BIO RAD LABORATORIES INC
Form 10-Q
August 05, 2016

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

FORM 10-Q
(Mark
One)

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

For the quarterly period ended June 30, 2016
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	94547
(Address of principal executive offices)	(Zip Code)

(510) 724-7000
(Registrant's telephone number, including area code)
No Change
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No o
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 x No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x

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

Title of Class	Shares Outstanding at July 28, 2016
Class A Common Stock, Par Value $0.0001 per share	24,301,032
Class B Common Stock, Par Value $0.0001 per share	5,122,341

BIO-RAD LABORATORIES, INC.

FORM 10-Q JUNE 30, 2016

TABLE OF CONTENTS

INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

Other than statements of historical fact, statements made in this report include forward-looking statements, such as statements with respect to our future financial performance, operating results, plans and objectives that involve risk and uncertainties. Forward-looking statements generally can be identified by the use of forward-looking terminology, such as “believe,” “expect,” “anticipate,” “may,” “will,” “intend,” “estimate,” “continue,” or similar expressions or the negative terms or expressions. Such statements involve risks and uncertainties, which could cause actual results to vary materially from those expressed in or indicated by the forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. However, actual results may differ materially from those currently anticipated depending on a variety of risk factors including, but not limited to, those identified under “Part II, Item 1A, Risk Factors” of this Quarterly Report on Form 10-Q. We caution you not to place undue reliance on forward-looking statements, which reflect an analysis only and speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

PART I – FINANCIAL INFORMATION
Item 1. Financial Statements

BIO-RAD LABORATORIES, INC.
Condensed Consolidated Balance Sheets
(In thousands, except share data)

	June 30, 2016 (Unaudited)	December 31, 2015
ASSETS:		
Cash and cash equivalents	$418,651	$457,549
Short-term investments	372,944	328,718
Restricted investments	4,210	4,210
Accounts receivable, net	366,281	391,485
Inventories:		
Raw materials	113,740	109,928
Work in process	127,702	114,438
Finished goods	300,072	265,858
Total inventories	541,514	490,224
Other current assets	102,088	105,410
Total current assets	1,805,688	1,777,596
Property, plant and equipment, at cost	1,179,109	1,117,086
Less: accumulated depreciation and amortization	(721,424)	(679,396)
Property, plant and equipment, net	457,685	437,690
Goodwill, net	505,311	495,948
Purchased intangibles, net	230,709	214,026
Other investments	810,463	719,840
Other assets	64,779	64,618
Total assets	$3,874,635	$3,709,718
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Accounts payable, accrued payroll and employee benefits	$256,112	$280,248
Current maturities of long-term debt and notes payable	294	298
Income and other taxes payable	21,856	29,339
Other current liabilities	132,143	131,466
Total current liabilities	410,405	441,351
Long-term debt, net of current maturities	434,057	433,883
Other long-term liabilities	415,612	343,981
Total liabilities	1,260,074	1,219,215
Stockholders' equity:		
Class A common stock, shares issued 24,301,154 and 24,230,448 at 2016 and 2015, respectively; shares outstanding 24,301,032 and 24,230,326 at 2016 and 2015, respectively	2	2
Class B common stock, shares issued 5,123,258 and 5,130,558 at 2016 and 2015, respectively; shares outstanding 5,122,341 and 5,129,641 at 2016 and 2015, respectively	1	1
Additional paid-in capital	316,754	300,408
Class A treasury stock at cost, 122 shares at 2016 and 2015	(12)	(12)

Class B treasury stock at cost, 917 shares at 2016 and 2015	(89)	(89)
Retained earnings	1,838,345	1,808,055
Accumulated other comprehensive income	459,560	382,138
Total stockholders' equity	2,614,561	2,490,503
Total liabilities and stockholders' equity	$3,874,635	$3,709,718

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net sales	$516,777	$506,102	$987,974	$978,923
Cost of goods sold	236,545	226,505	443,713	429,220
Gross profit	280,232	279,597	544,261	549,703
Selling, general and administrative expense	205,536	192,845	395,252	381,400
Research and development expense	52,171	46,547	100,757	93,749
Income from operations	22,525	40,205	48,252	74,554
Interest expense	5,632	4,834	11,212	9,836
Foreign currency exchange losses, net	1,237	2,938	2,366	6,744
Other (income) expense, net	(11,208)	(7,107)	(12,385)	(8,260)
Income before income taxes	26,864	39,540	47,059	66,234
Provision for income taxes	(8,850)	(11,117)	(16,769)	(19,993)
Net income	$18,014	$28,423	$30,290	$46,241
Basic earnings per share:				
Net income per basic share	$0.61	$0.98	$1.03	$1.59
Weighted average common shares - basic	29,398	29,136	29,381	29,114
Diluted earnings per share:				
Net income per diluted share	$0.61	$0.97	$1.03	$1.58
Weighted average common shares - diluted	29,589	29,381	29,549	29,338

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income	$18,014	$28,423	$30,290	$46,241
Other comprehensive income:				
Foreign currency translation adjustments	(18,424)	37,066	19,512	17,596
Foreign other post-employment benefits adjustments, net of income taxes	535	(617)	(105)	424
Net unrealized holding gains on available-for-sale (AFS) investments, net of income taxes	62,109	88,152	58,015	95,082
Other comprehensive income, net of income taxes	44,220	124,601	77,422	113,102
Comprehensive income	$62,234	$153,024	$107,712	$159,343

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)

	Six Months Ended June 30,	
	2016	2015
Cash flows from operating activities:		
Cash received from customers	$1,020,149	$971,616
Cash paid to suppliers and employees	(935,587)	(898,757)
Interest paid, net	(10,911)	(9,071)
Income tax payments, net	(11,085)	(6,269)
Investment proceeds and miscellaneous receipts, net	12,810	8,660
Excess tax benefits from share-based compensation	(75)	(1,258)
(Payments for) proceeds from forward foreign exchange contracts, net	(5,594)	3,058
Net cash provided by operating activities	69,707	67,979
Cash flows from investing activities:		
Capital expenditures	(56,865)	(59,269)
Proceeds from dispositions of property, plant and equipment	21	29
Payments for acquisition and long-term investment	(11,477)	(2,589)
Payments for purchases of intangible assets	(6)	(1,321)
Payments for purchases of marketable securities and investments	(148,423)	(111,292)
Proceeds from sales of marketable securities and investments	42,386	41,138
Proceeds from maturities of marketable securities and investments	64,036	77,448
Net cash used in investing activities	(110,328)	(55,856)
Cash flows from financing activities:		
Payments on long-term borrowings	(156)	(131)
Payments of contingent consideration	(3,500)	(2,983)
Proceeds from issuances of common stock for share-based compensation	6,875	4,586
Excess tax benefits from share-based compensation	75	1,258
Net cash provided by financing activities	3,294	2,730
Effect of foreign exchange rate changes on cash	(1,571)	22,029
Net (decrease) increase in cash and cash equivalents	(38,898)	36,882
Cash and cash equivalents at beginning of period	457,549	413,251
Cash and cash equivalents at end of period	$418,651	$450,133
Reconciliation of net income to net cash provided by operating activities:		
Net income	$30,290	$46,241
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	71,668	64,409
Share-based compensation	9,407	8,305
Gains on dispositions of securities	(66)	(72)
Excess tax benefits from share-based compensation	(75)	(1,258)
Changes in fair value of contingent consideration	(1,873)	95
Decrease in accounts receivable	32,067	9,859
Increase in inventories	(50,979)	(46,584)
Increase in other current assets	(2,561)	(1,220)
Decrease in accounts payable and other current liabilities	(32,564)	(23,103)
Increase in income taxes payable	11	16,852
Increase (decrease) in deferred income taxes	4,060	(375)

Net decrease/increase in other long-term assets/liabilities	10,322	(5,170)
Net cash provided by operating activities	$69,707	$67,979

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 AND USE OF ESTIMATES

Basis of Presentation

In this report, “Bio-Rad,” “we,” “us,” “the Company” and “our” refer to Bio-Rad Laboratories, Inc. and its subsidiaries. The accompanying unaudited condensed consolidated financial statements of Bio-Rad have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and reflect all adjustments which are, in the opinion of management, necessary to fairly state the results of the interim periods presented. All such adjustments are of a normal recurring nature. Results for the interim period are not necessarily indicative of the results for the entire year. The condensed consolidated balance sheet at December 31, 2015 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements. The condensed consolidated financial statements should be read in conjunction with the notes to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2015.

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

Use of Estimates

The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting periods. Bio-Rad bases its estimates on historical experience and on various other market-specific and other relevant assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ materially from those estimates.

Recent Accounting Standards Updates

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. (“ASU”) 2016-13, "Measurement of Credit Losses on Financial Instruments." ASU 2016-13 will replace the current incurred loss approach with an expected loss model for instruments measured at amortized cost and require entities to record allowances for available-for-sale debt securities rather than reduce the carrying amount under the current other-than-temporary impairment model. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted for all entities for annual periods beginning after December 15, 2018, and interim periods therein. We are currently evaluating the effect ASU 2016-13 will have on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting." ASU 2016-09 will require all income tax effects of awards to be recognized in the income statement when the awards vest or are settled. It also will allow an employer to repurchase more of an employee’s shares than it can today for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and

interim periods within those fiscal years and early adoption is permitted. We are currently evaluating the effect ASU 2016-09 will have on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-07, "Simplifying the Transition to the Equity Method of Accounting," which eliminates the requirement to retrospectively apply the equity method in previous periods when an investor initially obtains significant influence over an investee. Under current guidance, an investor that doesn't consolidate an investment and initially accounts for it under a method other than the equity method is required to retrospectively apply the equity method in prior periods in which it held the investment when it subsequently obtained significant influence. ASU 2016-07 will be applied on a prospective basis and is effective for all entities for fiscal years beginning after December 15, 2016, and interim periods within those years and early adoption is permitted. We do not plan to early adopt ASU 2016-07 and currently do not expect it to affect our consolidated financial statements when adopted on January 1, 2017.

