

BIO RAD LABORATORIES INC
Form 10-Q
May 08, 2009
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2009

or

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

For the transition period from

to

Commission file number 1-7928
BIO-RAD LABORATORIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

94-1381833

(State or other jurisdiction of incorporation or organization)

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

1000 Alfred Nobel Drive, Hercules, California
(Address of principal executive offices)

94547
(Zip Code)

(510) 724-7000

Registrant's telephone number, including area code

No Change

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

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

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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, or a non-accelerated filer. See definitions of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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 April 30, 2009
Class A Common Stock, Par Value \$0.0001 per share	22,232,434
Class B Common Stock, Par Value \$0.0001 per share	5,133,698

BIO-RAD LABORATORIES, INC.

FORM 10-Q MARCH 31, 2009

TABLE OF CONTENTS

PART 1 FINANCIAL INFORMATION

2

ITEM 1. FINANCIAL STATEMENTS

2

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

2

CONDENSED CONSOLIDATED BALANCE SHEETS

3

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

4

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

17

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

24

ITEM 4. CONTROLS AND PROCEDURES

24

PART II OTHER INFORMATION

24

ITEM 1. LEGAL PROCEEDINGS

24

ITEM 1A. RISK FACTORS

25

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

32

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

32

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

32

ITEM 5. OTHER INFORMATION

33

ITEM 6. EXHIBITS

33

SIGNATURES

33

PART 1 FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended March 31,	
	2009	2008
Net sales	\$ 400,933	\$ 422,197
Cost of goods sold	172,031	195,314
Gross profit	228,902	226,883
Selling, general and administrative expense	140,313	139,655
Product research and development expense	37,152	37,489
Income from operations	51,437	49,739
Interest expense	7,807	7,957
Foreign exchange (gains) losses, net	(774)	2,593
Other (income) expense, net	1,159	(193)
Income before taxes	43,245	39,382
Provision for income taxes	(11,202)	(10,823)
Net income including noncontrolling interests	32,043	28,559
Less: Net income attributable to noncontrolling interests	(1,778)	(2,064)
Net income attributable to Bio-Rad	\$ 30,265	\$ 26,495
Basic earnings per share:		
Net income attributable to Bio-Rad	\$ 1.11	\$ 0.98
Weighted average common shares	27,321	26,955
Diluted earnings per share:		
Net income attributable to Bio-Rad	\$ 1.10	\$ 0.96
Weighted average common shares	27,618	27,538

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

BIO-RAD LABORATORIES, INC.

Condensed Consolidated Balance Sheets

(In thousands, except share data)

(Unaudited)

	March 31, 2009	December 31, 2008
ASSETS:		
Cash and cash equivalents	\$ 192,870	\$ 204,524
Short-term investments	29,960	38,950
Accounts receivable, net	326,307	339,653
Inventories, net	369,041	375,616
Prepaid expenses, taxes and other current assets	131,744	135,198
Total current assets	1,049,922	1,093,941
Net property, plant and equipment	294,611	300,732
Goodwill	307,916	321,820
Purchased intangibles, net	211,245	228,590
Other assets	91,614	92,181
Total assets	\$ 1,955,308	\$ 2,037,264
LIABILITIES AND STOCKHOLDERS EQUITY:		
Accounts payable	\$ 95,952	\$ 117,982
Accrued payroll and employee benefits	91,621	119,420
Notes payable and current maturities of long-term debt	6,253	9,578
Sales, income and other taxes payable	36,739	33,731
Accrued royalties	27,301	30,874
Other current liabilities	98,013	106,449
Total current liabilities	355,879	418,034
Long-term debt, net of current maturities	444,209	445,979
Deferred tax liabilities	39,965	42,570
Other long-term liabilities	56,956	60,041
Total liabilities	897,009	966,624
STOCKHOLDERS EQUITY:		
Bio-Rad stockholders equity:		
Preferred stock, \$0.0001 par value, 7,500,000 shares		

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authorized; none outstanding	--	--
Class A common stock, \$0.0001 par value, 80,000,000 shares		
authorized; outstanding 22,222,472 at March 31, 2009		
and 22,182,451 at December 31, 2008	2	2
Class B common stock, \$0.0001 par value, 20,000,000 shares		
authorized; outstanding 5,134,698 at March 31, 2009		
and 5,137,357 at December 31, 2008	1	1
Additional paid-in capital	128,377	124,401
Retained earnings	881,841	851,577
Accumulated other comprehensive income:		
Currency translation and other	16,391	64,750
Total Bio-Rad stockholders' equity	1,026,612	1,040,731
Noncontrolling interests	31,687	29,909
Total stockholders' equity	1,058,299	1,070,640
Total liabilities and stockholders' equity	\$ 1,955,308	\$ 2,037,264

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

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

	Three Months Ended March 31,	
	2009	2008
Cash flows from operating activities:		
Cash received from customers	\$ 395,356	\$ 436,521
Cash paid to suppliers and employees	(375,628)	(421,973)
Interest paid	(8,775)	(8,938)
Income tax payments	(6,012)	(6,398)
Miscellaneous receipts	1,457	570
Excess tax benefits from share-based compensation	(27)	(1,959)
Net cash provided by (used in) operating activities	6,371	(2,177)
Cash flows from investing activities:		
Capital expenditures, net	(18,667)	(19,045)
Payments for acquisitions and long-term investments	(441)	(17,106)
Payments on purchase of intangible assets	--	(675)
Purchases of marketable securities and investments	(12,400)	(24,872)
Sales of marketable securities and investments	13,231	32,779
Foreign currency economic hedges, net	5,561	(6,045)
Net cash used in investing activities	(12,716)	(34,964)
Cash flows from financing activities:		
Net payments under line-of-credit arrangements	(2,084)	(668)
Payments on long-term debt	(1,882)	(2,190)
Proceeds from issuance of common stock	1,896	3,688
Excess tax benefits from share-based compensation	27	1,959
Net cash provided by (used in) financing activities	(2,043)	2,789
Effect of exchange rate changes on cash	(3,266)	2,068

