BIO-RAD

Bio-Rad Laboratories

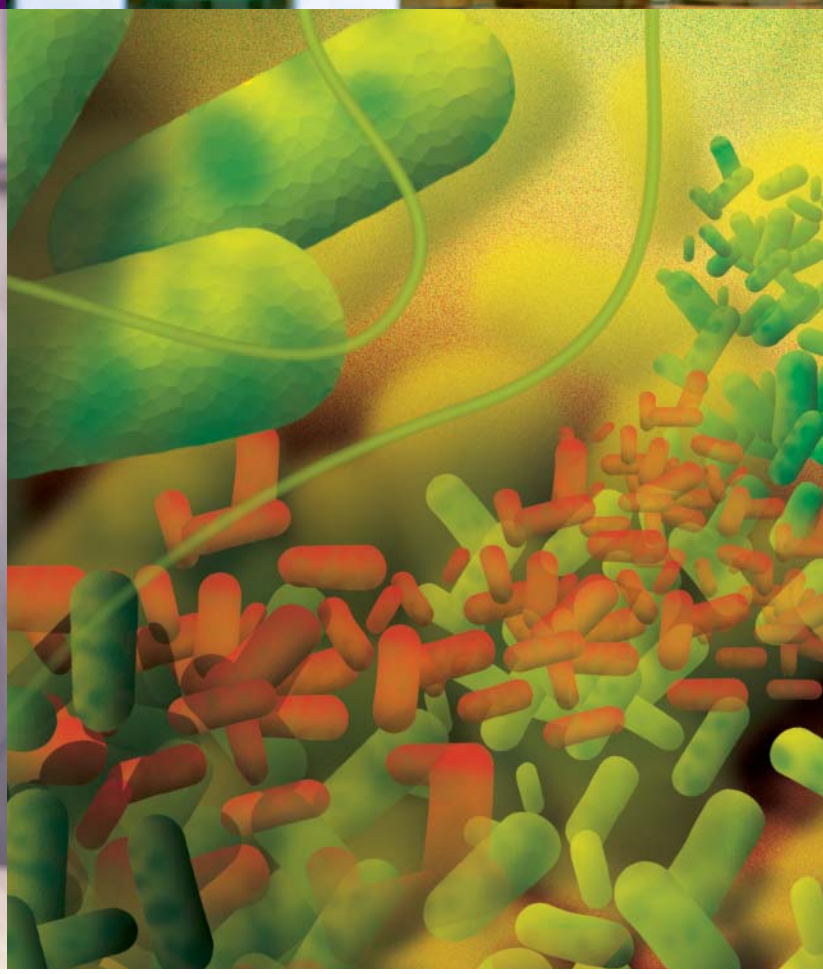
2003 Annual Report

BIO-RAD Laboratories is a global leader in providing **INNOVATIVE** tools and services to the life science research and clinical diagnostics industries. The Company serves more than 70,000 customers with a team of nearly 5,000 employees worldwide.

In 2003 the Company marked an important milestone in its history, reaching more than **$1 BILLION** in sales.

With a secure financial foundation and a wealth of **OPPORTUNITY** to maximize growth, Bio-Rad will work to expand its market reach by creating **NEW TECHNOLOGICAL SOLUTIONS** to accelerate scientific **DISCOVERY** and improve human health care.

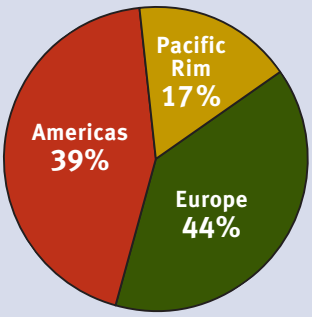
Financial Highlights



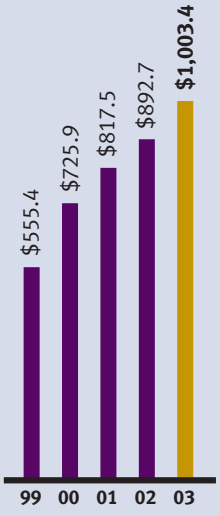
Bio-Rad's financial PROGRESS is the result of a combination of factors that add up to the best reported results in the Company's history.

Five-Year Record	1999	2000	2001	2002	**2003**
(in millions, except per share data)					
Net Sales	$ 555.4	$ 725.9	$ 817.5	$ 892.7	**$1,003.4**
Gross Profit	$ 295.8	$ 377.4	$ 455.4	$ 509.5	**$ 565.4**
Research Expenditures	$ 66.7[1]	$ 68.1	$ 76.5	$ 82.9	**$ 94.3**
Net Income	$ 11.7	$ 31.1	$ 44.2	$ 67.9	**$ 76.2**
Return On Sales	2.1%	4.3%	5.4%	7.6%	**7.6%**
Book Value Per Share[2]	$ 9.08	$ 10.00	$ 11.43	$ 15.17	**$ 19.41**
Basic Earnings Per Share[2]	$ 0.48	$ 1.27	$ 1.79	$ 2.70	**$ 3.00**
Cash Flow From Operations	$ 45.0	$ 24.2	$ 99.5	$ 105.8	**$ 127.6**

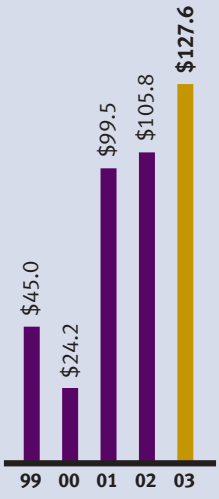
[1] Includes $15.5 of purchased R&D.
[2] Restated to give effect to a stock split in the form of a 100% stock dividend in 2002.



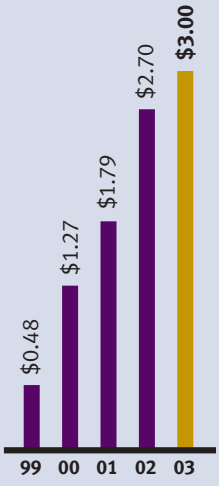
2003 Sales By Region



Net Sales
(in millions)



Cash Flow From Operations
(in millions)



Basic Earnings[2] Per Share

To Our Shareholders

WE MADE IT! We crossed the one billion dollar threshold in 2003. While this is a historical milestone for us, it is by no means a culmination. 2003 was an active year and there are a number of things to look forward to in 2004 and beyond.

The progress of 2003 is due to a combination of factors which all added up to the best reported results in Bio-Rad's history. Sales for the year reached $1.003 billion, up more than 12 percent over the prior year and net income at $76 million represented a return of nearly 8 percent of sales. The pure operating results reflect an even better picture with net income rising to $86 million before one-time charges associated with the refinancing of our debt.

These results are due, first and foremost, to the strength of our markets and our ability to introduce new products which meet the increasing demands of our customers.

On a currency neutral basis, sales grew around 4 percent, in line with the growth in our markets. The balance of the increase is largely due to changes in exchange rates. We saw a dramatic rise in the value of foreign currencies relative to the dollar throughout 2003, which resulted in higher reported sales and expenses when translated into dollars. Given that almost 66 percent of our sales are outside the United States, this had a significant effect on results.

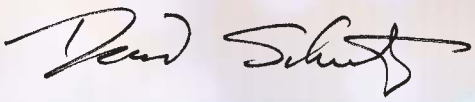
→ Opportunity.

Apart from financial results, 2003 was another year of accomplishment. A myriad of new products were introduced including the D-10™ Hemoglobin testing system for monitoring diabetic control and new Bio-Plex™ cytokine assays, increasingly used in the discovery process to understand the body's response to candidate drugs in development. We also received US-FDA approval of our Aspergillus test kit used for the monitoring of infection in transplant patients.

Operationally, we invested in a number of areas to secure our future. Key among these were investments in information systems and new buildings to accommodate growth and increase the effectiveness of our operations. We also successfully refinanced our debt, lowering interest costs and providing us with financial resources to support our activities over the next several years.

Recently, we have benefited from an increased interest in food testing and attained a leadership position with our BSE products for mad cow disease testing and related tests for other animals. As testing consolidates into higher volume laboratories and competitors gain a toehold in the market, our challenge will be to protect our margins and market position.

As we look ahead to 2004 and beyond, we continue to be excited about the markets and customers we serve. Both our Life Science research and Clinical Diagnostics markets are brimming with new directions offering us countless opportunities to participate in this golden age of biochemistry, providing useful and innovative products to help in the advancement of science. We welcome your continued interest in Bio-Rad and its nearly 5,000 employees around the world.



David Schwartz
Chairman of the Board

Norman Schwartz
President

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Both our Life Science research and Clinical Diagnostics markets are brimming with new opportunities for us to participate in this golden age of biochemistry and help in the advancement of science.

Advancing Scientific Discovery

BIO-RAD LABORATORIES DEVELOPS AND MANUFACTURES an extensive selection of laboratory products for the separation, purification and analysis of biomaterials used in drug development and disease research, along with fully integrated systems used for specialty diagnostics. The Company is distinguished worldwide for its commitment to quality, customer service and for its leading role in the advancement of scientific discovery and health care.

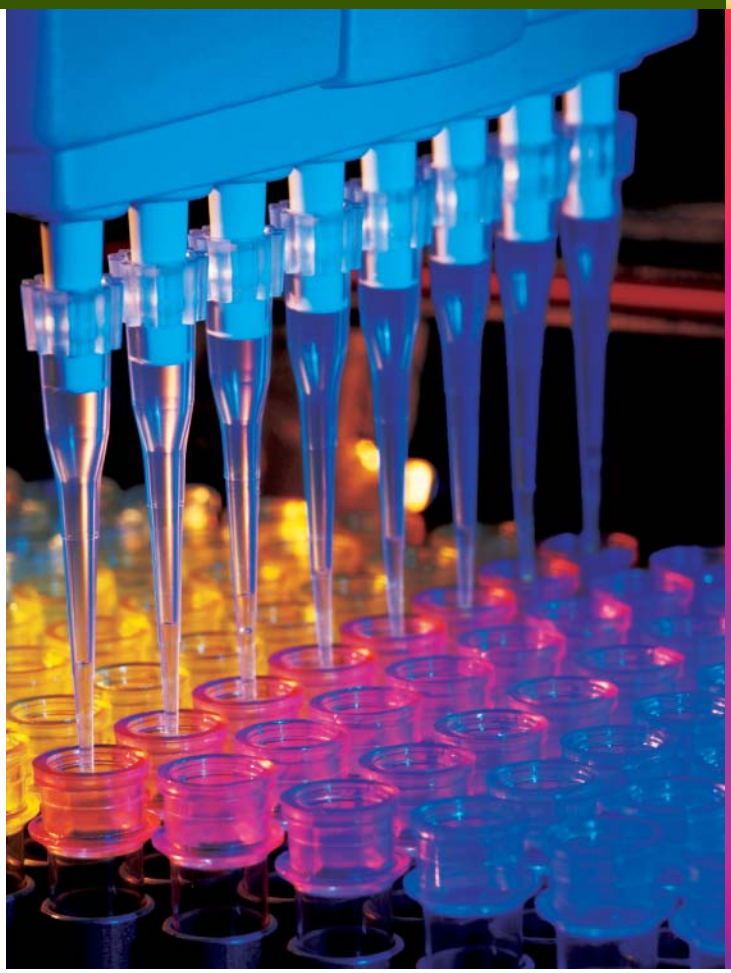
Bio-Rad's total-solution-approach to product development and the Company's focus on building strong customer relationships place it in a unique position to capitalize on opportunities in the growing fields of genomics, proteomics, biopharmaceutical discovery, food safety, biotechnology education, diabetes monitoring, quality control management, blood screening, autoimmune and infectious disease testing and other specialized areas of clinical diagnostics.