In February 2016, the FASB issued ASU 2016-02, "Leases," which will require, among other items, lessees to recognize most leases as assets and liabilities on the balance sheet. Qualitative and quantitative disclosures will be enhanced to better understand the amount, timing and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. We do not plan to early adopt. ASU 2016-02 will be adopted on a modified retrospective basis, with elective reliefs, which requires application of ASU 2016-02 for all periods presented. We are currently evaluating the effect ASU 2016-02 will have on our consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities." Amendments under ASU 2016-01, among other items, require that all equity investments in unconsolidated entities (other than those accounted for using the equity method of accounting) will generally be measured at fair value through earnings. There will no longer be an available-for-sale classification, for which changes in fair value are reported in other comprehensive income, for equity securities with readily determinable fair values. For equity investments without readily determinable fair values, the cost method is also eliminated. However, entities will be able to elect to record equity investments without readily determinable fair values at cost, less impairment, and plus or minus subsequent adjustments for observable price changes. Changes in the basis of these equity investments will be reported in current earnings. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. We are currently evaluating the effect ASU 2016-01 will have, if any, on our consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments," which eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Under ASU 2015-16, acquirers must recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. The measurement period cannot exceed one year from the date of the acquisition. ASU 2015-16 was effective on January 1, 2016, and we adopted it at the same time as a change in accounting policy. For the first quarter of 2016, ASU 2015-16 had no effect on our consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, “Simplifying the Measurement of Inventory.” Under current guidance, an entity subsequently measures inventory at the lower of cost or market, with market defined as replacement cost, net realizable value (NRV), or NRV less a normal profit margin. An entity uses current replacement cost provided that it is not above NRV (i.e., the ceiling) or below NRV less an “approximately normal profit margin” (i.e., the floor). ASU 2015-11 eliminates this analysis and requires entities to measure most inventory “at the lower of cost and NRV.” ASU 2015-11 is effective prospectively for annual periods beginning after December 15, 2016, and interim periods therein, with early adoption permitted. We will not early adopt. We are currently evaluating the effect ASU 2015-11 will have,

if any, on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs." ASU 2015-03 was issued to simplify the presentation of debt issuance costs by requiring debt issuance costs to be presented as a deduction from the corresponding debt liability. This makes the presentation of debt issuance costs consistent with the presentation of debt discounts or premiums. Under prior U.S. GAAP, debt issuance costs were reported on the balance sheet as assets and amortized as interest expense. Under ASU 2015-03, debt issuance costs will continue to be amortized to interest expense using the effective interest method. In August 2015, the FASB issued ASU 2015-15, "Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements" to clarify the SEC staff's position that it would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, which is our current practice. We adopted ASU 2015-03 on January 1, 2016 on a retrospective basis as a change in accounting policy. The Condensed Consolidated Balance Sheet as of December 31, 2015, was retrospectively adjusted by decreasing Other assets and Long-term debt, net of current maturities by $1.8 million, respectively.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. In August 2015, the FASB issued ASU 2015-14 to defer the effective date for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted as of the original effective date in ASU 2014-09, which is annual reporting periods beginning after December 15, 2016, however, we will not early adopt. In May 2016, the FASB issued ASU 2016-12, "Narrow-Scope Improvements and Practical Expedients," which amends and clarifies certain aspects in ASU 2014-09 that include collectiblity, presentation of sales and other taxes collected from customers, noncash consideration, contract modifications and completed contracts at transition. In April 2016, the FASB issued ASU 2016-10, "Identifying Performance Obligations and Licensing," which amends the guidance in ASU 2014-09 on accounting for licenses of intellectual property and identifying performance obligations. In March 2016, The FASB issued ASU 2016-08, "Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," which amends the principal versus agent guidance in ASU 2014-09. The standards are to be applied retrospectively and permit the use of either the retrospective or cumulative effect transition method. We will use the cumulative effect transition method once we adopt ASUs 2014-09, 2016-12, 2016-10 and 2016-08 on January 1, 2018. We are currently evaluating the effect that these ASUs will have on our consolidated financial statements and related disclosures.

2.ACQUISITIONS

Propel Labs, Inc.

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

The preliminary fair value of the consideration as of the acquisition date was $38.8 million, which included $9.5 million paid in cash at the closing date and $29.3 million in contingent consideration potentially payable to

Propel. The contingent consideration was based on a probability-weighted income approach related to the achievement of certain sales milestones, and was recognized at its estimated fair value of $29.3 million as of June 30, 2016 (see Note 3, "Fair Value Measurements").

The purchase accounting for this acquisition is preliminary and subject to revision, as more time is needed to transfer information necessary from the seller and include it into a comprehensive valuation of certain assets. The preliminary fair values of the net assets acquired from Propel as of the acquisition date were determined to be $36.0 million of definite-lived intangible assets and $2.8 million of goodwill. Measurement-period adjustments will be recorded as soon as they are determined in accordance with ASU 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments." We expect the goodwill recorded to be deductible for income tax purposes. The acquired analytical flow cytometer platform fits well into Bio-Rad's existing Life Science segment product offerings and may offer researchers greater access to this technology.

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

3.FAIR VALUE MEASUREMENTS

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

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

Financial assets and liabilities carried at fair value and measured on a recurring basis as of June 30, 2016 are classified in the hierarchy as follows (in millions):

	Level 1	Level 2	Level 3	Total
Financial Assets Carried at Fair Value:				
Cash equivalents:				
Commercial paper	$—	$21.0	$—	$21.0
U.S. government sponsored agencies	—	5.0	—	5.0
Foreign government obligations	—	1.8	—	1.8
Foreign time deposits	21.1	—	—	21.1
Domestic time deposits	20.0	—	—	20.0
Money market funds	5.1	—	—	5.1
Total cash equivalents (a)	46.2	27.8	—	74.0
Restricted investment:	4.2	—	—	4.2
Available-for-sale investments:				
Corporate debt securities	—	175.2	—	175.2
U.S. government sponsored agencies	—	79.4	—	79.4
Foreign government obligations	—	6.7	—	6.7
Municipal obligations	—	10.6	—	10.6
Marketable equity securities	751.4	—	—	751.4
Asset-backed securities	—	67.5	—	67.5
Total available-for-sale investments (b)	751.4	339.4	—	1,090.8
Forward foreign exchange contracts (c)	—	0.6	—	0.6
Total financial assets carried at fair value	$801.8	$367.8	$—	$1,169.6
Financial Liabilities Carried at Fair Value:				
Forward foreign exchange contracts (d)	$—	$1.4	$—	$1.4
Contingent consideration (e)	—	—	43.0	43.0
Total financial liabilities carried at fair value	$—	$1.4	$43.0	$44.4

Financial assets and liabilities carried at fair value and measured on a recurring basis as of December 31, 2015 are classified in the hierarchy as follows (in millions):

	Level 1	Level 2	Level 3	Total
Financial Assets Carried at Fair Value:				
Cash equivalents:				
Commercial paper	$—	$33.2	$—	$33.2
Foreign government obligations	—	0.6	—	0.6
Foreign time deposits	11.9	—	—	11.9
U.S. government sponsored agencies	—	14.6	—	14.6
Money market funds	11.3	—	—	11.3
Total cash equivalents (a)	23.2	48.4	—	71.6
Restricted investment:	4.2	—	—	4.2
Available-for-sale investments:				
Corporate debt securities	—	156.9	—	156.9
U.S. government sponsored agencies	—	74.8	—	74.8
Foreign government obligations	—	4.6	—	4.6
Municipal obligations	—	6.4	—	6.4
Marketable equity securities	660.1	—	—	660.1
Asset-backed securities	—	54.8	—	54.8
Total available-for-sale investments (b)	660.1	297.5	—	957.6
Forward foreign exchange contracts (c)	—	0.9	—	0.9
Total financial assets carried at fair value	$687.5	$346.8	$—	$1,034.3
Financial Liabilities Carried at Fair Value:				
Forward foreign exchange contracts (d)	$—	$1.1	$—	$1.1
Contingent consideration (e)	—	—	19.1	19.1
Total financial liabilities carried at fair value	$—	$1.1	$19.1	$20.2

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

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

	June 30, 2016	December 31, 2015
Short-term investments	$372.9	$ 328.7
Other investments	717.9	628.9
Total	$1,090.8	$ 957.6

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

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

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

	June 30, 2016	December 31, 2015
Other current liabilities	$ 13.7	$ 13.5
Other long-term liabilities	29.3	5.6
Total	$ 43.0	$ 19.1

In 2012, we recognized a contingent consideration liability for certain milestones of $44.6 million upon our acquisition of a new cell sorting system from Propel. Since 2012, we have paid $28.9 million upon reaching the milestones and have reduced the valuation of the milestones by $12.0 million to its estimated fair value of $3.7 million as of June 30, 2016.

During the first quarter of 2016, we recognized a contingent consideration liability upon our acquisition of a new high performance analytical flow cytometer platform from Propel. At the acquisition date, the contingent consideration was based on a probability-weighted income approach related to the achievement of sales milestones, ranging from 39% to 20% for the calendar years 2017 through 2020. The sales milestones could potentially range from $0 to an unlimited amount through December 31, 2020. The contingent consideration was recognized at its estimated fair value of $29.3 million as of June 30, 2016.

The following table provides a reconciliation of the Level 3 cell sorting system and analytical flow cytometer platform contingent consideration liabilities measured at estimated fair value based on original valuations and updated quarterly for the six months ended June 30, 2016 (in millions):

	2016
January 1	$9.1
Cell sorting system:	
Payment of sales milestone	(3.5)
Decrease in estimated fair value of contingent consideration included in Selling, general and administrative expense	(1.9)
Analytical flow cytometer platform:	
Acquisition of high performance analytical flow cytometer platform	29.3
June 30	$33.0

The following table provides quantitative information about Level 3 inputs for fair value measurement of our cell sorting system and analytical flow cytometer platform contingent consideration liabilities as of June 30, 2016. Significant increases or decreases in these inputs in isolation could result in a significantly lower or higher fair value measurement.

	Valuation Technique	Unobservable Input	Range From	To
Cell sorting system	Probability-weighted income approach	Sales milestones:		
		Credit adjusted discount rates	0.53%	N/A
		Projected volatility of growth rate	17%	N/A
		Market price of risk	1.40%	N/A
Analytical flow cytometer platform	Probability-weighted income approach	Sales milestones:		
		Market price of risk	6 %	
		Volatility	10%	

In 2014, we recognized a contingent consideration liability upon our acquisition of GnuBIO. The contingent consideration for the milestones was valued at $10.7 million at the acquisition date based on assumptions regarding the probability of achieving the milestones, with such amounts discounted to present value. The Level 3 contingent consideration was revalued to a fair value of $10.0 million as of June 30, 2016 and December 31, 2015.

To estimate the fair value of Level 2 debt securities as of June 30, 2016 and December 31, 2015, our primary pricing provider uses S&P Capital IQ as the primary pricing source. Our pricing process allows us to select a hierarchy of pricing sources for securities held. The chosen pricing hierarchy for our Level 2 securities, other than certificates of deposit and commercial paper, is S&P Capital IQ as the primary pricing source and then our custodian as the secondary pricing source. If S&P Capital IQ does not price a Level 2 security that we hold, then the pricing provider will utilize our custodian supplied pricing.