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Net decrease in cash and cash equivalents	(11,654)	(32,284)
Cash and cash equivalents at beginning of period	204,524	161,764
Cash and cash equivalents at end of period	\$ 192,870	\$ 129,480
Reconciliation of net income including noncontrolling interests to net cash provided by (used in) operating activities:		
Net income including noncontrolling interests	\$ 32,043	\$ 28,559
Adjustments to reconcile net income including noncontrolling interests to net cash provided by (used in) operating activities excluding the effects of acquisitions:		
Depreciation and amortization	22,327	23,740
Share-based compensation	2,047	1,586
Excess tax benefits from share-based compensation	(27)	(1,959)
Decrease in accounts receivable	356	11,504
Increase in inventories	(4,597)	(16,715)
(Increase) decrease in other current assets	635	(3,884)
Decrease in accounts payable and other current liabilities	(47,732)	(53,844)
Increase in income taxes payable	4,467	2,912
Other	(3,148)	5,924
Net cash provided by (used in) operating activities	\$ 6,371	\$ (2,177)

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

BIO-RAD LABORATORIES, INC

Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. BASIS OF PRESENTATION

In this report, Bio-Rad, we, us, and our refer to Bio-Rad Laboratories, Inc. and its subsidiaries. The accompanying unaudited condensed consolidated financial statements of Bio-Rad have been prepared in accordance with accounting principles generally accepted in the United States of America (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 preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Estimates have been prepared on the basis of the best available information. Actual results could differ materially from those estimates. The condensed consolidated financial statements should be read in conjunction with the notes to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2008.

Significant Accounting Policies

We have expanded our disclosure regarding our significant accounting policies relating to Goodwill and Long-Lived Assets. Please refer to our Annual Report on Form 10-K for the year ended December 31, 2008 for a full discussion of our significant accounting policies.

Goodwill

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

The goodwill impairment test consists of a two-step process. The first step of the goodwill impairment test, used to identify potential impairment, compares the fair value of a reporting unit to its carrying value, including goodwill. We

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

Long-Lived Assets

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

impairment review include:

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

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

Recent Accounting Pronouncements

In April 2009, the Financial Accounting Standards Board (FASB) issued the following FASB Staff Positions (FSPs) intended to provide additional application guidance and enhance disclosures regarding fair value measurements and impairments of securities. These FSPs become effective for our interim period ending June 30, 2009.

FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, provides additional guidance for estimating fair value in accordance with Statement of Financial Accounting Standards (SFAS) No. 157 when the volume and level of activity for the asset or liability have significantly decreased. This FSP also provides guidance on identifying circumstances that indicate a transaction is not orderly. We are currently evaluating the effect that this FSP will have on our consolidated financial statements.

FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, amends SFAS 107, *Disclosures about Fair Value of Financial Instruments*, to require disclosures about fair value of financial instruments in interim reporting periods of publicly traded companies that were previously only required to be disclosed in annual financial statements. This FSP also amends APB Opinion 28, *Interim Financial Reporting*, to require those disclosures in summarized financial information at interim reporting periods. As FSP FAS 107-1 and APB 28-1 amends only the disclosure requirements about fair value of financial instruments in interim periods, the adoption of this FSP will not affect our financial condition, results of operations or cash flows.

FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*, amends current other-than-temporary impairment guidance in GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This FSP does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. We do not believe the adoption of FSP FAS 115-2 and FAS 124-2 will have a material impact on our consolidated financial statements.

On January 1, 2009 we adopted SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements*. SFAS 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary (minority interest) is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements and separate from the parent company's equity. This statement also requires disclosure, on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. These disclosure requirements have been applied retrospectively to all periods presented. There were no changes to the ownership percentages of the noncontrolling interests in the first quarter of 2009. The adoption of this standard did not have a material impact on our condensed consolidated financial statements; however, the adoption impacted certain captions previously used on the consolidated income statement, largely identifying net income including noncontrolling interests and net income attributable to Bio-Rad. Certain captions on the consolidated balance sheet and statement of cash flows have also changed.

In June 2008, the FASB issued FSP No. Emerging Issues Task Force (EITF) 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. FSP No. EITF 03-6-1 concluded that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share (EPS) pursuant to the two-class method. This FSP became effective for us on January 1, 2009, at which time we adopted the FSP. This FSP did not have a material impact on our EPS data in the first quarter of 2009 or on EPS for any prior periods. See Note 9.

As amended in February 2008 by FSP No. FAS 157-2, *Effective Date of FASB Statement No. 157, SFAS 157, Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FSP FAS 157-2 defers the effective date of SFAS 157 for all nonfinancial assets and liabilities, except those items recognized or disclosed at fair value on an annual or more frequently recurring basis. This FSP became effective for us beginning January 1, 2009. The adoption of this FSP did not have a material impact on our consolidated financial statements.

2. AVAILABLE-FOR-SALE INVESTMENTS

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

	March 31, 2009	December 31, 2008
Current:		
Corporate obligations	\$ 8.5	\$ 7.0
Municipal obligations	3.1	5.0
Asset backed securities (including mortgage-backed)	3.5	12.5

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U.S. Agencies	8.4	7.3
Marketable equity securities	6.5	7.2
	30.0	39.0
Long-term:		
Marketable equity securities	16.8	20.3
Asset backed securities (including mortgage-backed)	6.0	--
	22.8	20.3
Total	\$ 52.8	\$ 59.3

In the first quarter of 2009 and 2008 we recognized \$2.5 million and \$0.8 million, respectively of other-than-temporary impairment losses on available-for-sale investments. In light of continuing declines in their market price, we no longer believe that these investments will recover in the foreseeable future.

At March 31, 2009 and December 31, 2008, we had total accumulated unrealized losses of \$16.4 million and \$13.2 million, respectively and no accumulated unrealized gains. The fair value of our available-for-sale investments has declined 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 to hold these investments 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 March 31, 2009.