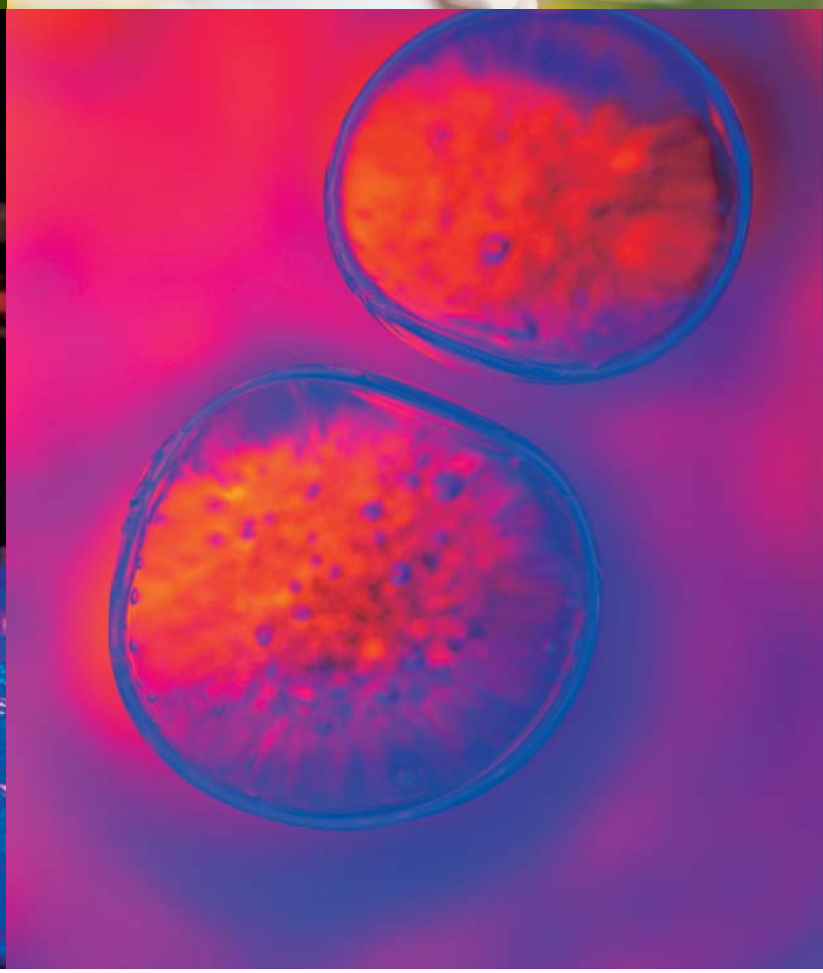
The Company has a strong reputation among major research institutions, the biotechnology and pharmaceutical industries, hospitals and clinical laboratories around the world, and continues to seek new ways to strengthen its leading positions in both the life science and clinical diagnostics markets through new product development, organic growth and strategic acquisitions.

BIO-RAD. Advancing **SCIENTIFIC DISCOVERY** and creating new innovations in human health care.

Bio-Rad's TOTAL-SOLUTION approach to product development and its COMMITMENT to providing unparalleled customer service has secured its position as one of the world's PREMIER life science companies.

Life Science





→ Discovery.

IN 2003, BIO-RAD capitalized on a number of important opportunities to enhance its leadership position in the life science industry. The Company introduced a variety of innovative new products, completed an acquisition and forged partnerships with other industry leaders to advance scientific discovery. Throughout the year, the Company also continued its work in supporting government and industry around the world in their efforts to protect the safety of the food supply by providing rapid tests for TSE (Transmissible Spongiform Encephalopathy) surveillance programs.

Life Science Group sales increased by 12 percent in 2003, reaching $480 million, primarily due to growth in the areas of chromatography, genomics, proteomics and food pathogen testing. The Group continues to experience significant demand for its consumable products and expects to benefit from ongoing and consistent growth in this area in the future. Sales of systems-based technology used for drug discovery and end-stage drug candidate validation are also increasing and new enhancements to TSE testing platforms have further augmented sales of the Company's rapid tests.

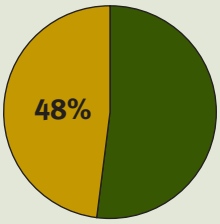
Bio-Rad's GelTec™ process chromatography columns and complimentary chemistries are used to separate and purify molecular compounds in the production of pharmaceutical drugs. As new drugs are brought to market and gain in popularity, products like these will continue to increase in demand.

Innovations In Drug Research Opening Up New Opportunities For Bio-Rad

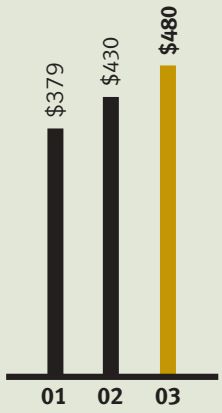
Bio-Rad manufactures a broad range of instruments and reagents used in bioprocess separations, one of many procedures employed in the understanding of disease and the development of new drugs. In 2003, the Company completed a record year in its process chromatography business. This growth was augmented by the acquisition of Verdot Industrie, which enabled Bio-Rad to round out its product portfolio with the addition of complimentary industrial-scale hardware. This area of the business is growing at a rapid rate and shows promise for the future as new drugs continue to enter the market. In 2004, Bio-Rad will launch several new products that reinforce the Company's leadership role in the process chromatography market and help meet the changing needs of the biopharmaceutical industry.

The promise of biotechnology is largely reliant on protein based drug development, which has increased demand for Bio-Rad's expression proteomics consumable reagents and products like the ChemiDoc™ XRS System, the Molecular Imager FX™ System, the ProteomeWorks™ Plus Spot Cutter and PDQuest™ analysis software. These and other innovative technologies are being used to optimize the drug development process by identifying targets used for

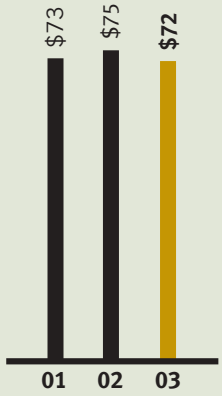
Biomarker research is a burgeoning field in the pharmaceutical industry. Bio-Rad's Bio-Plex™ multi-plex immunoassay platform helps simplify and speed up the drug discovery process by allowing scientists to rapidly screen for multiple targets, or biomarkers, ultimately aiding in the diagnosis and treatment of disease.



Segment Sales



Sales
(dollars in millions)



Segment Profit
(dollars in millions)

Bio-Rad is setting a new industry standard in TSE testing. The Company's TeSeE™ tests run on new automated robotics platforms that can process up to 1,000 samples in an 8-hour time period.

Bio-Rad has supplied more than 22 million BSE tests worldwide and is the leading provider of Chronic Wasting Disease and Scrapie tests in Europe, Canada and the U.S.

Bio-Rad's iCycler iQ™ has given the Company a leadership position in Real-Time PCR, a technology which enables researchers to follow a faster path to rational drug design.

Bio-Rad is a pioneer in developing sophisticated gene transfer technology. The Company's hand-held Helios™ Gene Gun employs a helium pulse to inject, or 'shoot' nucleic acid-coated particles directly into cells.

The Gene Pulser Xcell™ Electroporation System is used to introduce DNA, RNA, proteins, or other small molecules into cells.

drug candidate analysis and to identify biomarkers for specific disease. The scientific community has also embarked on new research programs to identify and analyze human, animal and microbial proteomes, which will further increase demand for the Company's proteomics products.

To further expand its proteomics business, the Company has initiated partnerships with other industry leaders like Caliper, a Life Sciences pioneer in microfluidics, which will work with Bio-Rad to advance biomolecule separation technology in an innovative and easy-to-use format.

In 2003, Bio-Rad's Bio-Plex™ multi-plex immunoassay platform continued to gain in popularity, increasing sales in the areas of both assay kits and instrumentation platforms. The Bio-Plex System is used by the pharmaceutical, biotechnology and health care industries to analyze and measure the performance of potential drug candidates and therapeutic treatments for both humans and animals. Future opportunities in this area will also continue to open up in two segments of drug development—clinical trials and end-stage drug candidate validation.

Steering TSE Testing In New Directions

Throughout the past three years, demand for Bio-Rad's rapid TSE tests has continued to grow. The Company's BSE or mad cow disease tests are currently used throughout Europe, the United Kingdom and Japan and will also be used by the USDA (U.S. Department of Agriculture) in its enhanced BSE surveillance program. A similar program has also been initiated by Canada's largest beef producing province of Alberta. Demand for the Company's other food pathogen test kits for Listeria, Salmonella and E. coli is also gaining momentum.

Pharmaceutical companies, academic institutions, government agencies and the biotech industry rely on Bio-Rad to provide the highest quality REAGENTS, precision TECHNOLOGY and COMPLETE SYSTEMS for life science research.

Bio-Rad remains the leader in TSE testing, providing tests to more than 500 laboratories in 25 countries around the world. Moreover, demand for the Company's tests for Chronic Wasting Disease (CWD) in deer and elk and Scrapie in sheep and goats is also increasing. In 2003 Bio-Rad introduced an automated robotics platform for TSE testing, significantly expanding the capacity at which laboratories can process samples. The Company's TSE tests are internationally recognized by the OIE (Office International Des Epizooties, or the world organization for animal health) and the European Union. Independent evaluations have shown that the Company's TSE tests are significantly more sensitive in detecting TSEs than any other rapid tests on the market. One significant breakthrough in the BSE testing industry came in October 2003 in Japan, where the Company's BSE test was the only rapid method able to detect the disease in two cows under the age of 24 months, younger cases than previously thought possible, further illustrating that the Company's TSE testing technology continues to raise the standard in veterinary diagnostics.

To further boost growth in the BSE market, Bio-Rad is developing new innovations in BSE technology and will launch a new confirmatory Western Blot test in 2004. Preliminary research indicates that this new test is as sensitive and easier to use than the current "gold standard" immunohistochemistry (IHC) confirmatory tests.

Providing Complete Systems To Accelerate Discovery In Genomics Research

Bio-Rad has a long tradition of providing the life science research industry with the highest quality reagents and instrumentation along with superior customer service and technical support. The Life Science Group manufactures complete systems for genomics and proteomics research—large and small-scale instrumentation, sophisticated software packages and precision reagents.

Many of Bio-Rad's gene-based products are used in drug development and disease research. They are used for gene characterization and identification, to spot changes in gene activity, detect indicators for possible drug targets, identify markers for therapeutic treatment and to detect gene mutations or disease states.

Bio-Rad is gaining market share in the highly competitive area of real time amplification by providing superior products and services to life science researchers.

In 2003, DNA amplification products like the Company's iCycler™ Thermal Cycler, the iCycler iQ™ Real-Time PCR System and others continued to gain in popularity. Strong reagent sales also enhanced growth and built on the Company's ability to provide total solutions for amplification applications.