For commercial paper as of June 30, 2016 and December 31, 2015, pricing is determined by a straight-line calculation, starting with the purchase price on the date of purchase and increasing to par at maturity. Interest bearing certificates of deposit and commercial paper are priced at par.

In addition to the above, our primary pricing provider performs daily reasonableness testing of the S&P Capital IQ prices to custodian reported prices. Prices outside a tolerable variance of approximately 1% are investigated and resolved.

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

	June 30, 2016			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Short-term investments:				
Corporate debt securities	$174.2	$ 1.1	$ (0.1)	$ 175.2
Municipal obligations	10.5	0.1	—	10.6
Asset-backed securities	67.2	0.1	(0.1)	67.2
U.S. government sponsored agencies	78.4	1.0	—	79.4
Foreign government obligations	6.7	—	—	6.7
Marketable equity securities	31.7	2.6	(0.5)	33.8
	368.7	4.9	(0.7)	372.9
Long-term investments:				
Marketable equity securities	54.5	663.1	—	717.6
Asset-backed securities	0.3	—	—	0.3
	54.8	663.1	—	717.9
Total	$423.5	$ 668.0	$ (0.7)	$ 1,090.8

	December 31, 2015			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Short-term investments:				
Corporate debt securities	$157.2	$ 0.1	$ (0.4)	$ 156.9
Municipal obligations	6.4	—	—	6.4
Asset-backed securities	54.8	—	(0.2)	54.6
U.S. government sponsored agencies	74.9	0.1	(0.2)	74.8
Foreign government obligations	4.6	—	—	4.6
Marketable equity securities	29.4	2.7	(0.7)	31.4
	327.3	2.9	(1.5)	328.7
Long-term investments:				
Marketable equity securities	54.5	574.2	—	628.7
Asset-backed securities	0.3	—	(0.1)	0.2
	54.8	574.2	(0.1)	628.9
Total	$382.1	$ 577.1	$ (1.6)	$ 957.6

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

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

	June 30, 2016	December 31, 2015
Fair value of investments in a loss position 12 months or more	$ 11.0	$ 10.4
Fair value of investments in a loss position less than 12 months	$ 57.9	$ 204.0
Gross unrealized losses for investments in a loss position 12 months or more	$ 0.3	$ 0.4
Gross unrealized losses for investments in a loss position less than 12 months	$ 0.4	$ 1.2

The unrealized losses on these securities are due to a number of factors, including changes in interest rates, changes in economic conditions and changes in market outlook for various industries, among others. Because Bio-Rad has the ability and intent to hold these investments with unrealized losses until a recovery of fair value, or for a reasonable period of time sufficient for a forecasted recovery of fair value, which may be maturity, we do not consider these investments to be other-than-temporarily impaired at June 30, 2016 or at December 31, 2015.

As part of distributing our products, we regularly enter into intercompany transactions. We enter into forward foreign exchange contracts to manage foreign exchange risk of future movements in foreign exchange rates that affect foreign currency denominated intercompany receivables and payables. We do not use derivative financial instruments for speculative or trading purposes. We do not seek hedge accounting treatment for these contracts. As a result, these contracts, generally with maturity dates of 90 days or less and denominated primarily in currencies of industrial countries, are recorded at their fair value at each balance sheet date. The notional principal amounts provide one measure of the transaction volume outstanding as of June 30, 2016 and do not represent the amount of Bio-Rad's exposure to loss. The estimated fair value of these contracts was derived using the spot rates from Reuters on the last business day of the quarter and the points provided by counterparties. The resulting gains or losses offset exchange gains or losses on the related receivables and payables, both of which are included in Foreign currency exchange losses, net in the Condensed Consolidated Statements of Income.

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

	June 30, 2016
Contracts maturing in July through September 2016 to sell foreign currency:	
Notional value	$18.6
Unrealized gain	$0.1
Contracts maturing in July through September 2016 to purchase foreign currency:	
Notional value	$323.5
Unrealized loss	$(1.0)

The following is a summary of the amortized cost and estimated fair value of our debt securities at June 30, 2016 by contractual maturity date (in millions):

	Amortized Cost	Estimated Fair Value
Mature in less than one year	$ 134.0	$ 134.2
Mature in one to five years	147.8	148.5
Mature in more than five years	55.5	56.7
Total	$ 337.3	$ 339.4

The estimated fair value of financial instruments that are not recognized at fair value in the Condensed Consolidated Balance Sheets and are included in Other investments, are presented in the table below. Fair value has been determined using significant observable inputs, including quoted prices in active markets for similar instruments. Estimates are not necessarily indicative of the amounts that could be realized in a current market exchange as considerable judgment is required in interpreting market data used to develop estimates of fair value. The use of different market assumptions or estimation techniques could have a material effect on the estimated fair value. Other investments include financial instruments, the majority of which have fair value based on similar, actively traded stock adjusted for various discounts, including a discount for marketability. Long-term debt, excluding leases and current maturities, has an estimated fair value based on quoted market prices for the same or similar issues.

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

	June 30, 2016			December 31, 2015		
	Carrying Amount	Estimated Fair Value	Fair Value Hierarchy Level	Carrying Amount	Estimated Fair Value	Fair Value Hierarchy Level
Other investments	$88.3	$ 961.9	2	$86.5	$ 843.2	2
Total long-term debt, excluding leases and current maturities	$422.2	$ 467.5	2	$421.9	$ 454.3	2

We own shares of ordinary voting stock of Sartorius AG (Sartorius), of Goettingen, Germany, a process technology supplier to the biotechnology, pharmaceutical, chemical and food and beverage industries. We own over 35% of the outstanding voting shares (excluding treasury shares) of Sartorius as of June 30, 2016. The Sartorius family trust and Sartorius family members hold a controlling interest of the outstanding voting shares. We do not have any representative or designee on Sartorius' Board of Directors, nor do we have the ability to exercise significant influence over the operating and financial policies of Sartorius. We account for this investment using the cost method. The carrying value of this investment is included in Other investments in our Condensed Consolidated Balance Sheets. As the stock is thinly traded and in conjunction with the valuation method discussed above, we have classified the estimated fair value as Level 2. The Level 2 classification is appropriate given the valuation method employed, which incorporates an observable input of the fair value of the Sartorius' actively traded preferred stock.

4.GOODWILL AND OTHER PURCHASED INTANGIBLE ASSETS

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

	Life Science	Clinical Diagnostics	Total
Balances as of January 1, 2016:			
Goodwill	$207.2	$ 316.9	$524.1
Accumulated impairment losses	(27.2)	(1.0)	(28.2)
Goodwill, net	180.0	315.9	495.9
Acquisitions	2.8	—	2.8
Currency fluctuations	0.3	6.3	6.6
Balances as of June 30, 2016:			
Goodwill	210.3	323.2	533.5
Accumulated impairment losses	(27.2)	(1.0)	(28.2)
Goodwill, net	$183.1	$ 322.2	$505.3

In conjunction with the purchase of certain assets from Propel in January 2016 (see Note 2, "Acquisitions"), we recorded $2.8 million of goodwill and $36.0 million of definite-lived intangible assets: $33.0 million of developed product technology and $3.0 million of covenants not to compete.

Information regarding our identifiable purchased intangible assets with definite and indefinite lives is as follows (in millions):

	June 30, 2016			
	Average Remaining Life (years)	Purchase Price	Accumulated Amortization	Net Carrying Amount
Customer relationships/lists	2-9	$ 87.7	$ (51.7)	$ 36.0
Know how	1-10	186.3	(133.4)	52.9
Developed product technology	3-13	132.4	(53.6)	78.8
Licenses	2-10	39.4	(29.7)	9.7
Tradenames	5-8	3.7	(2.6)	1.1
Covenants not to compete	2-10	7.9	(2.1)	5.8
Total definite-lived intangible assets		457.4	(273.1)	184.3
In-process research and development		46.4	—	46.4
Total purchased intangible assets		$ 503.8	$ (273.1)	$ 230.7

	December 31, 2015			
	Average Remaining Life (years)	Purchase Price	Accumulated Amortization	Net Carrying Amount
Customer relationships/lists	2-10	$ 84.7	$ (46.8)	$ 37.9
Know how	1-10	184.0	(121.6)	62.4
Developed product technology	4-12	101.3	(48.9)	52.4
Licenses	3-10	39.2	(28.5)	10.7
Tradenames	5-9	3.5	(2.4)	1.1
Covenants not to compete	3-7	4.8	(1.7)	3.1
Total definite-lived intangible assets		417.5	(249.9)	167.6
In-process research and development		46.4	—	46.4
Total purchased intangible assets		$ 463.9	$ (249.9)	$ 214.0

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Amortization expense	$9.6	$9.3	$19.0	$18.5

5.PRODUCT WARRANTY LIABILITY

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

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

January 1, 2016	$17.4
Provision for warranty	14.0
Actual warranty costs	(14.8)
June 30, 2016	$16.6

6. LONG-TERM DEBT

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

	June 30, 2016	December 31, 2015
4.875% Senior Notes due 2020 principal amount	$425.0	$ 425.0
Less unamortized discount and debt issuance costs	(2.8)	(3.1)
Long-term debt less unamortized discount and debt issuance costs	422.2	421.9
Capital leases and other debt	12.2	12.3
	434.4	434.2
Less current maturities	(0.3)	(0.3)
Long-term debt	$434.1	$ 433.9

Senior Notes due 2020

In December 2010, Bio-Rad sold $425.0 million principal amount of Senior Notes due 2020 (4.875% Notes). The sale yielded net cash proceeds of $422.6 million at an effective rate of 4.946%. The 4.875% Notes pay a fixed rate of interest of 4.875% per year. We have the option to redeem any or all of the 4.875% Notes at any time at a redemption price of 100% of the principal amount (plus a specified make-whole premium as defined in the indenture governing the 4.875% Notes) and accrued and unpaid interest thereon to the redemption date. Our obligations under the 4.875% Notes are not secured and rank equal in right of payment with all of our existing and future unsubordinated indebtedness. Certain covenants apply at each year end to the 4.875% Notes including limitations on the following: liens, sale and leaseback transactions, mergers, consolidations or sales of assets and other covenants. There are no restrictive covenants relating to total indebtedness, interest coverage, stock repurchases, recapitalizations, dividends and distributions to shareholders or current ratios.

Credit Agreement

In June 2014, Bio-Rad entered into a $200.0 million unsecured Credit Agreement, replacing the Amended and Restated Credit Agreement of June 2010, which expired on June 21, 2014. Borrowings under the Credit Agreement are on a revolving basis and can be used to make permitted acquisitions, for working capital and for other general corporate purposes. We had no outstanding borrowings under the Credit Agreement as of June 30, 2016 or December 31, 2015, however $0.8 million was utilized for domestic standby letters of credit that reduced our borrowing availability. The Credit Agreement matures in June 2019. If we had borrowed against our Credit Agreement, the borrowing rate would have been 1.90% at June 30, 2016.