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, not assumptions made by the reporting entity. The identification of market participant assumptions provides a basis for determining what inputs are to be used for pricing each asset or liability. SFAS 157 establishes a fair value hierarchy which gives precedence to fair value measurements calculated using observable inputs to those using unobservable inputs. This hierarchy prioritizes the inputs into three broad levels as follows:

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

Financial assets carried at fair value as of March 31, 2009 are classified in the hierarchy as follows (in millions):

	Level 1	Level 2	Total
Short-term investments			
Corporate obligations	\$ 7.5	\$ 1.0	\$ 8.5
Municipal obligations	--	3.1	3.1
Asset backed securities	--	3.5	3.5
U.S. Agencies	--	8.4	8.4
Marketable equity securities	6.3	0.2	6.5
	13.8	16.2	30.0
Long-term investments			
Marketable equity securities	16.8	--	16.8

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Asset backed securities	--	6.0	6.0
	16.8	6.0	22.8
Total	\$ 30.6	\$ 22.2	\$ 52.8

3. INVENTORIES

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

	March 31, 2009	December 31, 2008
Raw materials	\$ 70.0	\$ 69.5
Work in process	105.1	105.0
Finished goods	193.9	201.1
	\$ 369.0	\$ 375.6

4. PROPERTY, PLANT AND EQUIPMENT

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

	March 31, 2009	December 31, 2008
Land and improvements	\$ 16.2	\$ 16.6
Buildings and leasehold improvements	191.5	193.3
Equipment	466.5	466.0
	674.2	675.9
Accumulated depreciation	(379.6)	(375.2)
Net property, plant and equipment	\$ 294.6	\$ 300.7

Net capital expenditures include proceeds from the sale of property, plant and equipment of \$0.3 million and \$0.1 million for the three months ended March 31, 2009 and 2008, respectively.

5. ACQUISITIONS

In December 2008, we acquired 100% of the shares of DiaMed Fennica Oy (Fennica) and 100% of the shares of DiaMed (G.B.) Limited. These companies were independent distributors of DiaMed products and will be included in our Clinical Diagnostics segment. The total cash purchase price of these acquisitions was approximately \$17.0 million. We are in the process of finalizing the allocation of the purchase price to the individual assets acquired and liabilities assumed. The preliminary allocation of the purchase price included in the current period balance sheet is based on the best estimates of management. The completion of the purchase price allocation is pending the finalization of certain analyses of inventory, taxes and liabilities. The final allocation may result in adjustments to the carrying value of the recorded assets and liabilities, revisions of the useful lives of intangible assets and the determination of any residual amount that will be allocated to goodwill. The related depreciation and amortization from the acquired assets is also subject to revision based on the final allocation.

6. GOODWILL AND OTHER PURCHASED INTANGIBLE ASSETS

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

	Life Science	Clinical Diagnostics	Total
December 31, 2008	\$ 43.5	\$ 278.3	\$ 321.8
Currency fluctuations	--	(13.9)	(13.9)
March 31, 2009	\$ 43.5	\$ 264.4	\$ 307.9

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

	March 31, 2009			
	Average Remaining Life (years)	Carrying Amount	Accumulated Amortization	Net
Customer relationships/lists	2-15	\$ 79.3	\$ 8.9	\$ 70.4
Know how	1-8	85.3	20.3	65.0
Developed product technology	1-13	43.6	13.6	30.0
Licenses	3-11	37.3	9.2	28.1
Tradenames	4-13	20.0	5.0	15.0
Covenants not to compete	3-10	4.8	2.4	2.4
Patents	2	1.0	0.7	0.3
Other	3	0.1	0.1	--
		\$ 271.4	\$ 60.2	\$ 211.2

	December 31, 2008			
	Average Remaining Life (years)	Carrying Amount	Accumulated Amortization	Net
Customer relationships/lists	2-15	\$ 83.4	\$ 7.6	\$ 75.8

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Know how	1-8	90.8	18.9	71.9
Developed product technology	1-13	44.7	12.6	32.1
Licenses	3-11	37.5	8.8	28.7
Tradenames	4-13	21.1	4.2	16.9
Covenants not to compete	3-10	4.9	2.1	2.8
Patents	2	1.0	0.6	0.4
Other	3	0.1	0.1	--
		\$ 283.5	\$ 54.9	\$ 228.6

Recorded purchased intangible asset amortization expense for the three months ended March 31, 2009 and 2008 was \$7.2 million and \$7.5 million, respectively. Estimated purchased intangible asset amortization expense (based on existing intangible assets) for the years ended December 31, 2010, 2011, 2012, 2013 and 2014 is \$29.4 million, \$28.4 million, \$26.1 million, \$23.6 million and \$20.6 million, respectively.

7. PRODUCT WARRANTY LIABILITY

Bio-Rad warrants certain equipment against defects in design, materials and workmanship, generally for one year. Upon shipment of that equipment, we establish, as part of cost of goods sold, a provision for the expected cost of such warranty.

Components of the product warranty liability included in other current liabilities and other long-term liabilities are as follows (in millions):

December 31, 2008	\$ 15.8
Provision for warranty	3.4
Actual warranty costs	(3.9)
March 31, 2009	\$ 15.3

8. LONG-TERM DEBT

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

	March 31, 2009	December 31, 2008
7.5% Senior Subordinated Notes	\$ 225.0	\$ 225.0
6.125% Senior Subordinated Notes	200.0	200.0
Other debt	0.2	0.4
Capitalized leases	25.0	27.8
	450.2	453.2
Less current maturities	(6.0)	(7.2)
Long-term debt	\$ 444.2	\$ 446.0

In September 2007, Bio-Rad entered into Amendment No. 2 to the Amended and Restated Credit Agreement (the Credit Agreement). Amendment No. 2 amends certain provisions of the Credit Agreement including increasing the amount of borrowings permissible under the Credit Agreement to \$200 million from \$150 million, which may be increased up to an additional \$50 million under certain conditions, and amending certain covenants to permit the acquisition by Bio-Rad of DiaMed including, but not limited to, the incurrence of certain indebtedness and liens in connection with such acquisition.

Borrowings under the Credit Agreement are on a revolving basis and can be used to make acquisitions, for working capital and other general corporate purposes. Borrowings under the credit agreement are payable on June 21, 2010. We had no outstanding balance as of March 31, 2009.

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

In August 2003, Bio-Rad sold \$225.0 million principal amount of Senior Subordinated Notes due 2013 (7.5% Notes). The notes pay a fixed rate of interest of 7.5% per year. We have the option to redeem any or all of the 7.5% Notes at various declining redemption prices or at 100% of the principal amount plus the applicable premium (as defined by the indenture) along with accrued and unpaid interest and certain other charges depending on the date redeemed. Bio-Rad's obligations under the 7.5% Notes are not secured, rank equal to other senior subordinated notes and rank junior to all Bio-Rad's existing and future senior debt.