During the year the Life Science Group launched the MyiQ™ Real-Time PCR Detection System, a compact version of the company's iCycler™ Thermal Cycler, featuring the most commonly used functions from all of Bio-Rad's PCR platforms. The Company also launched a variety of new gene transfer reagents and consumable products that are distinguished for their sensitivity and ease-of-use.

Throughout the coming years, Bio-Rad will focus on pioneering innovations in gene-based technology and chemistry with the introduction of new reagents that will complement and support its systems-based product portfolio, including reagents used for 'gene silencing,' or the study of cell network functions, and others used to usher DNA or RNA into cells.

Today's Students, Tomorrow's Scientists.

Bio-Rad is helping high schools and colleges revolutionize biological education. The Company provides teachers and students with state-of-the-art laboratory equipment, curriculum and popular kits to illustrate real-world laboratory procedures. In 2003, Bio-Rad expanded both its domestic and global initiatives in biotechnology education by sponsoring teacher training workshops in the U.S., Great Britain and Asia.

Bio-Rad is the WORLD LEADER in specialty diagnostics, developing INNOVATIVE SOLUTIONS to improve patient care and laboratory efficiency.

Clinical Diagnostics

Innovation.

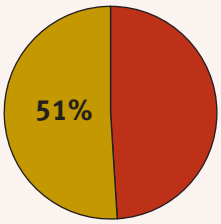
IN 2003, Bio-Rad's Clinical Diagnostics Group sales increased to $515 million, up 13 percent from the previous year. Demand for the Company's blood virus, autoimmune, diabetes monitoring and quality control products, coupled with a modest decrease in operating expenses resulted in a 43 percent increase in the Group's profitability. During the year, the Company introduced several important new technologies and expanded product development efforts to open up future opportunities in emerging markets. In the coming year, Bio-Rad will continue to focus on the development of complete systems-based solutions and look to strategic acquisitions and partnerships to enhance product portfolios and increase market presence.

Protecting the World's Blood Supply With Innovative Testing Solutions

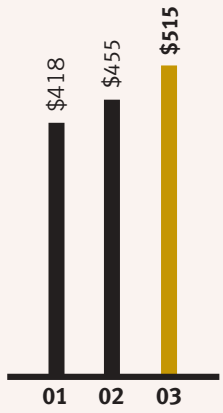
Bio-Rad helps protect the world's blood supply by providing blood banks, hospitals and clinical laboratories with diagnostic test kits and comprehensive automated systems for detecting Hepatitis, HIV, autoimmune and other infectious diseases. In 2003, the Company launched new tests used for the screening and confirmation of the Hepatitis B virus. The HBsAg EIA 3.0 and the HbsAg Confirmatory Assay 3.0 are the most sensitive Hepatitis B tests currently available in the U.S. and they are the only tests approved for testing samples from organ donors as well as serum and plasma samples.

During the year the Company also launched an important new test for HIV (Human Immunodeficiency Virus). The new HIV-1/HIV-2 PLUS O EIA test kit received a license from the U.S. Food and Drug Administration (FDA) in August. It is the first combination test, simultaneously detecting both HIV-1 (Groups M and O) and HIV-2 antibodies, used for diagnostic testing and screening of blood and blood products available in the United States.

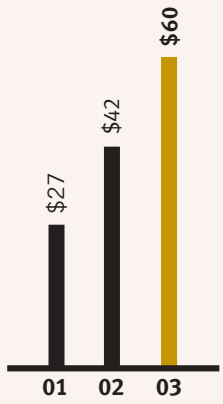
As with Bio-Rad's entire selection of diagnostic products, these assays for Hepatitis and HIV are distinguished by their speed, accuracy, sensitivity, and ease-of-use. Demand for similar tests and complementary instrumentation is likely to remain strong as public health concerns over the safety of the blood supply continue. Instruments like Bio-Rad's EVOLIS™ System, an automated microplate processor used for blood virus testing, is widely used by hospitals, clinical laboratories, public health



Segment Sales

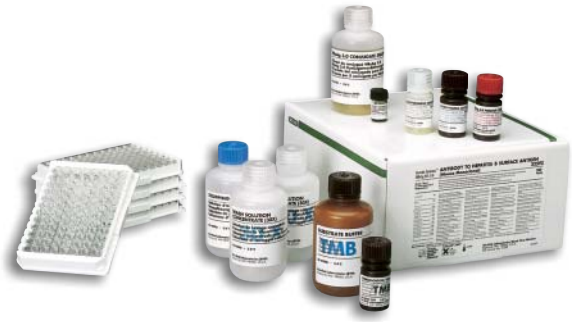


Sales
(dollars in millions)



Segment Profit
(dollars in millions)

Hepatitis B is the most common liver infection in the world. It affects an estimated 400 million people, it is the primary cause of liver cancer and leads to more than one million deaths every year. Effective screening of donor blood and plasma, using Bio-Rad's HBsAg EIA 3.0 Hepatitis B test, can aid in preventing the spread of the virus.



Bio-Rad's EVOLIS™ System is widely used by hospitals, public health laboratories and transfusion centers around the world for blood virus testing. The automated testing platform can simultaneously screen blood and serum samples for HIV and Hepatitis.

Bio-Rad's automated D-10™ Hemoglobin A1c Testing System is the new standard for small to mid-volume laboratories and clinics, and delivers superior performance in a compact package. It is the smallest, most cost effective, high-performance Hemoglobin A1c testing platform available today.

In 2003, Bio-Rad introduced two new tests for use with the Company's hand-held TOX/See™ Rapid Urine Drug Screening Device. The new tests for TCA (tricyclic antidepressants) and MDMA (Ecstacy) have been added to a test menu of nine other drugs. This compact, point-of-care device is used in hospitals, correctional facilities and clinical laboratories.

In 2003, the U.S. National Institute of Health used Bio-Rad's Platelia™ Aspergillus EIA test kit in a study of bone marrow transplant recipients, patients who are commonly prone to Invasive Aspergillosis. Use of the test enabled researchers to focus on the most important task of finding effective drug treatments for the often-fatal infection.

laboratories and transfusion centers throughout Europe, Latin America and Asia. In 2003, the Company launched the product in the U.S.

Capturing New Markets With Innovative, Alternative Technology

In 2003, the Clinical Diagnostics Group launched several important products and initiated development efforts with industry partners that will open up new markets in diabetes monitoring, autoimmune, blood virus and infectious disease testing.

One innovative new product, the D-10™ Hemoglobin A1c Testing System, has expanded Bio-Rad's reach into the diabetes monitoring market by providing small to mid-volume clinical laboratories with access to the same level of precision technology offered in the Company's larger diabetes monitoring platforms. This system was introduced in Europe in the spring of 2003 and received FDA clearance in the U.S. in September. Since its launch, increasing demand has made this one of the most successful product introductions in the Clinical Diagnostic Group's history.

The Company is also expanding its leadership position in the autoimmune testing market with its PhD™ System. With labor costs on the rise, coupled with a shortage in skilled technical personnel, clinical laboratories are seeking new ways to automate their serology and autoimmune testing methods. Bio-Rad is assisting in these efforts by providing innovative testing platforms that maximize testing capacity. The Company's PhD™ System, accompanied by a new immunoflourescence assay (IFA) software module, now provides laboratories with a new automated platform that eliminates manual processing, or

Bio-Rad supplies hospitals, clinical laboratories and health care providers with a WIDE RANGE of customized products used for diabetes monitoring, quality control management, blood virus, autoimmune disorder testing and toxicology.

processing on separate instruments. The system also includes user-friendly software that increases laboratory efficiency and accomodates both low volume laboratories as well as high test volume workloads.

In 2003, the Clinical Diagnostics Group also expanded its reach in the U.S. infectious disease and blood virus testing market through a partnership with Beckman Coulter, Inc. Bio-Rad will provide its expertise in the development, manufacture and distribution of infectious disease and blood virus assays for use on Beckman Coulter's Access® series of immunoassay analyzers.

Making Unique Contributions To The Specialty Diagnostics Industry

Bio-Rad provides a full range of tools for the diagnosis of infectious disease--some, including sexually transmitted diseases which are often common, and others, like Invasive Aspergillosis, that are more obscure, but can also be deadly.

Invasive Aspergillosis is an infection that is common among organ and bone marrow transplant patients and patients with neutropenic leukemia. In 2003, Bio-Rad's new Platelia™ Aspergillus EIA test kit received FDA clearance in the U.S. To date, several million tests have been performed worlwide and demand for these tests is increasing.

The Aspergillus EIA test kit is the first rapid test able to detect the infection in blood. The test is revolutionary in its ability to detect the infection in just three hours, whereas standard culture testing methods require a minimum of five to seven days to produce results and must be accompanied by additional diagnostic procedures which can be invasive, painful and inconclusive.

Setting New Standards In Quality Control Management

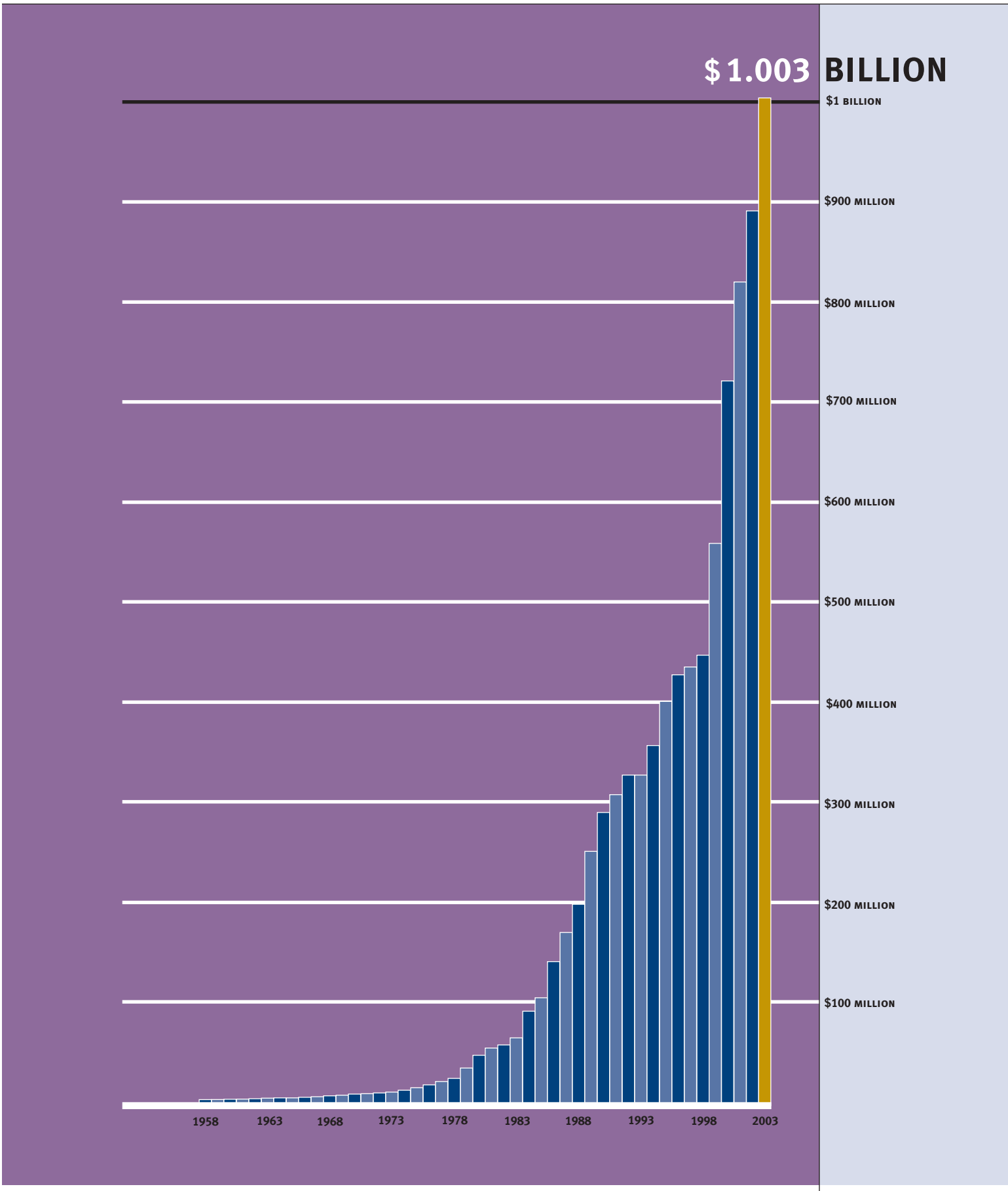
Bio-Rad provides clinical laboratories with the world's most comprehensive product line for managing laboratory quality control, offering more than 120 products used for internal and external quality assurance, to reduce medical errors and to improve the quality of laboratory results. In 2003 the Clinical Diagnostics Group expanded its quality control product offering with the introduction of two new controls, Liquichek™ D-dimer Control for cardiac risk and thrombosis assessment and Amplichek™ CT/GC Controls used for Chlamydia Trachomatis and Gonorrhea, which will open up new opportunities in two of the fastest growing segments of the clinical diagnostics industry--the hemostasis (coagulation) and molecular testing segments.