The Credit Agreement requires Bio-Rad to comply with certain financial ratios and covenants, among other things. These ratios and covenants include a leverage ratio test and an interest coverage test, as well as restrictions on our ability to declare or pay dividends, incur debt, guarantee debt, enter into transactions with affiliates, merge or consolidate, sell assets, make investments and create liens. We were in compliance with all of these ratios and covenants as of June 30, 2016.

7. ACCUMULATED OTHER COMPREHENSIVE INCOME

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

	Foreign currency translation adjustments	Foreign other post-employment benefits adjustments	Net unrealized holding gains on available-for-sale investments	Total accumulated other comprehensive income
Balances as of January 1, 2016:	$ 33.7	$ (20.7)	$ 369.1	$ 382.1
Other comprehensive income (loss), before reclassifications	19.5	(0.6)	92.3	111.2
Amounts reclassified from Accumulated other comprehensive income	—	0.6	(0.5)	0.1
Income tax effects	—	(0.1)	(33.8)	(33.9)
Other comprehensive income (loss), net of income taxes	19.5	(0.1)	58.0	77.4
Balances as of June 30, 2016:	$ 53.2	$ (20.8)	$ 427.1	$ 459.5

	Foreign currency translation adjustments	Foreign other post-employment benefits adjustments	Net unrealized holding gains on available-for-sale investments	Total accumulated other comprehensive income
Balances as of January 1, 2015:	$ 71.2	$ (16.3)	$ 164.0	$ 218.9
Other comprehensive income, before reclassifications	17.6	0.3	150.8	168.7
Amounts reclassified from Accumulated other comprehensive income	—	(0.1)	(0.3)	(0.4)
Income tax effects	—	0.2	(55.4)	(55.2)
Other comprehensive income, net of income taxes	17.6	0.4	95.1	113.1
Balances as of June 30, 2015:	$ 88.8	$ (15.9)	$ 259.1	$ 332.0

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

	Income before taxes impact (in millions):				
	Three Months Ended June 30,		Six Months Ended June 30,		
Components of Comprehensive income	2016	2015	2016	2015	Location
Amortization of foreign other post-employment benefit items	$(0.3)	$0.3	$(0.6)	$0.1	Selling, general and administrative expense
Net holding gains on available-for-sale investments	$0.5	$—	$0.5	$0.3	Other (income) expense, net

Reclassification adjustments are calculated using the specific identification method.

8. EARNINGS PER SHARE

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Basic weighted average shares outstanding	29,398	29,136	29,381	29,114
Effect of potentially dilutive stock options and restricted stock awards	191	245	168	224
Diluted weighted average common shares	29,589	29,381	29,549	29,338
Anti-dilutive shares	75	57	74	106

9. OTHER INCOME AND EXPENSE, NET

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Interest and investment income	$(10.6)	$(7.1)	$(11.9)	$(8.0)
Net realized gain on investments	(0.6)	—	(0.5)	(0.3)
Other (income) expense, net	$(11.2)	$(7.1)	$(12.4)	$(8.3)

10. INCOME TAXES

Our effective income tax rate was 33% and 28% for the three months ended June 30, 2016 and 2015, respectively. Our effective income tax rate was 36% and 30% for the first half of 2016 and 2015, respectively. The effective tax rate for the first half of 2016 was higher primarily because of an increase in taxes partly due to newly enacted tax rates in certain foreign jurisdictions. The effective tax rates for the second quarter and first half of 2015 included a tax benefit from the release of U.S. tax liabilities as a result of lapses of statutes of limitation.

Our foreign taxes result primarily from income earned in France and Switzerland. Many jurisdictions in which we operate including Switzerland, Russia, the U.K. and Singapore have statutory tax rates that are significantly lower than the U.S. statutory tax rate of 35%. Our effective tax rate may be impacted in the future, either favorably or

unfavorably, by many factors including, but not limited to, changes to statutory tax rates, changes in tax laws or regulations, tax audits and settlements, and generation of tax credits.

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

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

As of June 30, 2016, based on the expected outcome of certain examinations or as a result of the expiration of statute of limitations for certain jurisdictions, we believe that within the next 12 months it is reasonably possible that our previously unrecognized tax benefits could decrease by approximately $4.1 million. Substantially all such amounts will impact our effective income tax rate.

11. SEGMENT INFORMATION

Information regarding industry segments for the three months ended June 30, 2016 and 2015 is as follows (in millions):

		Life Science	Clinical Diagnostics	Other Operations
Segment net sales	2016	$180.0	$ 333.7	$ 3.1
	2015	$170.6	$ 332.1	$ 3.4
Segment net (loss) profit	2016	$(5.1)	$ 23.9	$ (0.3)
	2015	$(5.8)	$ 40.9	$ 0.1

Information regarding industry segments for the six months ended June 30, 2016 and 2015 is as follows (in millions):

		Life Science	Clinical Diagnostics	Other Operations
Segment net sales	2016	$345.8	$ 635.4	$ 6.8
	2015	$326.5	$ 645.7	$ 6.7
Segment net (loss) profit	2016	$(8.4)	$ 48.6	$ 0.1
	2015	$(8.1)	$ 76.1	$ (0.2)

Segment results are presented in the same manner as we present our operations internally to make operating decisions and assess performance. Net corporate operating, interest and other expense for segment results consists of receipts and expenditures that are not the primary responsibility of segment operating management and therefore are not allocated to the segments for performance assessment by our chief operating decision maker. Interest expense is charged to segments based on the carrying amount of inventory and receivables employed by that segment. See Note 13 for a discussion of restructuring costs. The following reconciles total segment profit to consolidated income before taxes (in millions):

24

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Total segment profit	$18.5	$35.2	$40.3	$67.8
Foreign currency exchange losses, net	(1.2)	(2.9)	(2.4)	(6.7)
Net corporate operating, interest and other (expense) income not allocated to segments	(1.6)	0.1	(3.2)	(3.2)
Other income (expense), net	11.2	7.1	12.4	8.3
Consolidated income before income taxes	$26.9	$39.5	$47.1	$66.2

12. LEGAL PROCEEDINGS

On January 23, 2015, the City of Riviera Beach General Employees' Retirement System filed a shareholder derivative lawsuit in the Superior Court of California, Contra Costa County, against three of our current directors and one former director. We are also named as a nominal defendant. In the complaint, the plaintiff alleges that our directors breached their fiduciary duty of loyalty by failing to ensure that we had sufficient internal controls and systems for compliance with the Foreign Corrupt Practices Act ("FCPA"); that we failed to provide adequate training on the FCPA; and that based on these actions, the directors have been unjustly enriched. Purportedly seeking relief on our behalf, the plaintiff seeks an award of restitution and unspecified damages, costs and expenses (including attorneys' fees). On April 23, 2015, we and the individual defendants filed a demurrer requesting dismissal of the complaint in this case. The demurrer was heard on August 6, 2015, and the Court granted the demurrer for failure to make a demand on our Board of Directors on August 17, 2015, but provided leave to amend. On September 4, 2015, the plaintiff filed an amended complaint and simultaneously served a litigation demand letter on our Board of Directors ("Board") via its counsel in this action. The letter demands that we investigate and bring appropriate legal action against certain individuals, including the defendants in the City of Riviera Beach case and six current and former employees. The plaintiff also moved for a temporary stay in the proceedings, purportedly to enable the Board to respond to the demand. The Board formed a Demand Review Committee to respond to the demand. On February 24, 2016, the Demand Review Committee reported to the Board that it had concluded its investigation and unanimously determined that it is not in the best interests of the Company and its stockholders to pursue litigation against any individuals named in the City of Riviera Beach's litigation demand letter. On October 6, 2015, we and the individual defendants filed a second demurrer, seeking to dismiss the case for failure to make a timely pre-suit demand. The case was stayed pending mediation. The caption is City of Riviera Beach General Employees' Retirement System v. Schwartz et al., Case No. C-15-00140. The lawsuit and demand letter are referred to collectively as the "California Action".

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

On July 28, 2016, we signed a Term Sheet that summarizes the material terms of a proposed settlement of the Derivative Actions. The proposed settlement includes the dismissal with prejudice of all claims asserted in the

Derivative Actions, an agreed-upon set of revised corporate procedures, and no monetary payment other than an

award of attorneys' fees and costs to the plaintiffs' counsel in an amount to be established. The proposed settlement is subject to negotiation of definitive settlement documentation and review and approval by the Superior Court of California for Contra Costa County. We and the other defendants do not admit any liability or fault in connection with the proposed settlement.

On May 27, 2015, our former general counsel, Sanford S. Wadler, filed a lawsuit in the U.S. District Court, Northern District of California, against us and four of our current directors and one former director. The plaintiff's suit alleges whistleblower retaliation in violation of the Sarbanes-Oxley Act and the Dodd-Frank Act for raising FCPA-related concerns. Mr. Wadler also alleges wrongful termination in violation of public policy, non-payment of wages and waiting time penalties in violation of the California Labor Code. The plaintiff seeks back pay, compensatory damages for lost wages, earnings, retirement benefits and other employee benefits, compensation for mental pain and anguish and emotional distress, waiting time penalties, punitive damages, litigation costs (including attorneys' fees) and reinstatement of employment. We believe this lawsuit is without merit, and on July 28, 2015 we filed a motion to dismiss the plaintiff's complaint and specifically requested dismissal of the claims alleged against us under the Dodd-Frank Act and California Labor Code 1102.5 and the claims against the directors under the Sarbanes-Oxley Act and the Dodd-Frank Act. On October 23, 2015, the District Court granted our motion with respect to the alleged violations of the Sarbanes-Oxley Act against all the director defendants except Norman Schwartz with prejudice. The Court denied our motion to dismiss the claims under the Dodd-Frank Act as against both us and the director defendants. Discovery is taking place. The parties engaged in mediation of the case on April 19, 2016. The mediation did not result in a settlement and another mediation is scheduled for September 2016. The trial is scheduled to commence on January 9, 2017.