The Credit Agreement is secured by substantially all of our personal property assets, the assets of our domestic subsidiaries and 65% of the capital stock of certain foreign subsidiaries. It is guaranteed by all of our existing and future material domestic subsidiaries. The Credit Agreement, the 6.125% Notes, and the 7.5% Notes require Bio-Rad to comply with certain financial ratios and covenants, among other things. The covenants include a leverage ratio test, an interest coverage test and a consolidated net worth test. There are also restrictions on our ability to declare or pay dividends, incur debt, guarantee debt, enter into transactions with affiliates, merge or consolidate, sell assets, make investments, create liens and prepay subordinated debt. We were in compliance with all covenants as of March 31, 2009.

9. EARNINGS PER SHARE

Effective January 1, 2009, we adopted FSP No. EITF 03-6-1 which concluded that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of EPS pursuant to the two-class method. As our unvested restricted shares qualify as participating securities, we have included these shares in the computation of EPS for the three months ended March 31, 2009 and 2008, respectively. The adoption of this FSP did not have a material impact on our EPS for these periods.

Basic earnings per share is computed by dividing net income (loss) 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 common stock equivalents that are to be added to the weighted average number of shares outstanding. Common stock equivalents are excluded from the diluted earnings per share calculation if the effect would be anti-dilutive.

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

Three Months Ended
March 31,

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	2009	2008
Weighted average shares outstanding	27,321	26,955
Effect of potentially dilutive securities:		
Stock options and restricted stock awards	297	583
Diluted weighted average common shares	27,618	27,538
Anti-dilutive shares	345	59

10. SHARE-BASED COMPENSATION

Included in our share-based compensation expense is the cost related to stock option, restricted stock and restricted stock unit grants that vest after January 1, 2006, as well as the cost related to our employee stock purchase plan stock purchases.

For the three months ended March 31, 2009 and 2008, we recognized pre-tax share-based compensation expense of \$2.0 million and \$1.6 million, respectively. We did not capitalize any share-based compensation expense. In accordance with SFAS 123(R), we recognize share-based compensation net of estimated forfeitures.

Stock Options

No stock options were granted during the first quarter of 2009 or 2008.

The following table summarizes our stock option activity during the first three months of 2009:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value as of March 31, 2009 (in millions)
Outstanding, January 1, 2009	1,254,127	\$ 48.84		
Granted	--	--		
Exercised	(8,779)	\$ 19.91		
Forfeited/Expired	(9,407)	\$ 59.26		
Outstanding, March 31, 2009	1,235,941	\$ 48.97	5.08	\$ 22.8
Vested and expected to vest March 31, 2009	1,216,070	\$ 48.59	5.04	\$ 22.8
Exercisable, March 31, 2009	914,906	\$ 42.14	4.29	\$ 21.8

Cash received from stock options exercised during the three months ended March 31, 2009 and 2008 was \$0.2 million and \$2.1 million, respectively. The actual tax benefit realized for the tax deductions from stock options exercised was nominal for the current period and \$2.2 million for the three months ended March 31, 2008.

As of March 31, 2009, there was approximately \$6.6 million of total unrecognized compensation cost related to stock options granted under our stock option plans. That cost is expected to be recognized over a weighted average period of approximately two years.

Restricted Stock

The following table summarizes our restricted stock activity during the three months ended March 31, 2009:

	Restricted Stock Shares	Weighted Average Grant-Date Fair Value
Nonvested shares, January 1, 2009	135,914	\$ 82.64
Granted	--	
Vested	--	
Cancelled/Forfeited	(2,140)	\$ 82.67
Nonvested shares, March 31, 2009	133,774	\$ 82.64

As of March 31, 2009, there was approximately \$7.9 million of total unrecognized compensation cost related to restricted stock granted under the 2007 Plan. The cost is expected to be recognized over a weighted average period of approximately four years.

Restricted Stock Units

The following table summarizes our restricted stock unit activity during the three months ended March 31, 2009:

	Units	Weighted Average Grant- Date Fair Value	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value as of March 31, 2009 (in millions)
Outstanding, January 1, 2009	60,649	\$ 83.08		
Granted	--			
Exercised	--			
Forfeited/Expired	(600)	\$ 81.66		
Outstanding, March 31, 2009	60,049	\$ 83.10	2.05	\$ 4.0
Expected to vest, March 31, 2009	54,406		1.97	\$ 3.6

As of March 31, 2009, there was approximately \$3.2 million of total unrecognized compensation cost related to restricted stock units granted under the 2007 Plan. That cost is expected to be recognized over a weighted average period of approximately four years.

Employee Stock Purchase Plan

We sold 30,723 shares for \$1.7 million and 20,993 shares for \$1.6 million under our employee stock purchase plan for the three months ended March 31, 2009 and 2008, respectively. At March 31, 2009, there were 306,906 authorized shares remaining in the employee stock purchase plan.

11. FOREIGN EXCHANGE GAINS AND LOSSES

Exchange gains and losses consist of foreign currency transaction gains and losses on intercompany net receivables and payables and the change in value of our forward foreign exchange contracts used to manage our foreign exchange risk.

12. OTHER INCOME AND EXPENSE

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

	Three Months Ended March 31,	
	2009	2008
Interest and investment income	\$ (0.9)	\$ (1.8)
Net realized losses on investments	--	0.6
Other-than-temporary impairment on investments	2.5	0.8
Miscellaneous other (income) expense items	(0.4)	0.2
Other (income) expense, net	\$ 1.2	\$ (0.2)

13. COMPREHENSIVE INCOME

The components of Bio-Rad's total comprehensive income (loss) are as follows (in millions):

Three Months Ended

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	March 31,	
	2009	2008
Net income attributable to Bio-Rad, as reported	\$ 30.3	\$ 26.5
Currency translation adjustments	(45.2)	78.5
Other post-employment benefits adjustments net of tax of \$0 for the three months ended March 31, 2009	0.1	--
Net unrealized holding losses on available-for-sale investments net of tax effect of \$0 and (\$1.3) million for the three months ended March 31, 2009 and 2008, respectively	(3.3)	(1.8)
Total comprehensive income (loss)	\$ (18.1)	\$ 103.2

14. SEGMENT INFORMATION

Information regarding industry segments for the three months ended March 31, 2009 and 2008 is as follows (in millions):

		Life Science	Clinical Diagnostics	Other Operations
Segment net sales	2009	\$ 140.3	\$ 257.5	\$ 3.1
	2008	\$ 154.6	\$ 263.7	\$ 3.9
Segment profit	2009	\$ 5.9	\$ 38.1	\$ 0.2
	2008	\$ 9.7	\$ 32.0	\$ 0.5

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

	Three Months Ended March 31,	
	2009	2008
Total segment profit	\$ 44.2	\$ 42.2
Foreign exchange gains (losses)	0.8	(2.6)
Net corporate operating, interest and other expense not allocated to segments	(0.6)	(0.4)
Other income (expense), net	(1.2)	0.2
Consolidated income before taxes	\$ 43.2	\$ 39.4

15. LEGAL PROCEEDINGS

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

16. SUBSEQUENT EVENT

On April 30, 2009, we acquired 955 of the remaining 1,000 shares of DiaMed Holding AG, held by multiple noncontrolling shareholders. Their interests have been recorded as noncontrolling interests on the consolidated balance sheet as of March 31, 2009. Based on April 30, 2009 foreign exchange rates, approximately \$30 million was paid to these shareholders under the terms of the original purchase agreement dated October 1, 2007. The acquisition of the noncontrolling shares will be accounted for as an equity transaction.