Additionally, Bio-Rad continues to upgrade its quality control products. QC OnCall™ System, Bio-Rad's newest quality control data management system was introduced to the worldwide market in 2003 and is now being used in hundreds of clinical laboratories worldwide. With this complete set of QC OnCall features, laboratories can now have greater confidence in the quality of every patient test result.

In 2004, Bio-Rad will seek strategic acquisitions and partnerships to increase market exposure and expand its product portfolios in the area of quality control management. The Company will also complete the implementation of new manufacturing upgrades to further enhance its leadership role in the quality control management market.

Bio-Rad's QC OnCall™ system features tools that allow laboratories to instantly compare their performance to a worldwide database, along with review tools to help labs meet regulatory requirements.

Achievement.



Summary of Operations and Selected Financial Data

	Year Ended December 31,				
(in thousands, except per share data)	**2003**	2002	2001	2000	1999
Net sales	**$1,003,382**	$892,720	$817,509	$725,884	$555,399
Cost of goods sold	**437,990**	383,235	362,140	348,450	259,573
Gross profit	**565,392**	509,485	455,369	377,434	295,826
Selling, general and administrative expense	**325,360**	289,175	264,745	245,866	195,944
Product research and development expense	**94,270**	82,935	76,543	68,140	66,710
Goodwill amortization	**—**	—	7,746	8,109	3,813
Loss (gain) on divestitures	**—**	—	5,150	(21,845)	—
Interest expense	**31,006**	28,207	24,088	30,612	12,741
Foreign exchange losses	**4,080**	5,441	2,097	420	886
Other, net	**(3,012)**	(678)	10,031	689	(684)
Income before taxes and cumulative effect of change in accounting principle	**113,688**	104,405	64,969	45,443	16,416
Provision for income taxes	**(37,517)**	(36,542)	(20,790)	(13,633)	(4,695)
Income before cumulative effect of change in accounting principle	**76,171**	67,863	44,179	31,810	11,721
Cumulative effect of change in accounting principle[1]	**—**	—	—	(710)	—
Net income	**$ 76,171**	$ 67,863	$ 44,179	$ 31,100	$ 11,721
Basic earnings per share before cumulative effect of change in accounting principle[2]	**$ 3.00**	$ 2.70	$ 1.79	$ 1.30	$ 0.48
Cumulative effect of change in accounting principle[1] [2]	**—**	—	—	(0.03)	—
Basic earnings per share[2]	**$ 3.00**	$ 2.70	$ 1.79	$ 1.27	$ 0.48
Diluted earnings per share before cumulative effect of change in accounting principle[2]	**$ 2.90**	$ 2.61	$ 1.74	$ 1.30	$ 0.48
Cumulative effect of change in accounting principle[1] [2]	**—**	—	—	(0.03)	—
Diluted earnings per share[2]	**$ 2.90**	$ 2.61	$ 1.74	$ 1.27	$ 0.48
Cash dividends paid per common share	**—**	—	—	—	—
Total assets	**$ 986,858**	$720,703	$684,028	$646,278	$668,862
Long-term debt, net of current maturities	**$ 225,835**	$105,768	$188,423	$203,360	$239,211

(1) Cumulative effect of accounting change per SEC Staff Accounting Bulletin 101, on Revenue Recognition.

(2) Restated to give effect to a stock split in the form of a 100% stock dividend in 2002.

Consolidated Balance Sheets

(in thousands)	December 31, 2003	2002
Assets		
Current assets:		
Cash and cash equivalents	**$ 148,642**	$ 27,733
Accounts receivable less allowance of $12,978 in 2003 and $12,122 in 2002	**234,085**	209,282
Inventories, net:		
Raw materials	**38,783**	40,559
Work in process	**38,798**	30,790
Finished goods	**112,677**	95,023
Total inventories	**190,258**	166,372
Deferred tax assets	**46,536**	37,052
Prepaid expenses and other current assets	**51,357**	26,175
Total current assets	**670,878**	466,614
Property, plant and equipment:		
Land and improvements	**9,882**	9,572
Buildings and leasehold improvements	**105,963**	80,531
Equipment	**273,121**	239,404
Total property, plant and equipment	**388,966**	329,507
Accumulated depreciation	**(209,843)**	(187,272)
Property, plant and equipment, net	**179,123**	142,235
Goodwill, net of accumulated amortization of $21,736 in 2003 and 2002	**69,503**	69,519
Other assets	**67,354**	42,335
Total Assets	**$ 986,858**	$ 720,703

The accompanying notes are an integral part of these statements.

(in thousands, except per share data)	December 31, 2003	2002
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	**$ 53,995**	$ 50,233
Accrued payroll and employee benefits	**71,650**	62,800
Notes payable	**10,215**	6,726
Current maturities of long-term debt	**208**	760
Sales, income and other taxes payable	**20,833**	17,019
Other current liabilities	**77,425**	71,392
Total current liabilities	**234,326**	208,930
Long-term debt, net of current maturities	**225,835**	105,768
Deferred tax liabilities	**13,991**	9,839
Other long-term liabilities	**16,899**	13,079
Total liabilities	**491,051**	337,616
Commitments and contingent liabilities	**—**	—
Stockholders' equity:		
Preferred stock, $0.0001 par value, 7,500,000 shares authorized; none outstanding	**—**	—
Class A common stock, $0.0001 par value, 50,000,000 shares authorized; outstanding 2003 – 20,709,127; 2002 — 20,402,462	**2**	2
Class B common stock, $0.0001 par value, 20,000,000 shares authorized; outstanding 2003 — 4,834,290; 2002 — 4,846,942	**1**	1
Additional paid-in capital	**42,164**	36,141
Retained earnings	**421,012**	344,841
Accumulated other comprehensive income:		
Currency translation and other	**32,628**	2,102
Total stockholders' equity	**495,807**	383,087
Total Liabilities and Stockholders' Equity	**$ 986,858**	$ 720,703

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

(in thousands, except per share data)	Year Ended December 31, 2003	2002	2001
Net sales	**$ 1,003,382**	$ 892,720	$ 817,509
Cost of good sold	**437,990**	383,235	362,140
Gross profit	**565,392**	509,485	455,369
Selling, general and administrative expense	**325,360**	289,175	264,745
Product research and development expense	**94,270**	82,935	76,543
Goodwill amortization	**—**	—	7,746
Loss on divestitures	**—**	—	5,150
Interest expense	**31,006**	28,207	24,088
Foreign exchange losses	**4,080**	5,441	2,097
Other, net	**(3,012)**	(678)	10,031
Income before taxes	**113,688**	104,405	64,969
Provision for income taxes	**(37,517)**	(36,542)	(20,790)
Net income	**$ 76,171**	$ 67,863	$ 44,179
Basic earnings per share:			
Net income	**$ 3.00**	$ 2.70	$ 1.79
Weighted average common shares	**25,416**	25,104	24,648
Diluted earnings per share:			
Net income	**$ 2.90**	$ 2.61	$ 1.74
Weighted average common shares	**26,310**	26,021	25,442

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

(in thousands)	Year Ended December 31, 2003	2002	2001
Cash flows from operating activities:			
Cash received from customers	**$ 1,020,135**	$ 885,835	$ 787,179
Cash paid to suppliers and employees	**(826,055)**	(711,341)	(665,572)
Interest paid	**(17,088)**	(25,832)	(22,064)
Income tax payments	**(51,280)**	(43,016)	(5,253)
Miscellaneous receipts	**1,928**	112	5,248
Net cash provided by operating activities	**127,640**	105,758	99,538
Cash flows from investing activities:			
Capital expenditures, net	**(69,003)**	(42,224)	(43,228)
Payments for acquisitions and investments	**(16,375)**	(8,568)	(4,650)
Purchases of marketable securities and investments	**(8,228)**	(1,887)	(567)
Sales of marketable securities and investments	**1,610**	493	497
Foreign currency hedges, net	**(14,998)**	(2,270)	410
Net cash used in investing activities	**(106,994)**	(54,456)	(47,538)
Cash flows from financing activities:			
Net borrowings (payments) on notes payable	**435**	5,031	(1,884)
Long-term borrowings	**249,335**	44,025	74,250
Payments on long-term debt	**(132,012)**	(133,517)	(97,209)
Debt retirement costs on 11 5/8% bonds	**(9,467)**	—	—
Debt issuance costs on 7.5% bonds	**(5,431)**	—	—
Proceeds from issuance of common stock	**5,309**	3,047	532
Purchase of treasury stock	**—**	—	(261)
Reissuance of treasury stock	**—**	2,287	4,367
Net cash provided by (used in) financing activities	**108,169**	(79,127)	(20,205)
Effect of exchange rate changes on cash	**(7,906)**	8,429	1,380
Net increase (decrease) in cash and cash equivalents	**120,909**	(19,396)	33,175
Cash and cash equivalents at beginning of year	**27,733**	47,129	13,954
Cash and cash equivalents at end of year	**$ 148,642**	$ 27,733	$ 47,129

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Stockholders' Equity

(in thousands)	Year Ended December 31, 2003	2002	2001
Common Stock, $0.0001 par value:			
Balance at beginning of year	**$ 3**	$ 2	$ 2
Issuance of common stock	**—**	1	—
Balance at end of year	**3**	3	2
Additional Paid-In Capital:			
Balance at beginning of year	**36,141**	32,171	31,596
Issuance of common stock	**5,309**	3,047	532
Tax benefit from exercise of stock options	**714**	923	43
Balance at end of year	**42,164**	36,141	32,171
Treasury Stock:			
Balance at beginning of year	**—**	(1,863)	(5,415)
Purchase of treasury stock	**—**	—	(261)
Reissuance of treasury stock	**—**	1,863	3,813
Balance at end of year	**—**	—	(1,863)
Retained Earnings:			
Balance at beginning of year	**344,841**	276,554	231,821
Net income	**76,171**	67,863	44,179
Reissuance of treasury stock at more than cost	**—**	424	554
Balance at end of year	**421,012**	344,841	276,554
Accumulated Other Comprehensive Income (Loss):			
Balance at beginning of year	**2,102**	(22,987)	(13,386)
Other comprehensive income (loss)	**30,526**	25,089	(9,601)
Balance at end of year	**32,628**	2,102	(22,987)
Total Stockholders' Equity	**$ 495,807**	$ 383,087	$ 283,877
Comprehensive Income, net of tax:			
Net income	**$ 76,171**	$ 67,863	$ 44,179
Currency translation adjustments	**28,620**	25,241	(9,458)
Net unrealized holding gains (losses)	**2,137**	(59)	(12)
Reclassification adjustments for gains included in net income	**(231)**	(93)	(131)
Total Comprehensive Income	**$ 106,697**	$ 92,952	$ 34,578

The accompanying notes are an integral part of these statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of Bio-Rad Laboratories, Inc. and all subsidiaries (Bio-Rad or the Company) after elimination of intercompany balances and transactions. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Changes in Presentation

Certain prior year amounts have been reclassified to conform to current year presentation.