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

13. RESTRUCTURING COSTS

For the three and six months ended June 30, 2016, we recorded $11.7 million related to restructuring actions that include the elimination or relocation of various positions. These actions are generally intended to streamline and focus our efforts and more properly align our cost structure with projected future revenue streams.
The following table summarizes the activity of our restructuring reserves for severance (in millions):

	Life Science	Clinical Diagnostics	Total
Balance at December 31, 2015	$ —	$ —	$—
Charged to expense	4.1	7.6	11.7
Cash payments	(0.1)	(0.3)	(0.4)
Balance at June 30, 2016	$ 4.0	$ 7.3	$11.3

In May, 2016, management announced that it will take certain actions in our Europe geographic region designed to better align expenses to our revenue and gross margin profile and position us for improved operating performance. These actions, aligned with creation and evolution of our organization structure and coordinated with the implementation of our global single instance ERP platform, are expected to be incurred through 2019. As a result, we recorded approximately $11.7 million in restructuring charges related to severance and other employee benefits for the

three and six months ended June 30, 2016, of which $11.3 million is anticipated to be paid through 2019.

The amounts recorded were reflected in Cost of goods sold of $1.7 million, and in Selling, general and administrative expense of $10.0 million in the Condensed Consolidated Statements of Income for the three and six months ended June 30, 2016.

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

This discussion should be read in conjunction with the information contained in both our Consolidated Financial Statements for the year ended December 31, 2015 and the financial statements for the three and six months ended June 30, 2016.

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

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

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

We are impacted by the support of many governments for both research and healthcare. The current global economic outlook is still uncertain as the need to control government social spending by many governments limits opportunities for growth. Adding to this uncertainty was the recent referendum in the United Kingdom to withdraw from the European Union. Approximately 38% of our year-to-date 2016 consolidated net sales are derived from the United States and approximately 62% are derived from international locations, with Europe being our largest international region. The international sales are largely denominated in local currencies such as the Euro, Swiss Franc, Japanese Yen, Chinese Yuan and British Sterling. As a result, our consolidated net sales expressed in dollars benefit when the U.S. dollar weakens and suffer when the dollar strengthens. When the U.S. dollar strengthens, we benefit from lower cost of sales from our own international manufacturing sites as well as non-U.S. suppliers, and from lower international operating expenses. We regularly discuss our changes in revenue and expense categories of both changing foreign exchange rates and changing terms on a currency neutral basis, if notable, to explain the impact currency has on our results.

In May 2016, we announced the elimination or relocation of various positions as part of restructuring plans approved by management. In connection with this announcement, for the three and six months ended June 30, 2016, we recorded an $11.7 million charge related to restructuring actions that are anticipated to be completed with $11.3 million remaining to be paid through 2019, which are primarily related to actions to reduce, eliminate or relocate our global workforce in order to better align expenses to our revenue and gross margin profile and position us for improved operating performance. These actions are aligned with the creation and evolution of our organization structure and coordinated with the implementation of our single instance ERP platform. In the future, we may take additional restructuring actions to gain operating efficiencies or reduce our operating expenses, while simultaneously implementing additional cost containment measures and expense control programs. Such restructuring actions are subject to significant risks, including delays in implementing expense control programs or workforce reductions and the failure to meet operational targets due to the loss of employees or a decrease in employee morale, all of which

would impair our ability to achieve anticipated cost reductions. If we do not achieve the anticipated cost reductions, our business could be harmed.

In January 2016, we acquired a high performance analytical flow cytometer platform from Propel Labs (Propel) that will enable advanced and novice users to perform basic and multi-parameter cytometry for a wide range of applications and chemistries. This asset acquisition was accounted for as a business combination and is included in our Life Science segment's results of operations from the acquisition date. The preliminary fair values of the net assets acquired from Propel as of the acquisition date were determined to be $36.0 million of definite-lived intangible assets and $2.8 million of goodwill.

The preliminary fair value of the consideration as of the acquisition date was $38.8 million, which included $9.5 million paid in cash at the closing date and $29.3 million in contingent consideration potentially payable to Propel. The contingent consideration was based on a probability-weighted income approach related to the achievement of sales milestones, ranging from 39% to 20% for the calendar years 2017 through 2020. The sales milestones could potentially range from $0 to an unlimited amount through December 31, 2020. The contingent consideration was recognized at its estimated fair value of $29.3 million as of June 30, 2016.

In 2014, we recognized a contingent consideration liability upon our acquisition of GnuBIO. The contingent consideration for the milestones was valued at $10.7 million at the acquisition date based on assumptions regarding the probability of achieving the milestones, with such amounts discounted to present value. The Level 3 contingent consideration was revalued to a fair value of $10.0 million as of June 30, 2016 and December 31, 2015.

In 2012, we recognized a contingent consideration liability for certain milestones of $44.6 million upon our acquisition of a new cell sorting system from Propel. Since 2012, we have paid $28.9 million upon reaching the milestones and have reduced the valuation of the milestones by $12 million to its estimated fair value of $3.7 million as of June 30, 2016.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	45.8	44.8	44.9	43.8
Gross profit	54.2	55.2	55.1	56.2
Selling, general and administrative expense	39.8	38.1	40.0	39.0
Research and development expense	10.1	9.2	10.2	9.6
Net income	3.5	5.6	3.1	4.7

Critical Accounting Policies and Estimates

As previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015, we have identified accounting for income taxes, valuation of goodwill and long-lived assets, valuation of inventories, warranty reserves, valuation of investments, allowance for doubtful accounts and litigation accruals as the accounting policies and estimates critical to the operations of Bio-Rad.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably likely to occur could materially impact the financial statements. Management believes that there have been no significant changes during the three and six months ended June 30, 2016 to the items that we disclosed as our critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. For a full discussion of these policies and estimates, please refer to our Form 10-K for the period ended December 31, 2015 filed with the SEC.

Three Months Ended June 30, 2016 Compared to
Three Months Ended June 30, 2015

Results of Operations -- Sales, Margins and Expenses

Net sales (sales) for the second quarter of 2016 were $516.8 million compared to $506.1 million in the second quarter of 2015, an increase of 2.1%. Excluding the negative impact of foreign currency, second quarter 2016 sales increased by approximately 2.8% compared to the same period in 2015. Currency neutral sales increased primarily in North America, Asia Pacific, excluding Japan, and Eastern Europe.

The Life Science segment sales for the second quarter of 2016 were $180.0 million, an increase of 5.5% compared to the same period last year. On a currency neutral basis, sales increased 6.0% compared to the second quarter in 2015. The currency neutral sales increase was primarily in our Droplet Digital™ PCR and process media products. The currency neutral sales increase was in North America, China and Asia.

The Clinical Diagnostics segment sales for the second quarter of 2016 were $333.7 million, an increase of 0.5% compared to the same period last year. On a currency neutral basis, sales increased 1.3% compared to the second quarter in 2015. The currency neutral sales increase was primarily attributable to growth in quality control, immunology, and blood typing product lines. On a geographic view, currency neutral sales for the quarter increased across most regions, driven by North America, Eastern Europe and China.

Consolidated gross margins were 54.2% for the second quarter of 2016 compared to 55.2% for the second quarter of 2015. Life Science segment gross margins for the second quarter of 2016 increased from the prior year period by approximately 1.2 percentage points primarily due to higher margins in gene expression, process media and antibody products, partially offset by lower margins in protein quantification, higher acquisition intangible amortization in 2016, and $0.6 million for restructuring costs. Clinical Diagnostics segment gross margins for the second quarter of 2016 decreased by approximately 2.0 percentage points from the same period last year. The decrease compared to the second quarter of 2015 was primarily driven by sales mix along with higher manufacturing costs, and $1.1 million for restructuring costs, partially offset by the suspension of the medical device tax in the United States.

Beginning in 2013, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (PPACA), among other initiatives, provided for a 2.3% annual excise tax on the sales of certain medical devices in the U.S. Bio-Rad has been paying this excise tax on most of our U.S. Clinical Diagnostic sales, which we accounted for as a period cost in Cost of goods sold. However, the Consolidated Appropriations Act,

2016 (Pub. L. 114-113), signed into law on December 18, 2015, includes a two year moratorium on the medical device excise tax during the period beginning on January 1, 2016, and ending on December 31, 2017.

Selling, general and administrative expenses (SG&A) increased to $205.5 million or 39.8% of sales for the second quarter of 2016 compared to $192.8 million or 38.1% of sales for the second quarter of 2015. Increases to SG&A primarily included employee-related expenses, our largest cost, which also included $10.0 million for restructuring costs that were recorded in the second quarter of 2016, and software, facilities and $3.8 million for various legal matters. Decreases to SG&A primarily included the revaluation of contingent consideration, a one-time distributor cost in 2015 and bad debt expense.

Research and development expense (R&D) increased to $52.2 million or 10.1% of sales in the second quarter of 2016 compared to $46.5 million or 9.2% of sales in the second quarter of 2015. Life Science segment R&D increased in the second quarter of 2016 from the prior year period primarily due to increased project activities in Droplet Digital™ PCR, protein quantification and cell biology. Clinical Diagnostics segment R&D increased in the second quarter of 2016 from the prior year period primarily from increased spending associated with the GnuBIO business and includes a $2.4 million write-off of intellectual property associated with the termination of a research and development project.

Results of Operations – Non-operating

Interest expense for the second quarter of 2016 increased to $5.6 million compared to $4.8 million for the second quarter of 2015 primarily due to lower capitalization of interest expense associated with the implementation of the current phase of our global single instance ERP platform.

Foreign currency exchange gains and losses consist primarily of foreign currency transaction gains and losses on intercompany net receivables and payables and the change in fair value of our forward foreign exchange contracts used to manage our foreign currency exchange risk. Foreign currency exchange losses, net for the quarter ended June 30, 2016 decreased compared to the prior year period primarily due to the lower cost of hedging, the estimate of the timing of shipments and payments of intercompany debt, as well as our decision to reclassify a large percentage of our intercompany receivable from Brazil as long-term.

Other (income) expense, net for the second quarter of 2016 increased to $11.2 million income compared to $7.1 million income for the second quarter of 2015 primarily due to higher dividends in 2016 for the ordinary and preferred shares of our investment in Sartorius AG.

Our effective income tax rate was 33% and 28% for the three months ended June 30, 2016 and 2015, respectively. The effective tax rate for the second quarter of 2015 included a tax benefit from the release of U.S. tax liabilities as a result of lapses of statutes of limitation.

Our foreign taxes result primarily from income earned in France and Switzerland. Many jurisdictions in which we operate including Switzerland, Russia, the U.K. and Singapore have statutory tax rates that are significantly lower than the U.S. statutory tax rate of 35%. Our effective tax rate may be impacted in the future, either favorably or unfavorably, by many factors including, but not limited to, changes to statutory tax rates, changes in tax laws or regulations, tax audits and settlements, and generation of tax credits.

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

We record liabilities for unrecognized tax benefits related to uncertain tax positions. We do not believe any currently pending uncertain tax positions will have a material adverse effect on our condensed consolidated

financial statements, although an adverse resolution of one or more of these uncertain tax positions in any period may have a material impact on the results of operations for that period.