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

This discussion should be read in conjunction with the information contained in both our Consolidated Financial Statements for the year ended December 31, 2008 and this report for the quarter ended March 31, 2009.

Other than statements of historical fact, statements made in this report include forward looking statements, such as statements with respect to Bio-Rad's future financial performance, operating results, plans and objectives that involve risk and uncertainties. Forward-looking statements generally can be identified by the use of forward-looking terminology such as, believe, expect, may, will, intend, estimate, continue, or similar expressions or the use of those terms or expressions. Such statements involve risks and uncertainties, which could cause actual results to vary materially from those expressed in or indicated by the forward-looking statements. We have based these forward looking statements on our current expectations and projections about future events. However, actual results may differ materially from those currently anticipated depending on a variety of risk factors including among other things: changes in general domestic and worldwide economic conditions; our ability to successfully develop and market new products; our reliance on and access to necessary intellectual property; our ability to successfully integrate any acquired business; our substantial leverage and ability to service our debt; competition in and government regulation of the industries in which we operate; and the monetary policies of various countries. We caution you not to place undue reliance on forward-looking statements, which reflect an analysis only and speak only as of the date hereof.

We undertake no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events, or otherwise except as required by Federal Securities law.

Overview. We are a multinational manufacturer and worldwide distributor of Life Science research and Clinical Diagnostics products. Our business is organized into two primary segments, Life Science and Clinical Diagnostics, with the mission to provide scientists with specialized tools needed for biological research and clinical diagnostics.

We sell more than 8,000 products and services to a diverse client base comprised of scientific research, healthcare, education and government customers worldwide. We manufacture and supply our customers with a range of reagents, apparatus and equipment to separate complex chemical and biological materials and to identify, analyze and purify components. Because our customers require replication of results in manufacturing processes, research experiments and diagnostic tests, much of our revenues are recurring. Approximately 34% of our year-to-date 2009 consolidated net sales are from the United States and approximately 66% are international sales largely denominated in local currency with the majority of these sales in Euros, Swiss Franc, Yen and British Sterling. As a result, our consolidated sales expressed in dollars benefit when the U.S. dollar weakens and suffer when the dollar strengthens in

relation to other currencies. Currency fluctuations contributed to the decrease in our consolidated sales expressed in U.S. dollars in the current quarter ended March 31, 2009.

The market for reagents and apparatus remains good while growth rates have slowed due to both public and private grant funding being more measured. The market for large capital equipment has slowed, as many pharmaceutical and biotechnology customers delayed or reduced their capital spending. Bio-Rad is generally less impacted by trends in capital spending as lower priced reagents and apparatus comprise more than 70% of product sales.

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

	Three Months Ended March 31,		Year Ended December
	2009	2008	2008
Net sales	100.0 %	100.0 %	100.0 %
Cost of goods sold	42.9	46.3	45.4
Gross profit	57.1	53.7	54.6
Selling, general and administrative expense	35.0	33.1	33.5
Product research and development expense, excluding purchased in-process research and development	9.3	8.9	9.0
Net income attributable to Bio-Rad	7.5	6.3	5.1

Critical Accounting Policies and Estimates

As previously disclosed in our Annual Report on Form 10-K for year ended December 31, 2008, we have identified accounting for income taxes, valuation of long-lived and intangible assets and goodwill, valuation of inventories, valuation of investments, warranty reserves, allowance for doubtful accounts and litigation reserves as the accounting policies and estimates critical to the operations of Bio-Rad. For a full discussion of these policies, please refer to our Form 10-K for the year ended December 31, 2008. We have expanded our disclosure regarding our critical accounting policies and estimates relating to goodwill and long-lived assets.

Valuation of Goodwill and Long-lived Assets

Goodwill represents the excess of the cost over the fair value of net tangible and identifiable intangible assets of acquired businesses. Goodwill amounts are assigned to the reporting units based upon the amounts allocated at the time of their respective acquisition, adjusted for subsequent significant transfers of business between reporting units.

We assess the impairment of goodwill annually in the fourth quarter or whenever events or changes in circumstances

indicate that the carrying value may not be recoverable. There was no indication of impairment in the first quarter of 2009. We perform the impairment tests of goodwill at our reporting unit level, which is one level below our reporting segments. The goodwill impairment test consists of a two-step process. The first step of the goodwill impairment test, used to identify potential impairment, compares the fair value of a reporting unit to its carrying value, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired, and the second step of the impairment test is not required. The second step, if required, compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination is determined. The fair value of a reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the price paid to acquire the reporting unit. If the carrying amount of the reporting unit's goodwill exceeds its implied fair value, an impairment charge is recognized in an amount equal to that excess.

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

To validate the reasonableness of the reporting unit fair values, we reconcile the aggregate fair values of the reporting units to the enterprise market capitalization including an implied control premium. In performing the reconciliation we may, depending on the volatility of the market value of our stock price, use either the stock price on the valuation date or the average stock price over a range of dates around the valuation date. We compare the implied control premium to premiums paid in observable recent transactions of comparable companies to determine if the fair values of the reporting units are reasonable.

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

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

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

loss recognized is the amount by which the carrying amount exceeds the fair value.

Three Months Ended March 31, 2009 Compared to

Three Months Ended March 31, 2008

Corporate Results -- Sales, Margins and Expenses

Net sales (sales) in the first quarter of 2009 declined 5.0% to \$400.9 million from \$422.2 million in the first quarter of 2008. The negative impact to sales from a strengthening U.S. dollar represented a decline of 8.2%. For consolidated Bio-Rad, on a currency neutral basis, first quarter 2009 sales grew 3.2% compared to the first quarter of 2008. Sales growth was generated by the Pacific Rim and United States markets.