Cash and Cash Equivalents

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

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash and cash equivalents and trade accounts receivable. Cash and cash equivalents are placed with major financial institutions. The Company performs credit evaluation procedures and with the exception of certain developing countries, generally does not require collateral. As a result of increased risk in these countries, some Bio-Rad sales are subject to collateral letters of credit. Credit risk is limited due to the large number of customers and their dispersion across many geographic areas. However, a significant amount of trade receivables are with national healthcare systems in countries within the European Economic Community. The Company does not currently anticipate a credit risk associated with these receivables.

Inventory Valuation

Inventories are valued at the lower of actual cost or market and include material, labor and overhead costs. Management periodically reviews the need for an inventory obsolescence reserve. In evaluating this reserve, technology changes, competition, customer demand and manufacturing quality are considered.

Property, Plant and Equipment

Property, plant and equipment are carried at historical cost. Included in property, plant and equipment is reagent rental equipment. The Company provides these instruments to its customers for use with the Company's reagents.

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

Goodwill

Goodwill, representing the excess of the cost over the net tangible and identifiable intangible assets of acquired businesses, is stated at cost and through December 31, 2001 has been amortized on a straight-line basis over the estimated future periods to be benefited, typically ten to fifteen years. Beginning January 1, 2002, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and

Other Intangible Assets" which provides that goodwill is no longer subject to amortization over its useful life. Goodwill is assessed annually for impairment applying a fair-value based test or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable (see Note 5).

Income Taxes

The Company accounts for income taxes under the asset and liability method which recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between carrying amounts and tax bases of assets and liabilities (see Note 7).

Revenue Recognition

For products, revenue is recognized when shipped and risk of loss is inconsequential, when persuasive evidence of an arrangement exists, the price to the buyer is fixed and determinable and collectibility is reasonably assured. When a customer enters into a reagent rental agreement (operating-type lease), revenue is recognized over the life of the agreement. Service revenues on extended warranty contracts are recognized ratably over the life of the service agreement or as service is performed, if not under contract. For those equipment sales that necessitate installation, we recognize revenue when installation is complete and customer acceptance has occurred.

Shipping and Handling

The Company classifies all freight billed to customers as net sales. Related freight costs are included in cost of goods sold.

Sales Returns and Warranty

At the time the related revenue is recognized, a provision is recognized for estimated product returns.

The Company warrants certain equipment against defects in design, materials and workmanship, generally for one year. Upon shipment of that equipment, the Company establishes, as part of cost of goods sold, a provision for the expected costs of such warranty.

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

	2003	2002
January 1	**$ 7.1**	$ 6.1
Provision for warranty	**12.0**	9.0
Actual warranty costs	**(10.0)**	(8.0)
December 31	**$ 9.1**	$ 7.1

Research and Development

Internal research and development costs are expensed as incurred. Third-party research and development costs are expensed when the contracted work has been performed or as milestone results have been achieved.

Foreign Currency Translation

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

Forward Exchange Contracts

As part of distributing its products, the Company regularly enters into intercompany transactions. The Company enters into forward foreign exchange contracts to hedge against future movements in foreign exchange rates that affect foreign currency denominated intercompany receivables and payables. The Company does not use derivative financial instruments for speculative or trading purposes. In accordance with SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities," the Company does not seek hedge accounting treatment for these contracts. As a result, these contracts, generally with maturity dates of 90 days or less and related primarily to currencies of industrial countries, are marked to market at each balance sheet date. Exchange gains and losses on these contracts are net of premiums and discounts. The resulting gains or losses offset exchange losses or gains on the related receivables and payables. The cash flows related to these contracts are classified as cash flows from investing activities in the Statement of Cash Flows.

Employee Stock Compensation Plans

The Company maintains incentive and non-qualified stock option plans for officers and certain other key employees. The Company also has an employee stock purchase plan that provides that eligible employees may contribute toward the purchase of the Company's Class A common stock. These plans are described more fully in Note 9.

The Company applies the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for those plans. No stock-based employee compensation expense is reflected in net income as all options granted under those plans had an exercise price equal to or greater than the market value of the underlying common stock on the date of grant.

Had compensation cost for the Company's stock option and stock purchase plans been accounted for under SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's pro forma net income and earnings per share would have been as follows (in millions, except per share data):

	Year Ended December 31,		
	2003	2002	2001
Net income, as reported	**$ 76.2**	$ 67.9	$ 44.2
Deduct: Total stock-based employee compensation expense determined under fair value methods for all awards, net of related tax effects	**(2.1)**	(1.8)	(1.3)
Pro forma net income	**$ 74.1**	$ 66.1	$ 42.9
Earnings per share:			
Basic – as reported	**$ 3.00**	$ 2.70	$ 1.79
Basic – pro forma	**$ 2.91**	$ 2.63	$ 1.74
Diluted – as reported	**$ 2.90**	$ 2.61	$ 1.74
Diluted – pro forma	**$ 2.82**	$ 2.55	$ 1.69

Earnings Per Share

The Company calculates basic earnings per share (EPS) and diluted EPS in accordance with SFAS No. 128, "Earnings per Share." Basic EPS is computed by dividing net income (loss) by the weighted average number of common shares outstanding for that period. Diluted EPS takes into account the effect of dilutive instruments, such as stock options, and uses the average share price for the period in determining the number of common stock equivalents that are to be added to the weighted average number of shares outstanding. Common stock equivalents are excluded from the diluted earnings per share calculation if the effect would be anti-dilutive. Treasury stock is not considered outstanding for purposes of calculating weighted average shares.

Fair Value of Financial Instruments

The estimated fair value of financial instruments has been determined using available market information or other appropriate valuation methodologies. Estimates are not necessarily indicative of the amounts that could be realized in a current market exchange as considerable judgment is required in interpreting market data used to develop estimates of fair value. The use of different market assumptions or estimation techniques could have a material effect on the estimated fair value amounts.

The estimated fair value of Bio-Rad's financial instruments were as follows (in millions):

	Year Ended December 31,			
	2003		2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Notes receivable and other	**$ 52.9**	**$ 58.3**	$ 36.0	$ 37.2
Total long-term debt	**$ 226.0**	**$ 256.2**	$ 106.5	$ 131.8

Financial instruments (e.g., notes receivable) that have fair values based on discounted cash flows, market quotations, and other appropriate valuation techniques are included in Other assets. Long-term debt has an estimated fair value based on quoted market prices for the same or similar issues.

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, marketable securities, notes payable, and accounts payable, the carrying amounts approximate fair value.

New Financial Accounting Standards

In April 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." One of the major changes of this statement is to change the accounting for the classification of gains and losses from the extinguishment of debt. The Company adopted SFAS No. 145 as of January 1, 2002 and will follow APB 30, "Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" in determining whether such extinguishment of debt may be classified as extraordinary. As a result of adoption, the expenses incurred in the 2003 repurchase of outstanding debt on the open market has been included in interest expense. No other impact from adoption was recognized.

SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," was issued in June 2002 and addresses accounting for restructuring and similar costs. SFAS No. 146 requires that the liability for costs associated with an exit cost or disposal activity be recognized and measured initially at fair value only when the liability is incurred. SFAS No. 146 is effective for exit or disposal activities that were initiated after December 31, 2002. The adoption of SFAS No. 146 did not have a material impact on the consolidated financial statements of the Company.

During April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. SFAS No. 149 was effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003 and did not have a material impact on the Company's financial position or results of operations.

2. ACQUISITIONS

See Note 17 regarding an acquisition which took place subsequent to year-end.

On March 31, 2003, the Company acquired the outstanding shares of Verdot Industrie of Riom, France for approximately $6 million. The Company has included these operations in its Life Science segment. The Company has completed its evaluation of purchased assets, including intangible assets, and liabilities and has not assigned any value to goodwill.

On June 28, 2002, the Company purchased for cash the microarray and robotics technologies business of Virtek Biotech Inc., a subsidiary of Virtek Vision International Inc. of Waterloo, Ontario, Canada. Bio-Rad acquired the assets, including intangible assets, for approximately $7 million and has included these operations in its Life Science segment. The Company did not assign any value to goodwill.

In July 2001, the Company acquired all the outstanding shares of Helix, Inc., a manufacturer of diagnostic products for the autoimmune market. The business combination was recorded using the purchase method. The acquisition cost was not material but did include a premium in excess of the net assets acquired.

3. DIVESTITURE

In October 2001, the Company sold the assets and certain liabilities of the Company's spectroscopy business to Digilab LLC. In 2001, the Company recorded a $4.5 million non-cash pre-tax charge reflecting the estimated impact of its intent to sell the spectroscopy instrument business and the Company had a write-down of $0.7 million on the value of a related production facility.

4. INVESTMENTS

The Company purchased shares of ordinary voting stock of Sartorius AG, of Goettingen, Germany, a process technology supplier to the biotechnology, pharmaceutical, chemical and food and beverage industries for approximately $10.4 million in 2003. The Company accounts for this investment on the cost method.

In December 1997, Bio-Rad began investing in Instrumentation Laboratory, S.p.A. (IL), an Italian based clinical diagnostics company. At December 31, 2003, Bio-Rad held approximately 13% of the outstanding stock of IL. A privately held company based in Spain controls approximately 84% of the outstanding stock of IL. The most recently filed financial statements for IL are as of November 30, 2002.

Based on a combination of many factors, including the lack of current financial information and IL's continued losses, the Company has determined that its investment has been other than temporarily impaired. The Company recorded a $9.4 million write-down of its investment in IL during 2001. As of December 31, 2002, the Company valued its investment in IL at $6.4 million. This amount reflects a $3.0 million write-down from December 31, 2001, which has been recorded in Other, net. As of December 31, 2003 the value of $6.4 million remains the Company's expected value of its investment. Although management believes that this investment is realizable, there is a possibility that future events may cause further impairment of this investment.