As of June 30, 2016, based on the expected outcome of certain examinations or as a result of the expiration of statute of limitations for certain jurisdictions, we believe that within the next 12 months it is reasonably possible that our previously unrecognized tax benefits could decrease by approximately $4.1 million. Substantially all such amounts will impact our effective income tax rate.

Six Months Ended June 30, 2016 Compared to
Six Months Ended June 30, 2015

Results of Operations -- Sales, Margins and Expenses

Net sales (sales) for the first half of 2016 were $988.0 million compared to $978.9 million in the first half of 2015, an increase of 0.9%. Excluding the impact of foreign currency, the first half of 2016 sales increased by approximately 3.3% compared to the same period in 2015. Currency neutral sales increased primarily in North America, Asia Pacific and Latin America.

The Life Science segment sales for the first half of 2016 were $345.8 million, an increase of 5.9% compared to the same period last year. On a currency neutral basis, sales increased 7.8% compared to the first half in 2015. The currency neutral sales increase was primarily in our Droplet Digital™ PCR and process media products. The currency neutral sales increase was in North America, Europe and Asia.

The Clinical Diagnostics segment sales for the first half of 2016 were $635.4 million, a decrease of 1.6% compared to the same period last year. On a currency neutral basis, sales increased 1.1% compared to the first half in 2015. The currency neutral sales increase was primarily attributable to growth in quality control, immunology and blood typing product lines. On a geographic view, currency neutral sales for the first half of 2016 increased most notably in North America, Latin America and Asia Pacific, while sales declined in Europe and China.

Consolidated gross margins were 55.1% for the first half of 2016 compared to 56.2% for the first half of 2015. Life Science segment gross margins for the first half of 2016 decreased from the prior year period by approximately 1.2 percentage points primarily due to lower margins in protein quantification, cell biology and antibody products, higher service costs, higher acquisition intangible amortization, and $0.6 million for restructuring costs, partially offset by higher margins in process media and food science. Clinical Diagnostics segment gross margins for the first half of 2016 decreased by approximately 0.9 percentage points from the same period last year. The decrease compared to the first half of 2015 was primarily driven by sales mix along with higher manufacturing costs, and $1.1 million for restructuring costs, partially offset by the suspension of the medical device tax in the United States.

SG&A increased to $395.3 million or 40.0% of sales for the first half of 2016 compared to $381.4 million or 39.0% of sales for the first half of 2015. Increases to SG&A primarily included employee-related expenses, our largest cost, which also included $10.0 million for restructuring costs that were recorded in the second quarter of 2016, and professional fees, software, facilities and $3.8 million for various legal matters. Decreases to SG&A primarily included the revaluation of contingent consideration, a one-time distributor cost in 2015 and bad debt expense.

R&D increased to $100.8 million or 10.2% of sales in the first half of 2016 compared to $93.7 million or 9.6% of sales in the first half of 2015. Life Science segment R&D increased in the first half of 2016 from the prior year period primarily due to increased project activities in Droplet Digital™ PCR, protein quantification and cell biology. Clinical Diagnostics segment R&D increased in the first half of 2016 from the prior year period primarily from increased

spending associated with the GnuBIO business and includes a $2.4 million write-off of intellectual property associated with the termination of a research and development project.

Results of Operations – Non-operating

Interest expense for the first half of 2016 increased to $11.2 million compared to $9.8 million for the first half of 2015 primarily due to lower capitalization of interest expense associated with the implementation of the current phase of our global single instance ERP platform.

Foreign currency exchange losses, net for the first half 2016 decreased compared to the prior year period primarily due to lower cost of hedging, the estimate of the timing of shipments and payments of intercompany debt, as well as our decision to reclassify a large percentage of our intercompany receivable from Brazil as long-term.

Other (income) expense, net for the first half of 2016 increased to $12.4 million income compared to $8.3 million income for the first half of 2015 primarily due to higher dividends in 2016 for the ordinary and preferred shares of our investment in Sartorius AG.

Our effective income tax rate was 36% and 30% for the first half of 2016 and 2015, respectively. The effective tax rate for the first half of 2016 was higher primarily because of an increase in taxes partly due to newly enacted tax rates in certain foreign jurisdictions. The effective tax rates for the first half of 2015 included a tax benefit from the release of U.S. tax liabilities as a result of lapses of statutes of limitation.

Our foreign taxes result primarily from income earned in France and Switzerland. Many jurisdictions in which we operate including Switzerland, Russia, the U.K. and Singapore have statutory tax rates that are significantly lower than the U.S. statutory tax rate of 35%. Our effective tax rate may be impacted in the future, either favorably or unfavorably, by many factors including, but not limited to, changes to statutory tax rates, changes in tax laws or regulations, tax audits and settlements, and generation of tax credits.

Liquidity and Capital Resources

Bio-Rad operates and conducts business globally, primarily through subsidiary companies established in the markets in which we trade. Goods are manufactured in a small number of locations, and are then shipped to local distribution facilities around the world. Our product mix is diversified, and certain products compete largely on product efficacy, while others compete on price. Gross margins are generally sufficient to exceed normal operating costs, and funding for research and development of new products, as well as routine outflows of capital expenditures, interest and taxes. 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 domestic $200.0 million unsecured Credit Agreement that we entered into in June 2014. Borrowings under the Credit Agreement are on a revolving basis and can be used to make permitted acquisitions, for working capital and for other general corporate purposes. We had no outstanding borrowings under the Credit Agreement as of June 30, 2016, however $0.8 million was utilized for domestic standby letters of credit that reduced our borrowing availability. The Credit Agreement matures in June 2019.

At June 30, 2016, we had $791.6 million in cash, cash equivalents and short-term investments, of which approximately 36% was held in our foreign subsidiaries. We believe that our holdings of cash, cash equivalents and short-term investments in the U.S. and in our foreign subsidiaries are sufficient to meet both the current and long-term needs of our global operations. The amount of funds held in the United States can fluctuate due to the timing of receipts and payments in the ordinary course of business and due to other reasons, such as business-development activities. As part of our ongoing liquidity assessments, we regularly monitor the mix of domestic and foreign cash flows (both inflows and outflows). Repatriation of overseas funds will result in additional U.S. federal and state income tax payments. In general, it is our practice and intention to indefinitely reinvest the cash generated by our foreign subsidiaries in our foreign subsidiaries' operations.

Under domestic and international lines of credit, standby letters of credit and guarantee arrangements, we had approximately $207.4 million available for borrowing and usage as of June 30, 2016, which was reduced by

approximately $4.9 million that was utilized for standby letters of credit and guarantee arrangements issued by our banks to support our obligations. Management believes that this availability, together with cash flow from operations, will be adequate to meet our current objectives for operations, research and development, capital additions for manufacturing and distribution, plant and equipment, information technology systems and an acquisition of reasonable proportion to our existing total available capital.

While economic growth is somewhat improving, instability still exists in developed nations and in the U.S., such as the slowing rate of growth in the Chinese economy and in emerging markets, especially those oil producing countries that have been affected by the recent decline in oil prices, which may adversely affect our future cash flows. Demand for our products and services could change more dramatically than in previous years based on activity, funding, reimbursement constraints and support levels from government, universities, hospitals and private industry, including diagnostic laboratories. The need for certain sovereign nations with large annual deficits to curtail spending could lead to slower growth of, or even a decline in, our business. Sovereign nations either delaying payment for goods and services or renegotiating their debts could impact our liquidity. The situation in these sovereign nations is continuously evolving and we have no greater knowledge of the situation other than what is publicly reported. As of June 30, 2016 and December 31, 2015, we had accounts receivable, net of an allowance for doubtful accounts, in Spain, Italy, Greece and Portugal of $39.0 million and $40.7 million, respectively.

Cash Flows from Operations

Net cash provided by operations was $69.7 million compared to $68.0 million for the six months ended June 30, 2016 and 2015, respectively. The increase in cash flows was primarily the net effect of:

- higher cash received from customers primarily due to delays in the latter part of 2015 mostly associated with the second deployment of the ERP system, and
- higher investment income received, partially offset by
- more cash paid to suppliers and employees primarily related to higher payments to inventory suppliers as payments were delayed in the latter part of 2015 mostly associated with the second deployment of the ERP system, higher annual performance-based compensation payments, and higher legal and other professional fees,
- net payments in 2016 compared to net cash received in 2015 for forward foreign exchange contracts, and
- primarily lower income tax refunds received than in 2015.

Cash Flows from Investing Activities

Net cash used in investing activities was $110.3 million compared to $55.9 million for the six months ended June 30, 2016 and 2015, respectively. Purchases, sales and maturities of marketable securities and investments combined had an overall decrease of $49.3 million primarily due to increases in purchases and less maturities, partially offset by an increase in security sales. The increase of payments for acquisition and long-term investment was primarily due to the acquisition of a high performance analytical flow cytometer platform from Propel in January 2016. Capital expenditures were relatively flat for the six months ended June 30, 2016 compared to the same period last year.

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

We continue to review possible acquisitions to expand both our Life Science and Clinical Diagnostics segments. We routinely meet with the principals or brokers of the subject companies. It is not certain at this time that any of these discussions involving material or significant acquisitions will advance to completion.

Capital expenditures totaled $56.9 million and $59.3 million for the six months ended June 30, 2016 and 2015, respectively. Capital expenditures represent the addition and replacement of production machinery and research

equipment, ongoing manufacturing and facility additions for expansion, regulatory, environmental and compliance. Also included in capital expenditures are investments in business systems and data communication upgrades and enhancements. All periods include equipment placed with Clinical Diagnostics segment customers who then contract to purchase our reagents for use. As we continue to implement more phases of the ERP platform and expand our e-commerce platform, we expect capital expenditures to continue to remain historically higher for the next three years or more. However, we expect capital expenditures to continue to grow in 2016 as we implement the third phase of the ERP system. The current estimated future project cost for global implementation for the single instance ERP platform is projected to be $175 million and is estimated to take more than three years to fully implement.

Cash Flows from Financing Activities

Net cash provided by financing activities was $3.3 million compared to $2.7 million for the six months ended June 30, 2016 and 2015, respectively. This increase for the six months ended June 30, 2016 was primarily due to an increase in proceeds from the issuance of common stock, partially offset by a decrease in excess tax benefits on share-based compensation and an increase of payments for contingent consideration.