The Life Science segment sales for the quarter were \$140.3 million, down 9.2% or 3.0% on a currency neutral basis, compared to the same period last year. Performance of the Life Science segment was negatively impacted by a general slowness in the research market in the U.S. and Europe. In addition, the timing of the delivery of certain process chromatography products had an adverse impact on the first quarter when compared to the same period last year. Sales across a number of product lines in the Life Science segment performed well during the quarter, in particular the Bio-Plex[®] suspension array system assays and our real-time polymerase chain reaction (PCR) instruments and reagents.

The Clinical Diagnostics segment reported sales of \$257.5 million for the quarter, down 2.3% compared to the first quarter in 2008. On a currency neutral basis, the Clinical Diagnostics segment increased 7.2%. These results reflect continued growth across all product lines, most notable quality control, diabetes, microbiology and blood virus testing products. Performance in this segment also benefited from placements of the BioPlex[®]2200 system, which employs multiplexing technology to analyze multiple disease markers from a single patient sample.

Consolidated gross margins were 57.1% for the first quarter of 2009 compared to 53.7% for the first quarter of 2008 and 54.6% for the year 2008. While a strengthening dollar is detrimental to foreign currency denominated sales, cost of sales for our international manufacturing sites declined as well, offsetting a portion of the negative sales impact.

Life Science segment gross margins improved from the first quarter of 2008 by approximately 2%. The improvement was the result of better factory overhead absorption, reduction in costs and improved efficiency in our Singapore manufacturing plant. Clinical Diagnostics segment gross margins increased by approximately 4% driven by the cessation of royalties for blood typing and blood virus products, the inclusion of a DiaMed Holding AG (DiaMed) distributors acquired at year-end, and an improvement in BioPlex 2200 margins as volumes increase and efficiencies improve.

Selling, general and administrative expenses (SG&A) represented 35.0% of sales for the first quarter of 2009 compared to 33.1% of sales for the first quarter of 2008. After adjustment for the effect of foreign currency, SG&A rose 7.7% driven by higher personnel costs, agent commissions, software costs, bad debts and professional fees. Both the Life Science and Clinical Diagnostics segments experienced similar impacts to SG&A as did the company in total.

Product research and development expense declined slightly to \$37.2 million or 9.3% of sales in the first quarter of 2009 compared to \$37.5 million or 8.9% of sales in the first quarter of 2008. Life Science segment research and development expense declined from the prior year. Life Science segment development efforts are directed toward amplification, proteomics and process chromatography. Clinical Diagnostics segment research and development expense increased at a rate faster than currency neutral sales growth. Clinical Diagnostics segment research and development efforts are concentrating on additional assays for the BioPlex 2200 testing platform and improvements to existing diabetes monitoring, autoimmune, blood virus, blood typing and quality control products.

Corporate Results Other Items

Interest expense for the first quarter of 2009 declined by \$0.2 million compared to the first quarter of 2008. Average indebtedness declined slightly to \$452.5 million in the first quarter of 2009. Debt decreased due to slightly lower borrowings and the impact of currency translation on interest expense incurred on other than U.S. dollars. Our debt is mainly fixed rate borrowings at 7.5% and 6.125%, which will require renewal or payment in 2013 and 2014, respectively. We should not be subjected to significant increased borrowing costs in an increased interest rate environment unless we add new debt.

Exchange gains and losses consist of foreign currency transaction gains and losses on intercompany net receivables and payables and the change in fair market value of our forward foreign exchange contracts used to manage our foreign exchange risk. During the first quarter of 2008, the DiaMed locations did not fully participate in our hedge program and generated losses during that period. Their inclusion in the program after April 2008 is the main reason for the favorable comparison to the prior year. Additional current quarter gains are the result of the estimating process inherent in the timing of shipments and payments of intercompany debt.

We do not currently hedge the net intercompany payable of our Brazilian and Russian subsidiaries denominated in U.S. dollars, Euros, Swiss Francs and Rubles.

Other income and expense, net for the first quarter of 2009 declined \$1.4 million compared to the first quarter of 2008. The current quarter includes \$2.5 million of other-than-temporary impairment on short and long-term marketable equity and debt securities owned by us. Offsetting these impairments are interest income and dividends on our portfolio of investments and miscellaneous non-operating gains and losses from the sale of property, plant and equipment.

Bio-Rad's effective tax rate was 26% and 27% for the first quarter of 2009 and 2008, respectively. The effective tax rates for the first quarter of 2009 and 2008 both reflect tax benefits for nontaxable dividend income, research and development tax credits, and differences between U.S. and foreign rates. The effective tax rate for the first quarter of 2008 also reflects a discrete item due to an increase in the FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, liability.

Our effective tax rate may be impacted in the future, either favorably or unfavorably, by many factors including but not limited to statutory tax rates and changes in tax laws or regulations, which could cause our estimate of taxes to change.

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 intermediate or finished products are then shipped for completion and/or distribution to facilities around the globe. Our product mix is diversified, and certain products compete largely on product efficacy, while others compete on price. Gross margins are generally sufficient to exceed normal operating costs. Funding for research and development of new products as well as routine outflows of capital expenditure and tax expense are covered by cash flow from operations. We currently operate with an adequate level of interest coverage and our current market capitalization is sufficient relative to our current level of debt. In addition to the annual positive cash flow from operating activities, additional liquidity is readily available via the sale of short-term investments and access to our revolving credit facility.

At March 31, 2009, we had available \$222.8 million in cash, cash equivalents and short-term investments, and \$24.1 million under international lines of credit. Under the \$200.0 million restated and amended Revolving Credit Facility, we have \$192.3 million available with \$7.7 million reserved for standby letters of credit issued by our banks to guarantee our obligations to certain insurance companies. Management believes that this availability, together with cash flow from operations, will be adequate to meet our current objectives for operations, research and development, capital additions for plant, equipment and systems and to make the offer to the minority shareholders of DiaMed as outlined in the DiaMed purchase and sale agreement.