5. GOODWILL AND OTHER PURCHASED INTANGIBLE ASSETS

In June 2001, the FASB issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that all business combinations initiated after June 30, 2001 be accounted for under the purchase method of accounting and addresses the initial recognition and measurement of goodwill and other intangible assets acquired in a business combination. SFAS No. 142 addresses the initial recognition and measurement of goodwill and other intangible assets subsequent to their acquisition, provides that intangible assets with finite useful lives will be amortized, and that goodwill and intangible assets with indefinite lives will not be amortized. The provisions of the standard also require goodwill to be tested at least annually for impairment.

The Company adopted SFAS No. 142 on January 1, 2002. At that date, the Company stopped the amortization of goodwill, with a net carrying value of $77.7 million, and annual amortization of approximately $8 million that had resulted from purchases of businesses completed prior to the adoption of SFAS No. 141. The transition impairment test for goodwill was performed as of January 1, 2002. No impairment loss was recorded in fiscal 2003 or 2002. Additionally, intangible assets that do not meet the criteria for recognition apart from goodwill must be reclassified to goodwill. As a result of the Company's analysis, no reclassification of intangible assets to goodwill was required.

Had the Company been accounting for its goodwill under SFAS No. 142 for all periods presented, the Company's net income and net income per share would have been as follows (in millions, except per share data):

	Year Ended December 31,		
	2003 (as reported)	2002 (as reported)	2001 (pro forma)
Reported net income	**$ 76.2**	$ 67.9	$ 44.2
Add back goodwill amortization, net of tax	**—**	—	5.3
Pro forma adjusted net income	**$ 76.2**	$ 67.9	$ 49.5
Basic earnings per share:			
Reported basic earnings per share	**$ 3.00**	$ 2.70	$ 1.79
Goodwill amortization, net of tax	**—**	—	0.21
Pro forma adjusted basic earnings per share	**$ 3.00**	$ 2.70	$ 2.00
Diluted earnings per share:			
Reported diluted earnings per share	**$ 2.90**	$ 2.61	$ 1.74
Goodwill amortization, net of tax	**—**	—	0.21
Pro forma adjusted diluted earnings per share	**$ 2.90**	$ 2.61	$ 1.95

The changes in the carrying amount of goodwill for the years ended December 31, 2003 and 2002 are as follows (in millions):

	Life Science	Clinical Diagnostics	Other Operations
December 31, 2001	$ 29.7	$ 46.6	$ 1.4
Tax adjustments	(3.9)	(4.3)	—
December 31, 2002	$ 25.8	$ 42.3	$ 1.4
December 31, 2003	**$ 25.8**	**$ 42.3**	**$ 1.4**

Goodwill balances and goodwill amortization have been included in corporate for segment reporting purposes in Note 15.

The Company has no intangible assets with indefinite lives. Information regarding the Company's identifiable purchased intangible assets is as follows (in millions):

	December 31, 2003			
	Average Useful Life	Carrying Amount	Accumulated Amortization	Net
Patents	**16 years**	**$ 4.2**	**$ 0.4**	**$ 3.8**
Other	**6 years**	**9.9**	**1.4**	**8.5**
Total		**$ 14.1**	**$ 1.8**	**$ 12.3**

	December 31, 2002			
	Average Useful Life	Carrying Amount	Accumulated Amortization	Net
Patents	16 years	$ 3.5	$ 0.1	$ 3.4
Other	5 years	2.3	0.2	2.1
Total		$ 5.8	$ 0.3	$ 5.5

Recorded intangible asset amortization expense for the years ended December 31, 2003 and 2002 was $1.3 million and $0.3 million, respectively. Estimated intangible asset amortization expense (based on existing intangible assets) for the years ended December 31, 2004, 2005, 2006, 2007, and 2008 is $1.6 million, $1.6 million, $1.6 million, $1.7 million and $1.3 million, respectively.

6. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable include local credit lines maintained by the Company's subsidiaries aggregating approximately $40.4 million, of which $30.2 million was unused at December 31, 2003. At December 31, 2002 these lines aggregated approximately $30.9 million, of which $24.2 million was unused. The weighted average interest rate on these lines was 8.1% and 9.1% at December 31, 2003 and 2002, respectively. Bio-Rad Laboratories, Inc. guarantees most of these credit lines.

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

	December 31,	
	2003	2002
Senior Subordinated Notes	**$ 225.0**	$ 105.3
Other debt	**—**	1.1
Capitalized leases	**1.0**	0.2
	226.0	106.6
Less current maturities	**(0.2)**	(0.8)
Long-term debt	**$ 225.8**	$ 105.8

In August 2003, the Company sold $225.0 million principal amount of Senior Subordinated Notes due 2013. The notes pay a fixed rate of interest of 7.5% per year. The Company has the option to redeem any or all of the notes at any time prior to August 15, 2008 at a redemption price equal to 100% of the principal amount of the notes plus the "applicable premium" (as defined by the indenture) plus accrued and unpaid interest and certain other charges. The notes may be redeemed in whole or in part after August 15, 2008 and before August 15, 2009 at a redemption price of 103.75%; after August 15, 2009 and before August 15, 2010 at a redemption price of 102.50%; for the interim period to August 15, 2011 at 101.25%; thereafter at 100%. The Company's obligations under the notes are not secured and rank junior to all the Company's existing and future senior debt.

Through July 2003, the Company repurchased in the open market $17.3 million (par value) of its Senior Subordinated Notes due in 2007 at an expense, including interest, unamortized issue costs and unamortized original issue discount of $2.5 million. The remaining $88.7 million (par value) of Senior Subordinated Notes due in 2007 were tendered and repurchased with a portion of the proceeds from the sale of the 7.5% Senior Subordinated Notes at an expense, including interest, unamortized issue costs and unamortized original discount of $11.6 million. This expense is included in interest expense.

During 2003, the Company also negotiated a new five-year $150.0 million revolving credit facility to replace its $100.0 million revolving credit facility. The new credit facility is secured by substantially all of the Company's personal property assets and the assets of its domestic subsidiaries and 65% of the capital stock of certain foreign subsidiaries. It is guaranteed by all of its existing and future domestic subsidiaries (other than immaterial domestic subsidiaries as defined for purposes of the new credit facility). The Company terminated its existing credit facility simultaneously with the closing of its new facility. Interest varies upon a number of factors including the duration of the specific borrowing and is based upon either the Eurodollar, the Federal Funds effective or the Company corporate based rate.

The new credit facility and the Senior Subordinated Notes require the Company, among other things, to comply with certain financial ratios and covenants. These covenants include a leverage ratio test, an interest coverage test and a consolidated net worth test. There are also restrictions on the Company's ability to declare or pay dividends, incur debt, guarantee debt, enter into transactions with affiliates, merge or consolidate, sell assets, make investments, create liens and prepay subordinated debt. The Company was in compliance with all financial ratios as of December 31, 2003.

Maturities of long-term debt at December 31, 2003, are as follows: 2004 – $0.2 million; 2005 – $0.3 million; 2006 – $0.2 million; 2007 – $0.2 million; 2008 – $0.1 million; thereafter – $225.0 million.

7. INCOME TAXES

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

	Year Ended December 31,		
	2003	2002	2001
U.S.	**$ 42.8**	$ 37.6	$ (4.8)
International	**70.9**	66.8	69.8
Income before taxes	**$ 113.7**	$ 104.4	$ 65.0

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

	Year Ended December 31,		
	2003	2002	2001
Current:			
U.S. Federal	**$ 8.3**	$ 11.8	$ 2.8
International	**33.5**	30.8	23.7
U.S. State	**1.1**	1.0	0.4
	42.9	43.6	26.9
Deferred:			
U.S. Federal	**$ (3.0)**	$ (2.3)	$ 0.2
International	**(1.8)**	(4.2)	(5.3)
U.S. State	**(0.6)**	(0.6)	(1.0)
	(5.4)	(7.1)	(6.1)
Provision for income taxes	**$ 37.5**	$ 36.5	$ 20.8

The Company's income tax provision differs from the amount computed by applying the U.S. federal statutory rate to income before taxes as follows:

	Year Ended December 31,		
	2003	2002	2001
U. S. statutory tax rate	**35%**	35%	35%
State taxes, net of federal income tax benefit	**—**	—	(1)
Foreign Sales Corporation/EIE tax benefit	**(2)**	(2)	(4)
Difference between U.S. and foreign tax rates (net of foreign tax credits)	**(1)**	2	(10)
Loss carryforwards utilized	**—**	(1)	(1)
Amortization of goodwill	**—**	—	4
Foreign losses not benefited	**1**	2	1
Capital loss not benefited	**—**	1	5
Increase (decrease) in tax reserves	**(1)**	(1)	3
Other	**1**	(1)	—
Provision for income taxes	**33%**	35%	32%

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

	Year Ended December 31,	
	2003	2002
Deferred tax assets:		
Reserves for obsolete inventory, warranty, royalty and bad debts	**$ 17.7**	$ 11.5
Elimination of intercompany profit	**9.4**	7.8
Retirement reserve and vacation pay	**7.8**	5.5
Tax benefit of loss carryforwards	**8.4**	8.5
Basis difference in investment	**4.1**	4.1
State tax credit carryforward	**5.2**	4.5
Other	**8.3**	8.1
	60.9	50.0
Valuation allowance	**(14.4)**	(12.9)
Deferred tax assets	**$ 46.5**	$ 37.1
Deferred tax liabilities:		
Deferred gain on condemnation	**$ 6.1**	$ 2.9
Foreign exchange unrealized gain	**3.4**	—
Development cost of Hercules facility	**1.3**	1.5
Other	**3.2**	5.4
Deferred tax liabilities	**$ 14.0**	$ 9.8

At December 31, 2003, Bio-Rad's international subsidiaries had combined net operating loss carryforwards of $12.1 million. A portion of these loss carryforwards will expire in the following years: 2007 – $0.1 million; and 2008 – $0.1 million. The remainder of these loss carryforwards have no expiration date. The utilization of these carryforwards is limited to the separate taxable income of each individual subsidiary.

At December 31, 2003, Bio-Rad had an unutilized domestic net operating loss carryforward of $14.7 million. The loss carryforward will expire in the year 2018. The utilization of the loss carryforward is limited to Bio-Rad's domestic taxable income. At December 31, 2003, Bio-Rad had a California tax credit carryforward of $5.2 million. The credit carryforward has no expiration date. The utilization of the tax credit carryforward is limited to the extent Bio-Rad has California taxable income.

The valuation allowance is needed to reduce the deferred tax assets to an amount that is more likely than not to be realized. The net change in the valuation allowance in 2003 was an increase of $1.5 million, primarily resulting from an increase in foreign loss carryforwards whose utilization is uncertain. The net change in 2002 was a decrease of $4.4 million primarily resulting from the utilization of tax loss carryforwards.

Bio-Rad does not provide for taxes which would be payable if the cumulative undistributed earnings of its international subsidiaries, approximately $163 million at December 31, 2003, were remitted to the U.S. parent company. Unless it becomes advantageous for tax or foreign exchange reasons to remit a subsidiary's earnings, such earnings are indefinitely reinvested in subsidiary operations. The withholding tax and U.S. federal income taxes on these earnings, if remitted, would in large part be offset by tax credits.

8. STOCKHOLDERS' EQUITY

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

9. STOCK OPTION AND PURCHASE PLANS

Stock Option Plans

The Company maintains stockholder approved incentive and non-qualified stock option plans for officers and certain other key employees. No options have been issued to non-employees.