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

The Board of Directors has authorized the repurchase of up to $18.0 million of Bio-Rad's common stock, of which $3.3 million has yet to be repurchased as of June 30, 2016. The Credit Agreement may limit our ability to repurchase our stock. In accordance with the terms of awards under the 2007 Incentive Award Plan, in June 2012, we withheld 122 shares of our Class A common stock and 917 shares of our Class B common stock to satisfy tax obligations due upon the vesting of restricted stock of certain of our employees, which is considered a repurchase of our stock. All of the restricted stock vested as of December 31, 2013 and therefore we do not anticipate any repurchasing of shares for this purpose. We had no other repurchases of our stock during the first six months of 2016 or 2015.

Recent Accounting Standards Updates

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. (“ASU”) 2016-13, "Measurement of Credit Losses on Financial Instruments." ASU 2016-13 will replace the current incurred loss approach with an expected loss model for instruments measured at amortized cost and require entities to record allowances for available-for-sale debt securities rather than reduce the carrying amount under the current other-than-temporary impairment model. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted for all entities for annual periods beginning after December 15, 2018, and interim periods therein. We are currently evaluating the effect ASU 2016-13 will have on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting." ASU 2016-09 will require all income tax effects of awards to be recognized in the income statement when the awards vest or are settled. It also will allow an employer to repurchase more of an employee’s shares than it can today for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years and early adoption is permitted. We are currently evaluating the effect ASU 2016-09 will have on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-07, "Simplifying the Transition to the Equity Method of Accounting," which eliminates the requirement to retrospectively apply the equity method in previous periods when an investor

initially obtains significant influence over an investee. Under current guidance, an investor that doesn’t consolidate an investment and initially accounts for it under a method other than the equity method is required to retrospectively

apply the equity method in prior periods in which it held the investment when it subsequently obtained significant influence. ASU 2016-07 will be applied on a prospective basis and is effective for all entities for fiscal years beginning after December 15, 2016, and interim periods within those years and early adoption is permitted. We do not plan to early adopt ASU 2016-07 and currently do not expect it to affect our consolidated financial statements when adopted on January 1, 2017.

In February 2016, the FASB issued ASU 2016-02, "Leases," which will require, among other items, lessees to recognize most leases as assets and liabilities on the balance sheet. Qualitative and quantitative disclosures will be enhanced to better understand the amount, timing and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. We do not plan to early adopt. ASU 2016-02 will be adopted on a modified retrospective basis, with elective reliefs, which requires application of ASU 2016-02 for all periods presented. We are currently evaluating the effect ASU 2016-02 will have on our consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities." Amendments under ASU 2016-01, among other items, require that all equity investments in unconsolidated entities (other than those accounted for using the equity method of accounting) will generally be measured at fair value through earnings. There will no longer be an available-for-sale classification, for which changes in fair value are reported in other comprehensive income, for equity securities with readily determinable fair values. For equity investments without readily determinable fair values, the cost method is also eliminated. However, entities will be able to elect to record equity investments without readily determinable fair values at cost, less impairment, and plus or minus subsequent adjustments for observable price changes. Changes in the basis of these equity investments will be reported in current earnings. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. We are currently evaluating the effect ASU 2016-01 will have, if any, on our consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments," which eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Under ASU 2015-16, acquirers must recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. The measurement period cannot exceed one year from the date of the acquisition. ASU 2015-16 was effective on January 1, 2016, and we adopted it at the same time as a change in accounting policy. For the first quarter of 2016, ASU 2015-16 had no effect on our consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, “Simplifying the Measurement of Inventory.” Under current guidance, an entity subsequently measures inventory at the lower of cost or market, with market defined as replacement cost, net realizable value (NRV), or NRV less a normal profit margin. An entity uses current replacement cost provided that it is not above NRV (i.e., the ceiling) or below NRV less an “approximately normal profit margin” (i.e., the floor). ASU 2015-11 eliminates this analysis and requires entities to measure most inventory “at the lower of cost and NRV.” ASU 2015-11 is effective prospectively for annual periods beginning after December 15, 2016, and interim periods therein, with early adoption permitted. We will not early adopt. We are currently evaluating the effect ASU 2015-11 will have, if any, on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs." ASU 2015-03 was issued to simplify the presentation of debt issuance costs by requiring debt issuance costs to be presented as a deduction from the corresponding debt liability. This makes the presentation of debt issuance costs consistent with the presentation of debt discounts or premiums. Under prior U.S. GAAP, debt issuance costs were reported on the balance sheet as assets and amortized as interest expense. Under ASU 2015-03, debt issuance costs will continue to be

amortized to interest expense using the effective interest method. In August 2015, the FASB issued ASU 2015-15, "Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements" to clarify the SEC staff’s position that it would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over

the term of the line-of-credit arrangement, which is our current practice. We adopted ASU 2015-03 on January 1, 2016 on a retrospective basis as a change in accounting policy. The Condensed Consolidated Balance Sheet as of December 31, 2015, was retrospectively adjusted by decreasing Other assets and Long-term debt, net of current maturities by $1.8 million, respectively.

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers,” which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. In August 2015, the FASB issued ASU 2015-14 to defer the effective date for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted as of the original effective date in ASU 2014-09, which is annual reporting periods beginning after December 15, 2016, however, we will not early adopt. In May 2016, the FASB issued ASU 2016-12, "Narrow-Scope Improvements and Practical Expedients," which amends and clarifies certain aspects in ASU 2014-09 that include collectiblity, presentation of sales and other taxes collected from customers, noncash consideration, contract modifications and completed contracts at transition. In April 2016, the FASB issued ASU 2016-10, "Identifying Performance Obligations and Licensing," which amends the guidance in ASU 2014-09 on accounting for licenses of intellectual property and identifying performance obligations. In March 2016, The FASB issued ASU 2016-08, "Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," which amends the principal versus agent guidance in ASU 2014-09. The standards are to be applied retrospectively and permit the use of either the retrospective or cumulative effect transition method. We will use the cumulative effect transition method once we adopt ASUs 2014-09, 2016-12, 2016-10 and 2016-08 on January 1, 2018. We are currently evaluating the effect that these ASUs will have on our consolidated financial statements and related disclosures.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

During the six months ended June 30, 2016, 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, 2015.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

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

Subject to the limitations noted above, our management, with the participation of our CEO and CFO, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, the CEO and CFO have concluded that, as of such

date, our disclosure controls and procedures were effective to meet the objective for which they were designed and operate at the reasonable assurance level.

Changes to Internal Control Over Financial Reporting

We identified no changes in internal control over financial reporting that occurred during our quarter ended June 30, 2016 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

As previously disclosed, we entered into a non-prosecution agreement (NPA) with the U.S. Department of Justice (DOJ) and the Securities and Exchange Commission (SEC) and consented to the entry of an Order by the SEC (SEC Order), effective November 3, 2014, which actions resolved both the DOJ and the SEC investigations into our violations of the U.S. Foreign Corrupt Practices Act (FCPA). Under the terms of the NPA and the SEC Order, we agreed to pay a financial penalty and certain amounts in disgorgement and interest as well as to compliance, reporting and cooperation obligations to be performed for two years.

We cannot be certain that our remediation efforts will be sufficient to comply with the terms of the NPA and the SEC Order. Our failure to comply with the NPA and the SEC Order could result in future actions against us by the DOJ and the SEC. In addition, whether by virtue of disclosure of the NPA and the SEC Order or otherwise, we may be subject to investigations by foreign governments or further claims by third parties arising from conduct subject to the investigation or our other international operations. For additional information regarding further claims by third parties, see Note 12, “Legal Proceedings” in the Notes to Condensed Consolidated Financial Statements of Part I, Item 1 of this Quarterly Report on Form 10-Q. Many of our customers in our significant international operations are government agencies or state-owned or state-controlled universities, hospitals and laboratories. The disclosure of the NPA and the SEC Order could harm our reputation with these customers, which could materially adversely affect our business, results of operations and financial condition.

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

We have significant international operations. We have direct distribution channels in over 30 countries outside the United States, and during the first six months of 2016 our foreign subsidiaries generated 62% of our net sales. Compliance with complex foreign and U.S. laws and regulations that apply to our international operations increases our cost of doing business. These numerous and sometimes conflicting laws and regulations include, among others, data privacy requirements (including with respect to the invalidation of the U.S.-European Union safe harbor by the European Court of Justice, compliance with the EU-U.S. Privacy Shield recently adopted by the European Commission, and the upcoming requirements for compliance with the EU General Data Protection Regulation), labor relations laws, tax laws, anti-competition regulations, import and trade restrictions, export requirements, U.S. laws such as the FCPA and other U.S. federal laws and regulations established by the office of Foreign Asset Control, local laws such as the UK Bribery Act 2010 or other local laws which prohibit corrupt payments to governmental officials or certain payments or remunerations to customers.

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

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

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

The life science and clinical diagnostics markets are each highly competitive. Some of our competitors have merged, and some of our competitors have greater financial resources than we do and are less leveraged than we are, making them better equipped to license technologies and intellectual property from third parties or to fund research and development, manufacturing and marketing efforts. Moreover, competitive and regulatory conditions in many markets in which we operate restrict our ability to fully recover, through price increases, higher costs of acquired goods and services resulting from inflation and other drivers of cost increases. Many public tenders have become more competitive due to governments lengthening the commitments of their public tenders to multiple years, which reduce the number of tenders in which we can participate annually. Because the value of these multiple-year tenders is so high, our competitors have been more aggressive with their pricing. Our failure to compete effectively and/or pricing pressures resulting from competition could adversely affect our business, results of operations and financial condition.

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

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

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

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

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

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

We are engaged in a multi-year implementation of a new global enterprise resource planning system (ERP). The ERP is designed to efficiently maintain our books and records and provide information important to the operation of our business to our management team. The ERP will continue to require significant investment of human and financial resources. In implementing the ERP, we may experience significant delays, increased costs and other difficulties. Any significant disruption or deficiency in the design and implementation of the ERP could adversely affect our ability to process orders, ship product, send invoices and track payments, fulfill contractual obligations or otherwise operate our business. For example, we experienced system implementation issues in our Clinical Diagnostics segment during our first deployment that impacted invoicing and caused an increase in accounts receivable. In our second deployment, which we launched in July 2015, we experienced delays in manufacturing and logistics, which adversely impacted our sales. We may experience similar and other issues with our upcoming third deployment. While we have invested significant resources in planning, project management and training, additional and significant implementation issues may arise. In addition, our efforts to centralize various business processes and functions within our organization in connection with our ERP implementation may disrupt our operations and negatively impact our business, results of operations and financial condition.