Cash Flows from Operations

Net cash provided by operations was \$6.4 million in the current quarter compared to a use of \$2.2 million for the three months ended March 31, 2008. The net improvement of \$8.6 million represents a \$5.2 million improvement in the net change in cash received from customers and cash paid to suppliers. The improvement is mostly attributable to lower payments to suppliers and employees. Additionally, we experienced a reduction in taxes paid.

We regularly review the allowance for uncollectible receivables and believe net accounts receivable are fully realizable. We also routinely review inventory for the impact of obsolescence and changes in market prices caused by the introduction of new products, technologies and government reimbursement policies.

Cash Flows for Investing Activities

Net capital expenditures totaled \$18.7 million for the three months ended March 31, 2009 compared to \$19.0 million for the same period of 2008. Capital expenditures represent the addition and replacement of production machinery and research equipment, ongoing manufacturing and facility additions for expansions, regulatory and environmental compliance, and leasehold improvements. Also included in capital expenditures are investments in business systems and data communication upgrades and enhancements. All periods include reagent rental equipment placed with Clinical Diagnostics customers who then contract to purchase our reagents for use.

On April 30, 2009, we acquired 955 of the remaining 1,000 shares of DiaMed Holding AG, held by multiple noncontrolling shareholders. Their interests have been recorded as noncontrolling interests on the consolidated balance sheet as of March 31, 2009. Based on April 30, 2009 foreign exchange rates, approximately \$30 million was paid to these shareholders under the terms of the original purchase agreement dated October 1, 2007. The acquisition of the noncontrolling shares will be accounted for as an equity transaction.

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 evaluating some acquisitions on a preliminary basis. It is not certain that any of these transactions will advance beyond the preliminary stages or be completed. Should we decide to make an acquisition of any material size, we would need to raise capital, most probably in the public debt market.

The Board of Directors has authorized the repurchase of up to \$18.0 million of Bio-Rad's common stock over an indefinite period of time of which \$3.3 million is remaining. Our credit agreements restrict our ability to repurchase our stock. There were no share repurchases made in the first three months of 2009 or for the year 2008.

Recent Accounting Pronouncements

In April 2009, the Financial Accounting Standards Board (FASB) issued the following FASB Staff Positions (FSPs) intended to provide additional application guidance and enhance disclosures regarding fair value measurements and impairments of securities. These FSPs become effective for our interim period ending June 30, 2009.

FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, provides additional guidance for estimating fair value in accordance with Statement of Financial Accounting Standards (SFAS) No. 157 when the volume and level of activity for the asset or liability have significantly decreased. This FSP also provides guidance on identifying circumstances that indicate a transaction is not orderly. We are currently evaluating the effect that this FSP will have on our consolidated financial statements.

FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, amends SFAS 107, *Disclosures about Fair Value of Financial Instruments*, to require disclosures about fair value of financial instruments in interim reporting periods of publicly traded companies that were previously only required to be disclosed in annual financial statements. This FSP also amends APB Opinion 28, *Interim Financial Reporting*, to require those disclosures in summarized financial information at interim reporting periods. As FSP FAS 107-1 and APB 28-1 amends only the disclosure requirements about fair value of financial instruments in interim periods, the adoption of this FSP will not affect our financial condition, results of operations or cash flows.

FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*, amends current other-than-temporary impairment guidance in GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This FSP does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. We do not believe the adoption of FSP FAS 115-2 and FAS 124-2 will have a material impact on our consolidated financial statements.

On January 1, 2009 we adopted SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements*. SFAS 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary (minority interest) is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements and separate from the parent company's equity. This statement also requires disclosure, on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. These disclosure requirements have been applied retrospectively to all periods present. There were no changes to the ownership percentages of the noncontrolling interests in the first quarter of 2009. The adoption of this standard did not have a material impact on our condensed consolidated financial statements; however, the adoption impacted certain captions previously used on the consolidated income statement, largely identifying net income including noncontrolling interests and net income attributable to Bio-Rad. Certain captions on the consolidated

balance sheet and statement of cash flows have also changed.

In June 2008, the FASB issued FSP No. Emerging Issues Task Force (EITF) 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. FSP No. EITF 03-6-1 concluded that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share (EPS) pursuant to the two-class method. This FSP became effective for us on January 1, 2009, at which time we adopted the FSP. This FSP did not have a material impact on our EPS data in the first quarter of 2009 or on EPS for any prior periods. See Note 9.

As amended in February 2008 by FSP No. FAS 157-2, *Effective Date of FASB Statement No. 157, SFAS 157, Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FSP FAS 157-2 defers the effective date of SFAS 157 for all nonfinancial assets and liabilities, except those items recognized or disclosed at fair value on an annual or more frequently recurring basis. This FSP became effective for us beginning January 1, 2009. The adoption of this FSP did not have a material impact on our consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

During the three months ended March 31, 2009, 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, 2008.

Item 4. Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission's rules and forms and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

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

PART II OTHER INFORMATION

Item 1. Legal Proceedings

See Note 15, Legal Proceedings in the Notes to Condensed Consolidated Financial Statements of Part 1, Item 1 of this Form 10-Q.

Item 1A. Risk Factors

Adverse changes in general domestic and worldwide economic conditions and instability and disruption of credit markets could adversely affect our operating results, financial condition, or liquidity.

Recent global market and economic conditions have been unprecedented and challenging with tighter credit conditions and recession in most major economies expected to continue through 2009. Continued concerns about the systemic impact of potential long-term and wide-spread recession, energy costs, geopolitical issues, the availability and cost of credit, and the global housing and mortgage markets have contributed to increased market volatility and diminished expectations for western and emerging economies. In the second half of 2008, added concerns fueled by U.S. government conservatorship of the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association, the declared bankruptcy of Lehman Brothers Holdings Inc., the U.S. government financial assistance to American International Group Inc., Citibank, Bank of America and other federal government interventions in the U.S. financial system lead to increased market uncertainty and instability in both U.S. and international capital and credit markets. These conditions, combined with volatile oil prices, declining business and consumer confidence and increased unemployment, have contributed to volatility of unprecedented levels.