Under the Amended 1994 Stock Option Plan, the Company may grant options to its employees for up to 3,550,000 shares of common stock provided that no option shall be granted after March 1, 2004. Under the plans, Class A and Class B options are granted at prices not less than fair market value on the date of grant. Generally, options granted have a term of 10 years and vest in increments of 25% per year over a four-year period on the yearly anniversary date of the grant. For options granted after January 1, 2001, options vest in increments of 20% over a five-year period on the yearly anniversary date of the grant. At December 31, 2003, 918,545 shares remain available to be granted.

In April of 2003, stockholders approved the 2003 Stock Option Plan of Bio-Rad Laboratories, Inc. (the Plan). The Plan authorizes the grant to employees of incentive stock options and non-qualified stock options. A total of 1,675,000 shares have been reserved for issuance and may be of either Class A or Class B Common Stock. No options have been granted from this plan during 2003.

Pro forma compensation costs are calculated for the fair value of the employees' purchase rights, which was estimated using the Black-Scholes method. For purposes of the pro forma disclosures, the estimated fair value of the options granted is amortized to expense over the options' vesting period. There were no options granted in 2001.

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

	Year Ended December 31,	
	2003	2002
Expected volatility	**37%**	35%
Risk-free interest rate	**2.65%**	3.99%
Expected life (in years)	**4.2**	4.2
Expected dividend	**—**	—

See Note 1 for a description of the effect of the pro forma compensation expense derived using the fair value method on the Company's results.

Activity under the 1994 Plan is summarized below (amounts reported in the Price columns represent the weighted average exercise price):

	Year Ended December 31,					
	2003		2002		2001	
	Shares	Price	Shares	Price	Shares	Price
Outstanding at beginning of year	**1,591,832**	**$ 15.84**	1,572,701	$ 11.80	1,921,778	$ 11.90
Granted	**302,993**	**35.71**	379,500	28.85	—	—
Exercised	**(222,699)**	**12.58**	(350,549)	11.67	(287,622)	12.81
Forfeited	**(89,211)**	**16.57**	(9,820)	10.90	(36,385)	10.61
Expired	**—**	**—**	—	—	(25,070)	13.06
Outstanding at end of year	**1,582,915**	**$ 20.04**	1,591,832	$ 15.84	1,572,701	$ 11.72
Options exercisable at year-end	**780,415**	**$ 13.22**	677,149	$ 12.39	672,266	12.60
Weighted average fair value of options granted during the year	**$ 11.85**		$ 9.75		$ —	

The following summarizes information about stock options outstanding at December 31, 2003:

Range of Exercise Prices	Options Outstanding: Number Outstanding at 12/31/03	Options Outstanding: Weighted Average Remaining Contractual Life	Options Outstanding: Weighted Average Exercise Price	Options Exercisable: Number Exercisable at 12/31/03	Options Exercisable: Weighted Average Exercise Price
$ 9.50 – $ 11.31	**453,561**	**5.87 years**	**$ 10.72**	**319,192**	**$ 10.69**
$ 11.57 – $ 15.82	**459,691**	**4.33**	**12.71**	**378,540**	**12.85**
$ 16.32 – $ 35.50	**585,530**	**8.08**	**30.67**	**82,283**	**24.65**
$ 36.00 – $ 39.60	**84,133**	**8.74**	**36.30**	**400**	**37.23**
	1,582,915	**6.39**	**20.04**	**780,415**	**13.22**

Employee Stock Purchase Plan

The Company has an employee stock purchase plan that provides that eligible employees may contribute up to 10% of their compensation up to $25,000 annually toward the quarterly purchase of the Company's Class A common stock. The employees purchase price is 85% of the lesser of the fair market value of the stock on the first business day or the last business day of each calendar quarter. No compensation expense is recorded in connection with the plan. The Company has authorized the sale of 1,890,000 shares of common stock under the plan.

The Company sold 71,314 shares for $2.4 million, 66,992 shares for $1.8 million and 88,982 shares for $1.2 million under the plan to employees in 2003, 2002 and 2001, respectively. The weighted average fair value of purchase rights granted in 2003, 2002 and 2001 was $9.76, $8.41 and $4.48, respectively. At December 31, 2003, 269,239 shares remain authorized under the plan.

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

	Year Ended December 31,		
	2003	2002	2001
Expected volatility	**41.86%**	44.19%	44.44%
Risk-free interest rate	**.93%**	1.58%	3.99%
Expected life (in years)	**.25**	.25	.25
Expected dividend	**—**	—	—

See Note 1 for a description of the effect of the pro forma compensation expense derived using the fair value method on the Company's results.

10. EARNINGS PER SHARE

Weighted average shares used for diluted earnings per share include the dilutive effect of outstanding stock options of 894,000, 917,000 and 794,000 shares for the years ended December 31, 2003, 2002 and 2001, respectively.

There were no anti-dilutive shares for 2003 and 2002 and 2001.

11. OTHER INCOME AND EXPENSE

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

	Year Ended December 31,		
	2003	2002	2001
Write-down of investments	**$ —**	$ (5.0)	$ (10.9)
Interest income	**2.1**	4.0	1.3
Miscellaneous other items	**0.9**	1.7	(0.4)
Other, net	**$ 3.0**	$ 0.7	$ (10.0)

12. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Year Ended December 31,		
	2003	2002	2001
Net income	**$ 76.2**	$ 67.9	$ 44.2
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**40.0**	36.9	32.6
Amortization	**2.0**	1.1	8.7
Foreign currency hedge transactions, net	**15.0**	2.3	(0.4)
Gains on dispositions of marketable securities	**(0.3)**	(0.1)	(0.2)
Decrease (increase) in accounts receivable, net	**10.0**	(0.7)	(22.6)
Increase in inventories, net	**(8.2)**	(16.2)	(14.0)
Increase in other current assets	**(14.2)**	(12.1)	(3.6)
Increase (decrease) in accounts payable and other current liabilities	**(1.6)**	13.0	11.9
Increase (decrease) in income taxes payable	**(5.6)**	(6.9)	17.6
Increase (decrease) in deferred taxes	**(8.0)**	13.7	(1.7)
Loss on sale of spectroscopy business and write-down of investments	**—**	5.0	15.4
Debt retirement costs on 11 5/8% bonds	**9.5**	—	—
Other	**12.8**	1.9	11.6
Net cash provided by operating activities	**$ 127.6**	$ 105.8	$ 99.5

13. COMMITMENTS AND CONTINGENT LIABILITIES

Rents and Leases

Net rental expense under operating leases was $23.0 million in 2003, $19.5 million in 2002 and $15.8 million in 2001. Leases are principally for facilities and automobiles.

Annual future minimum lease payments at December 31, 2003, under operating leases are as follows: 2004 – $18.7 million; 2005 – $13.5 million; 2006 – $8.4 million; 2007 – $6.1 million; 2008 – $3.2 million; subsequent to 2008 – $2.9 million.

Deferred Profit Sharing Retirement Plan

The Company has a profit sharing plan covering substantially all U.S. employees. Contributions are made at the discretion of the Board of Directors. Bio-Rad has no liability other than for the current year's contribution. Contributions charged to income were $6.5 million, $4.8 million and $4.7 million in 2003, 2002 and 2001, respectively.

Foreign Exchange Contracts

The Company enters into forward foreign exchange contracts as an economic hedge against foreign currency denominated intercompany receivables and payables. At December 31, 2003, the Company had contracts maturing in January through March 2004 to sell foreign currency with a nominal value of $96.7 million and an unrealized loss of $0.1 million. Contracts to purchase foreign currency had a nominal value of $26.9 million with an unrealized loss of $0.1 million.

Insurance

The Company carries a deductible for workers' compensation and a portion of its group health insurance cost. Accruals for losses are based on the Company's claims experience and actuarial assumptions followed in the insurance industry. Should a greater amount of claims occur compared to the Company's estimates or cost of medical care increase beyond what has been anticipated, reserves recorded may not be sufficient and additional charges to income may be required.

Letters of Credit

In the ordinary course of business, the Company is at times required to post letters of credit. These letters of credit are required by certain insurance companies to ensure payments of certain charges. The Company was contingently liable for approximately $4.6 million of standby letters of credit with banks as of December 31, 2003.

Taxes

Settlement of open tax years, as well as tax issues in other countries where the Company conducts its business, are not expected to have a material effect on the consolidated financial position or liquidity of the Company and, in the opinion of management, adequate provision has been made for income and franchise taxes for all years under examination or subject to future examination.

14. LEGAL PROCEEDINGS

The Company is a party to various claims, legal actions and complaints arising in the ordinary course of business. The Company does not believe that any ultimate liability resulting from any of these lawsuits will have a material adverse effect on its results of operations, financial position or liquidity. However, the Company cannot give any assurance regarding the ultimate outcome of these lawsuits and their resolution could be material to the Company's operating results for any particular period, depending upon the level of income for the period.

15. SEGMENT INFORMATION

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

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

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

The remainder of the Company's former Analytical Instruments segment is included in Other Operations. The material product lines of this segment have been sold.

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

Information regarding industry segments at December 31, 2003, 2002 and 2001 and for the years then ended is as follows (in millions):

		Life Science	Clinical Diagnostics	Other Operations
Segment net sales	**2003**	**$ 480.0**	**$ 514.8**	**$ 8.6**
	2002	429.5	455.4	7.8
	2001	379.2	417.9	20.4
Allocated interest expense	**2003**	**$ 6.7**	**$ 9.6**	**$ 0.1**
	2002	8.8	12.4	0.1
	2001	9.3	14.3	0.5
Depreciation and amortization	**2003**	**$ 10.3**	**$ 29.2**	**$ 0.3**
	2002	8.3	27.4	0.2
	2001	7.2	26.2	0.4
Segment profit (loss)	**2003**	**$ 71.5**	**$ 59.8**	**$ (0.2)**
	2002	75.2	41.9	(1.6)
	2001	72.8	27.3	(5.3)
Segment assets	**2003**	**$ 252.7**	**$ 379.5**	**$ 5.0**
	2002	225.1	336.4	4.7
	2001	194.2	302.2	3.4
Capital expenditures	**2003**	**$ 36.2**	**$ 30.7**	**$ 0.1**
	2002	10.9	29.7	0.1
	2001	10.0	23.9	0.1

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

	Year Ended December 31,		
	2003	2002	2001
Total segment profit	**$ 131.1**	$ 115.5	$ 94.8
Other, net	**3.0**	0.7	(10.0)
Loss on divestitures	**—**	—	(5.2)
Goodwill amortization	**—**	—	(7.7)
Foreign exchange losses	**(4.1)**	(5.4)	(2.1)
Costs related to bond redemption	**(14.6)**	(6.9)	—
Net corporate operating, interest and other income and expense not allocated to segments	**(1.7)**	0.5	(4.8)
Consolidated income before taxes	**$ 113.7**	$ 104.4	$ 65.0

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

	December 31,	
	2003	2002
Total segment assets	**$ 637.2**	$ 566.2
Cash and other current assets	**247.1**	87.6
Net property, plant and equipment excluding segment specific gross machinery and equipment	**(34.3)**	(45.8)
Goodwill	**69.5**	69.5
Other long-term assets	**67.4**	43.2
Total assets	**$ 986.9**	$ 720.7

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

	Year Ended December 31,		
	2003	2002	2001
Europe	**$ 441.4**	$ 368.6	$ 341.7
Pacific Rim	**167.0**	151.9	127.5
United States	**344.6**	320.4	296.9
Other (primarily Canada and Latin America)	**50.4**	51.8	51.4
Total sales	**$ 1,003.4**	$ 892.7	$ 817.5

