing credit facility 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 comply with certain financial ratios, including a maximum consolidated leverage ratio test and a minimum consolidated interest coverage ratio test.

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

49

---

amount of our outstanding notes or may cause the future subsidiary guarantors, if any, to be unable to make payments under the guarantees.

***We are subject to healthcare fraud and abuse laws and regulations and could face substantial penalties if we are unable to fully comply with such laws.***

We are subject to healthcare fraud and abuse regulation and enforcement by both the U.S. federal government and the U.S. states and foreign governments in which we conduct our business. These healthcare laws and regulations include, for example:

the U.S. federal Anti-Kickback Statute, which prohibits, among other things, persons or entities from soliciting, receiving, offering or providing remuneration, directly or indirectly, in return for or to induce either the referral of an individual for, or the purchase order or recommendation of, any item or services for which payment may be made under a federal healthcare program such as the Medicare and Medicaid programs;

U.S. federal false claims laws, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payors that are false or fraudulent. In addition, the U.S. federal government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the false claims statutes;

the U.S. Physician Payment Sunshine Act, which requires certain manufacturers of drugs, biologics, devices and medical supplies to record any transfers of value to U.S. physicians and U.S. teaching hospitals;

the Health Insurance Portability and Accountability Act ("HIPAA"), as amended by the Health Information Technology for Economic and Clinical Health Act, which governs the conduct of certain electronic healthcare transactions and protects the security and privacy of protected health information; and

state or foreign law equivalents of each of the U.S. federal laws above, such as anti-kickback and false claims laws, which may apply to items or services reimbursed by any third-party payor, including commercial insurers.

These laws will continue to impose administrative, cost and compliance burdens on us. The shifting compliance environment and the need to build and maintain robust systems to comply with multiple jurisdictions with different compliance and/or reporting requirements increases the possibility that a healthcare company may violate one or more of these requirements. In addition, any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. If our operations are found to be in violation of any of the laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including civil and criminal penalties, damages, fines, exclusion from the Medicare and Medicaid programs, and the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business, results of operations and financial condition.

***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.

50

---

***Regulations related to “conflict minerals” could adversely impact our business.***

As part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC adopted disclosure requirements regarding the use of certain minerals, known as conflict minerals, which are mined from the Democratic Republic of Congo (DRC) and adjoining countries, as well as procedures regarding a manufacturer's efforts to identify the sourcing of such minerals and metals produced from those minerals. In March and April 2017, the European Parliament and the European Council formally approved a conflict minerals regulation, and the requirements will become effective starting in January 2021. We have incurred, and will continue to incur, additional costs in order to comply with the SEC's disclosure requirements. In addition, we might incur further costs due to possible changes to our products, processes, or sources of supply as a consequence of our due diligence activities. As our supply chain is complex, we may not be able to sufficiently verify the origins of the specified minerals used in our products through our due diligence procedures, which may harm our reputation. In addition, we may encounter challenges to satisfy those customers who require that all of the components of our products be certified as “DRC conflict free”, which could place us at a competitive disadvantage if we do not do so. We filed our report for the calendar year 2016 with the SEC on May 10, 2017.

**Risks related to our common stock**

***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 a result of the Schwartz family's ownership of our Class A and Class B Common Stock, they are able to elect a majority of our directors, effect fundamental changes in our direction and control matters affecting us, including the determination of business opportunities that may be suitable for our company. The Schwartz family may exercise its control over us according to interests that are different from other investors' or debtors' interests. In particular, this concentration of ownership and voting power may have the effect of delaying or preventing a change in control of our company.

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

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

51

---

**Item 6. Exhibits**

(a) Exhibits

The following documents are filed as part of this report:

Exhibit  
No.

31.1 Chief Executive Officer Section 302 Certification

31.2 Chief Financial Officer Section 302 Certification

32.1 Chief Executive Officer Certification pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Chief Financial Officer Certification pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

10.1 Form of Indemnification Agreement

101.INS The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Labels Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

BIO-RAD LABORATORIES, INC.  
(Registrant)

Date: August 7, 2017 /s/ Norman Schwartz  
Norman Schwartz, Chairman of the Board,  
President and Chief Executive Officer

Date: August 7, 2017 /s/ Christine A. Tsingos  
Christine A. Tsingos, Executive Vice President,  
Chief Financial Officer