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

We made significant changes to our organizational structure in 2014 and 2015. We functionalized our manufacturing and selling organizations globally and separated them from our marketing and research and development organizations. Specifically, we combined our international selling organization with our North American selling divisions into one global selling group and consolidated our manufacturing, procurement and logistics operations into one global supply chain group. We also created new management positions to head each of these groups. In addition, we appointed new executives to head each of our Life Science and Clinical Diagnostics segments, and we appointed a Chief Operating Officer. We also restructured our Life Science segment based on functional groups rather than product line divisions. In addition, we are in the process of reorganizing the structure of our European organization. These changes may have unintended consequences, such as distraction of our management and employees, business

disruption, attrition of our workforce, inability to attract or retain key employees, and reduced employee morale or productivity.

Our failure to establish and maintain effective internal control over financial reporting could result in material misstatements in our financial statements, our failure to meet our reporting obligations and cause investors to lose confidence in our reported financial information, which in turn could cause the trading price of our common stock to decline.

Maintaining effective internal control over financial reporting is necessary for us to produce reliable financial statements. As previously disclosed, in connection with our assessment of the effectiveness of internal control over financial reporting and the preparation of our financial statements for the year ended December 31, 2013, we identified a material weakness in the design of monitoring controls over operations at certain of our locations both within the United States and overseas, as well as a lack of documentation required to operate these controls appropriately. Although we remediated this material weakness as of December 31, 2014, we cannot assure you that additional material weaknesses in our internal control over financial reporting will not be identified in the future. For example, we previously identified different material weaknesses in internal controls at December 31, 2012 and December 31, 2010, both of which have been remediated.

Such material weaknesses have adversely affected us in the past and could affect us in the future, and the results of our periodic management evaluations and annual auditor attestation reports regarding the effectiveness of our internal control over financial reporting required by Section 404 of the Sarbanes-Oxley Act of 2002. Any failure to maintain new and more precise monitoring controls and improved detection and communication of financial misstatements across all levels of the organization could result in additional material weaknesses, result in material misstatements in our financial statements and cause us to fail to meet our reporting obligations. This could cause us to lose public confidence, and could cause the trading price of our common stock to decline. For further information regarding our controls and procedures, see Part I, Item 4 of this Quarterly Report on Form 10-Q.

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

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

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

We rely on a combination of copyright, trade secret, patent and trademark laws and third-party nondisclosure agreements to protect our intellectual property rights and products. However, we cannot assure you that our

intellectual property rights will not be challenged, invalidated, circumvented or rendered unenforceable, or that meaningful protection or adequate remedies will be available to us. For instance, unauthorized third parties have attempted to copy our intellectual property, reverse engineer or obtain and use information that we regard as

proprietary, or have developed equivalent technologies independently, and may do so in the future. Additionally, third parties have asserted patent, copyright and other intellectual property rights to technologies that are important to us, and may do so in the future. If we are unable to license or otherwise access protected technology used in our products, or if we lose our rights under any existing licenses, we could be prohibited from manufacturing and marketing such products. From time to time, we also must enforce our patents or other intellectual property rights or defend ourselves against claimed infringement of the rights of others through litigation. As a result, we could incur substantial costs, be forced to redesign our products, or be required to pay damages to an infringed party. Any of the foregoing matters could adversely impact our business, results of operations and financial condition.

Global economic conditions could continue to adversely affect our operations.

In recent years, we have been faced with very challenging global economic conditions. Further deterioration in the global economic environment may result in decreased demand for our products, increased competition, downward pressure on the prices for our products and longer sales cycles. A weakening of macroeconomic conditions may also adversely affect our suppliers, which could result in interruptions in supply in the future. We have also experienced delays in collecting receivables in certain countries in Western Europe, and we may experience similar delays in these and other countries or regions experiencing liquidity problems. As of June 30, 2016, we had accounts receivable, net of allowance for doubtful accounts, in Spain, Italy, Greece and Portugal of $39.0 million. In addition, a slowing of growth in the Chinese economy and in emerging markets, especially those oil-producing countries that have been affected by the recent decline in oil prices, could adversely affect our business, results of operations or financial condition. We also are monitoring developments following the recent referendum in the United Kingdom to leave the European Union to determine if there will be any potential impact on our business.

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

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

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

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

- The trend towards managed care, together with healthcare reform of the delivery system in the United States and efforts to reform in Europe, has resulted in increased pressure on healthcare providers and other participants in the healthcare industry to reduce selling prices. Consolidation among healthcare providers has resulted in fewer, more powerful groups, whose purchasing power gives them cost containment leverage. In particular, there has been a consolidation of blood transfusion centers, as well as an industry decline in the number of blood transfusions. These industry trends and competitive forces place constraints on the levels of overall pricing, and thus could have a material adverse effect on our gross margins for products we sell in clinical diagnostic markets.

- Third party payors, such as Medicare and Medicaid in the United States, have reduced their reimbursements for certain medical products and services. Our Clinical Diagnostics business is impacted by the level of reimbursement available for clinical tests from third party payors. In the United States payment for many

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

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

To the extent that the healthcare industry seeks to address the need to contain costs stemming from reform measures such as those contained in the PPACA and the Protecting Access to Medicare Act of 2014, or in future legislation, by limiting the number of clinical tests being performed or the amount of reimbursement available for such tests, our business, results of operations and financial condition could be adversely affected. If these changes in the healthcare markets in the United States and Europe continue, we could be forced to alter our approach in selling, marketing, distributing and servicing our products.

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

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

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

the perceived safety and efficacy of our products and dissuade our customers from using our products.

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

We are also subject to government regulation of the use and handling of a number of materials and controlled substances. The U.S. Drug Enforcement Administration establishes registration, security, recordkeeping, reporting, storage, distribution and other requirements for controlled substances pursuant to the Controlled Substances Act of 1970. Failure to comply with present or future laws and regulations could result in substantial liability to us, suspension or cessation of our operations, restrictions on our ability to expand at our present locations or require us to make significant capital expenditures or incur other significant expenses.

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

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

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

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

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

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

Lack of key personnel could hurt our business.

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

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

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

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

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

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

Our ability to implement our business plan in a rapidly evolving market requires effective planning, reporting and analytical processes. We expect that we will need to continue to improve and further integrate our IT systems, reporting systems and operating procedures by training and educating our employees with respect to these improvements and integrations on an ongoing basis in order to effectively run our business. We may suffer interruptions in service, loss of data or reduced functionality when we upgrade or change systems. If we fail to successfully manage and integrate our IT systems, reporting systems and operating procedures, it could adversely affect our business, results of operations and financial condition. See also our risk factors regarding our ERP implementation and data security above and events beyond our control below.

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

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

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

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

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

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

We may in the future incur capital and operating costs to comply with currently existing laws and regulations, and possible new statutory enactments, and these expenditures may be significant. We have incurred, and may in the future incur, fines related to environmental matters and/or liability for costs or damages related to spills or other releases of hazardous substances into the environment at sites where we have operated, or at off-site locations where we have sent hazardous substances for disposal. We cannot assure you, however, that such matters or any future obligations to comply with environmental or health and safety laws and regulations will not adversely affect our business, results of operations or financial condition.

We may be subject to additional tax liabilities.

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

Our debt may restrict our future operations.

We have substantial debt and have the ability to incur additional debt. As of June 30, 2016, we had approximately $434.4 million of outstanding indebtedness. In addition, we have a revolving credit facility that provides for up to $200.0 million, $0.8 million of which has been utilized for domestic standby letters of credit. Our incurrence of substantial amounts of debt may have important consequences. For instance, it could:

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

Our existing credit facility and the terms of our other debt instruments, including agreements we may enter in the future, contain or will contain covenants imposing significant restrictions on our business. These restrictions may affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities as they arise. These covenants place restrictions on our ability to, among other things: incur additional debt; acquire other businesses or assets through merger or purchase; create liens; make investments; enter into transactions with affiliates; sell assets; in the case of some of our subsidiaries, guarantee debt; and declare or pay dividends, redeem stock or make other distributions to stockholders. Our existing credit facility also requires

46

that we comply with certain financial ratios, including a maximum consolidated leverage ratio test and a minimum consolidated interest coverage ratio test.

Our ability to comply with these covenants may be affected by events beyond our control, including prevailing economic, financial and industry conditions. The breach of any of these restrictions could result in a default. An event of default under our debt agreements would permit some of our lenders to declare all amounts borrowed from them to be due and payable, together with accrued and unpaid interest. In addition, acceleration of our other indebtedness may cause us to be unable to make interest payments on our outstanding notes and repay the principal amount of our outstanding notes or may cause the future subsidiary guarantors, if any, to be unable to make payments under the guarantees.

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

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

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

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

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

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

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

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

47

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

Regulations related to “conflict minerals” could adversely impact our business.
As part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC adopted disclosure requirements regarding the use of certain minerals, known as conflict minerals, which are mined from the Democratic Republic of Congo (DRC) and adjoining countries, as well as procedures regarding a manufacturer's efforts to identify the sourcing of such minerals and metals produced from those minerals. The European Union is considering additional reporting obligations. We have incurred, and will continue to incur, additional costs in order to comply with the SEC’s disclosure requirements. In addition, we might incur further costs due to possible changes to our products, processes, or sources of supply as a consequence of our due diligence activities. As our supply chain is complex, we may not be able to sufficiently verify the origins of the specified minerals used in our products through our due diligence procedures, which may harm our reputation. In addition, we may encounter challenges to satisfy those customers who require that all of the components of our products be certified as “DRC conflict free”, which could place us at a competitive disadvantage if we do not do so. We filed our report for the calendar year 2015 with the SEC on May 27, 2016.

Risks related to our common stock

A significant majority of our voting stock is held by the Schwartz family, which could lead to conflicts of interest.
We have two classes of voting stock: Class A Common Stock and Class B Common Stock. With a few exceptions, holders of Class A and Class B Common Stock vote as a single class. When voting as a single class, each share of Class A Common Stock is entitled to one-tenth of a vote, while each share of Class B Common Stock has one vote. In the election or removal of directors, the classes vote separately and the holders of Class A Common Stock are entitled to elect 25% of the Board of Directors, with holders of Class B Common Stock electing the remaining directors.

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

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

None.

Item 3. Defaults Upon Senior Securities

None.

48

Item 4. Mine Safety Disclosures

Not applicable.

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
101	The following materials from this report, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the unaudited interim Condensed Consolidated Statements of Operations, (iii) the unaudited interim Condensed Consolidated Statements of Comprehensive Income, (iv) the unaudited interim Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements.

SIGNATURES

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

BIO-RAD LABORATORIES, INC.
(Registrant)

Date: August 5, 2016 /s/ Norman Schwartz
Norman Schwartz, Chairman of the Board,
President and Chief Executive Officer

Date: August 5, 2016 /s/ Christine A. Tsingos
Christine A. Tsingos, Executive Vice President,
Chief Financial Officer