As a result of these market conditions, the cost and availability of credit has been and may continue to be adversely affected by illiquid credit markets and wider credit spreads. Concern about the stability of the markets generally and the strength of counterparties specifically has led many lenders and institutional investors to reduce, and in some cases, cease to provide credit to businesses and consumers. These factors have led to a decrease in spending by businesses and consumers alike. Our customers and vendors may experience cash flow concerns and, as a result, customers may modify, delay or cancel plans to purchase our products and vendors may increase their prices, reduce their output or change terms of sales. Additionally, if customers or suppliers operating and financial performance deteriorates, or if they are unable to make scheduled payments or obtain credit, customers may not be able to pay, or may delay payment of, amounts owed to us and suppliers may restrict credit or impose different payment terms. Any inability of current and/or potential customers to pay us for our products or any demands by suppliers for different payment terms may adversely affect our earnings and cash flow. Additionally, strengthening of the U.S. dollar associated with the global financial crisis may adversely affect the results of our international operations when those results are translated into U.S. dollars. Furthermore, the disruption in the credit markets could impede our access to capital, which could be further adversely affected if we are unable to maintain our current credit ratings. Should we have limited access to additional financing sources, we may need to defer capital expenditures or seek other sources of liquidity, which may not be available to us on acceptable terms, if at all. Continued turbulence in the U.S. and international markets and economies and prolonged declines in business consumer spending may adversely affect our liquidity and financial condition, and the liquidity and financial condition of our customers, including our ability to refinance maturing liabilities and access the capital markets to meet liquidity needs.

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

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

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

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

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

The life science and clinical diagnostics markets are each highly competitive. Some of our competitors have greater financial resources than we do and are less leveraged than we are, making them better equipped to license technologies and intellectual property from third parties or to fund research and development, manufacturing and marketing efforts. Moreover, competitive and regulatory conditions in many markets in which we operate restrict our ability to fully recover, through price increases, higher costs of acquired goods and services resulting from inflation and other drivers of cost increases. Our competitors can be expected to continue to improve the design and

performance of their products and to introduce new products with competitive price and performance characteristics. Maintaining these advantages will require us to continue to invest in research and development, sales and marketing and customer service and support. We cannot assure you that we will have sufficient resources to continue to make such investments or that we will be successful in maintaining such advantages.

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

A significant portion of our sales are made outside of the United States. Our foreign subsidiaries generated 66% of our net sales in the three months ended March 31, 2009. Our international operations are subject to risks common to foreign operations, such as general economic and market conditions in the countries in which we operate, changes in governmental regulations, political instability, import restrictions and currency exchange rate risks. We cannot assure you that shifts in currency exchange rates, especially significant strengthening of the U.S. dollar compared to the Euro, will not have a material adverse effect on our operating results and financial condition.

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

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

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

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

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

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

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

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

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

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

We are subject to substantial government regulation.

Some of our products (primarily diagnostic products), production processes and marketing are subject to federal, state, local and foreign regulation, including the FDA and its foreign counterparts. We are also subject to government

regulation of the use and handling of a number of materials and controlled substances. Failure to comply with present or future regulations could result in substantial liability to us, suspension or cessation of our operations, restrictions on our ability to expand at our present locations or require us to make significant capital expenditures or incur other significant expenses.

We are currently subject to environmental regulations and enforcement proceedings.

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

We may in the future incur capital and operating costs to comply with currently existing laws and regulations, and possible new statutory enactments, and these expenditures may be significant. We have incurred, and may in the future incur, fines related to environmental matters and liability for costs or damages related to spills or other releases of hazardous substances into the environment at sites where we have operated, or at off-site locations where we have sent hazardous substances for disposal. In that regard, we currently are investigating soil and groundwater contamination at one of our properties under the oversight of a state agency. Based on the currently available information, we believe that the costs to clean up this contamination will not have a material adverse effect on the future results of our operations or our financial condition. We can provide no assurance, however, that such matters or any future obligations to comply with environmental laws and regulations will not have a material impact on our operations or financial condition.

Loss of key personnel could hurt our business.

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

Additionally, if we were to lose a sufficient number of our research and development scientists and were unable to replace them or satisfy our needs for research and development through outsourcing, it could adversely affect our business.

A significant majority of our voting stock is held by the Schwartz family, which could lead

to conflicts of interest.

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

As of February 17, 2009, the Schwartz family collectively held approximately 16% of our Class A Common Stock and 90% of our Class B Common Stock. As a result, the Schwartz family is able to elect a majority of the directors, effect fundamental changes in our direction and control matters affecting us, including the allocation of business opportunities that may be suitable for our company. In addition, this concentration of ownership and voting power may have the effect of delaying or preventing a change in control of our company.

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

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

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

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

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

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

We have positions in a variety of financial instruments including asset backed securities and other similar instruments. Financial markets are quite volatile and the markets for these securities can be illiquid. The value of these securities will continue to be impacted by external market factors including default rates, changes in the value of the underlying property, such as residential or commercial real estate, rating agency actions, the prices at which observable market transactions occur and the financial strength of various entities, such as financial guarantors who provide insurance for the securities. Should we need to liquidate these positions for cash, our ability to sell these instruments without significant losses may also be limited by the market environment.

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

As of March 31, 2009 we and our subsidiaries have approximately \$450.2 million of outstanding indebtedness. In addition, the indenture governing our notes permits us to incur additional debt provided we comply with the limitation on the incurrence of additional indebtedness and disqualified capital stock covenants contained in the indenture.

The following chart shows certain important credit statistics.

	At March 31, 2009 (in millions)
Total debt	\$ 450.2
Stockholders' equity	\$ 1,058.3
Debt to equity ratio	0.4

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

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

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

these obligations or to successfully execute our business strategy.

The agreements governing our debt impose restrictions on our business.

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

These covenants place restrictions on our ability to, among other things:

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

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

Our ability to comply with these covenants may be affected by events beyond our control, including prevailing economic, financial and industry conditions. The breach of any of these restrictions could result in a default. An event of default under our debt agreements would permit some of our lenders to declare all amounts borrowed from them to be due and payable, together with accrued and unpaid interest. If we were unable to repay debt to our senior secured lenders, these lenders could proceed against the collateral securing that debt. The collateral is substantially all of our personal property assets, the assets of our domestic subsidiaries and 65% of the capital stock of certain foreign subsidiaries. In addition, acceleration of our other indebtedness may cause us to be unable to make interest payments on our notes and repay the principal amount of the notes or may cause the future subsidiary guarantors, if any, to be unable to make payments under the guarantees.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

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

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: May 8, 2009 /s/ Norman Schwartz
Norman Schwartz, President,
Chief Executive Officer

Date: May 8, 2009 /s/ Christine A. Tsingos
Christine A. Tsingos, Vice President,
Chief Financial Officer