The following presents long-lived assets by geographic area based upon the location of the asset (in millions):

	Year Ended December 31,		
	2003	2002	2001
Europe	**$ 48.4**	$ 31.8	$ 25.3
Pacific Rim	**7.5**	7.2	6.4
United States	**254.4**	216.2	217.0
Other (primarily Canada and Latin America)	**5.7**	5.2	4.5
Total long-lived assets	**$ 316.0**	$ 260.4	$ 253.2

16. QUARTERLY FINANCIAL DATA — (UNAUDITED)

Summarized quarterly financial data for 2003 and 2002 are as follows (in millions, except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2003				
Net sales	**$ 246.0**	**$ 243.5**	**$ 247.7**	**$ 266.2**
Gross profit	**142.7**	**136.4**	**137.4**	**148.9**
Net income	**26.4**	**21.0**	**9.7**	**19.1**
Basic earnings per share	**$ 1.04**	**$ 0.83**	**$ 0.38**	**$ 0.75**
Diluted earnings per share	**$ 1.01**	**$ 0.80**	**$ 0.37**	**$ 0.73**
2002				
Net sales	$ 210.2	$ 214.6	$ 224.9	$ 243.0
Gross profit	121.3	122.3	129.0	136.9
Net income	18.8	16.2	16.6	16.3
Basic earnings per share	$ 0.75	$ 0.65	$ 0.66	$ 0.64
Diluted earnings per share	$ 0.73	$ 0.62	$ 0.64	$ 0.62

17. SUBSEQUENT EVENT

On March 4, 2004, the Company purchased for cash the controls business of Hematronix, Inc. of Plano, Texas. Bio-Rad acquired tangible and intangible assets of approximately $17 million and assumed certain liabilities.

Independent Auditors' Report

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF BIO-RAD LABORATORIES, INC.

We have audited the accompanying consolidated balance sheets of Bio-Rad Laboratories, Inc. and subsidiaries (the "Company") as of December 31, 2003 and 2002, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The consolidated financial statements of the Company for the year ended December 31, 2001 were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated February 4, 2002, (February 6, 2002, as to a subsequent event).

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Bio-Rad Laboratories, Inc. and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 5 to the consolidated financial statements, in 2002 the Company changed its method of accounting for goodwill and intangible assets to conform to Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets."

As discussed above, the consolidated financial statements of the Company for the year ended December 31, 2001 were audited by other auditors who have ceased operations. As described in Note 5, these consolidated financial statements have been revised to include the transitional disclosures required by SFAS No. 142, "Goodwill and Other Intangible Assets", which was adopted by the Company as of January 1, 2002. Our audit procedures with respect to the disclosures in Note 5 with respect to 2001 included (i) agreeing the previously reported net income to the previously issued financial statements and the adjustments to reported net income representing amortization expense (including any related tax effects) recognized in those periods related to goodwill to the Company's underlying records obtained from management, and (ii) testing the mathematical accuracy of the reconciliation of adjusted net income to reported net income, and the related earnings-per share amounts. However, we were not engaged to audit, review, or apply any procedures to the 2001 consolidated financial statements of the Company other than with respect to such disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 consolidated financial statements taken as a whole.

Deloitte & Touche LLP

San Francisco, California
March 10, 2004

This report is a copy of the previously issued report covering 2001, 2000 and 1999. The predecessor auditors have not reissued their report.

Report of Independent Public Accountants

TO THE STOCKHOLDERS AND BOARD OF DIRECTORS OF BIO-RAD LABORATORIES, INC.:

We have audited the accompanying consolidated balance sheets of Bio-Rad Laboratories, Inc. (a Delaware Corporation) and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, cash flows and changes in stockholders' equity for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bio-Rad Laboratories, Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

San Francisco, California
February 4, 2002, except for Note 7,
as to which the date is February 6, 2002

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

This discussion should be read in conjunction with the information contained in the Company's Consolidated Financial Statements and the accompanying notes which are an integral part of the statements. References are to the Notes to Consolidated Financial Statements.

Other than statements of historical fact, statements made in this Annual Report include forward looking statements, such as statements with respect to the Company's future financial performance, operating results, plans and objectives that involve risk and uncertainties. We have based these forward looking statements on our current expectations and projections about future events. However, actual results may differ materially from those currently anticipated depending on a variety of risk factors including among other things: our ability to successfully develop and market new products; our reliance on and access to necessary intellectual property; our substantial leverage and ability to service our debt; competition in and government regulation of the industries in which we operate; and the monetary policies of various countries. We undertake no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events, or otherwise.

Overview. We are a multinational manufacturer and worldwide distributor of Life Science research and Clinical Diagnostics products. Our business is organized into two primary segments, Life Science and Clinical Diagnostics, with the mission to provide scientists with specialized tools needed for biological research and clinical diagnostics. We sell more than 8,000 products and services to a diverse client base comprised of scientific research, healthcare, industry, education and government customers worldwide. We manufacture and supply our customers with a range of reagents, apparatus and equipment to separate complex chemical and biological materials and to identify, analyze and purify components. Because our customers require replication of results from experiments and tests, we estimate that approximately 70% of our revenues are recurring. Approximately 34% of our 2003 consolidated net sales are from the United States and approximately 66% are international sales largely denominated in local currency with the majority of these sales in Euros, Yen and British Sterling. As a result, our consolidated sales expressed in dollars benefit when the US dollar weakens and suffers when the dollar strengthens in relation to other currencies. Currency fluctuations benefited our consolidated sales expressed in U.S. dollars in 2003 and, to a lesser extent, 2002 sales as well. The market for reagents and apparatus remains good as growth rates have slowed in the global economic downturn but have not turned negative. The market for large capital equipment in 2002 and 2003 declined from prior periods, as many pharmaceutical and biotechnology customers delayed or reduced their capital spending. Bio-Rad is generally less impacted by capital spending as lower cost reagents and apparatus comprise more than 70% of product sales.

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

	Year Ended December 31,		
	2003	2002	2001
Net sales	**100.0**	100.0	100.0
Cost of goods sold	**43.7**	42.9	44.3
Gross profit	**56.3**	57.1	55.7
Selling, general and administrative expense	**32.4**	32.4	32.4
Product research and development expense	**9.4**	9.3	9.4
Net income	**7.6**	7.6	5.4

We intend that the discussion of our financial condition and results of operations that follow will assist you in understanding how accounting principles, policies and estimates effect our results, and the significant factors that caused changes in our operations and financial position for the years ended December 31, 2003 and 2002.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The accompanying discussion and analysis of the Company's financial condition and results of operations are based upon the consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingencies as of the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. The Company evaluates its estimates on an on-going basis. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. However, future events are subject to change and the best current estimates and assumptions routinely require adjustment. Actual results could differ from these estimates.

Accounting for Income Taxes. As part of the process of preparing Bio-Rad's consolidated financial statements management is required to estimate the Company's income taxes in each of the jurisdictions in which the Company operates. This process involves estimating Bio-Rad's actual current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the consolidated balance sheet. Management must then assess the likelihood that the deferred tax assets will be recovered from future taxable income and to the extent management believes that recovery is not likely, a valuation allowance must be established. To the extent management establishes a valuation allowance or increases this allowance in a period, an expense within the tax provision in the statement of operations must be included.

Significant management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against the net deferred tax assets. The Company has recorded a valuation allowance of $14.4 million and $12.9 million as of December 31, 2003, and 2002 respectively due to uncertainties related to the Company's ability to utilize some of the deferred tax assets, primarily consisting of certain net operating losses carried forward, before they expire. The valuation allowance is based on management's current estimates of taxable income by jurisdiction in which Bio-Rad operates and the period over which the deferred tax assets will be recoverable. In the event that actual results differ from these estimates or these estimates are adjusted in future periods an additional valuation allowance may need to be established which would increase the tax provision, lowering income and impacting Bio-Rad's financial position. Should realization of these deferred assets previously reserved occur, the tax provision would decrease, raising income and positively impacting Bio-Rad's financial position.

Valuation of Long-lived and Intangible Assets and Goodwill. The Company assesses the impairment of identifiable intangibles, long-lived assets and related goodwill and enterprise level goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Projected future operating results and cash flows of the reporting units were used to establish the fair value used in evaluating the carrying value of the associated goodwill. Factors the Company considers important which could trigger an impairment review include the following:

- significant under-performance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for the Company's overall business;
- significant negative industry or economic trends.

When the Company determines that the carrying value of intangibles, long-lived assets and related goodwill and enterprise level goodwill may not be recoverable based upon the existence of one or more of the above indicators of impairment, the Company measures any impairment based on a projected discounted cash flow method using a discount rate determined by management to be commensurate with the risk inherent in Bio-Rad's current business model.

In 2002, Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142) became effective. The Company adopted SFAS No. 142 and ceased to amortize approximately $77.7 million of goodwill. The Company had recorded approximately $7.7 million of amortization on these amounts during 2001. In lieu of amortization, the Company is required to perform an annual impairment review of goodwill. For the years 2002 and 2003 that review indicated no impairment had taken place. However, there can be no assurance that a material impairment charge will not be recorded in future periods.

Valuation of Inventories. The Company values inventory at the lower of the actual cost to purchase and/or manufacture the inventory or the current estimated market value of the inventory. The Company regularly reviews inventory quantities on hand and records a provision for excess and obsolete inventory based primarily on an estimated forecast of product demand and production requirements for the next twelve months. In addition, our industry is characterized by technological change, frequent new product development and product obsolescence that could result in an increase in the amount of obsolete inventory quantities on hand. Additionally, the Company's estimates of future product demand may prove to be inaccurate, in which case the Company may have understated or overstated the provision required for excess and obsolete inventory. In the future, if inventory is determined to be overvalued, the Company would be required to recognize such costs in our cost of goods sold at the time of such determination. Likewise, if

inventory is determined to be undervalued, the Company may have over-reported cost of goods sold in previous periods and would be required to recognize such additional operating income at the time of sale. Therefore, although the Company makes efforts to ensure the accuracy of its forecasts of future product demand, any significant unanticipated changes in demand or technological developments could have a significant impact on the value of its inventory and reported operating results.

CORPORATE RESULTS — SALES, MARGINS AND EXPENSES

Bio-Rad net sales for the year 2003 were $1,003.4 million, an increase of 12.4% over the prior year. The impact of a weakening US dollar throughout the year provided growth from net foreign currency denominated sales of approximately 8.7% for the full year.

The Life Science segment had sales growth of 11.8% in 2003, benefiting from an approximate 8.8% increase due to foreign exchange. Sales declined on a currency neutral basis for food safety as our competitors significantly lowered their average per test sales asking price necessitating Bio-Rad to also lower its average per test sales price. The microscopy product line sales declined as Bio-Rad entered into an agreement to sell its product line to a competitor. The sale is currently being reviewed by the United Kingdom's Competition Commission and their ruling is presently not expected for several months.

The Clinical Diagnostics segment had sales growth of 13.0% in 2003, benefiting from an approximate 8.6% increase due to foreign exchange. Product lines providing the 4.4% of currency neutral sales growth were quality control products and blood virus products. Quality control products grew particularly well in North America and Europe. Blood virus products grew in Europe.

Bio-Rad net sales for the year 2002 were $892.7 million, an increase of 9% over the prior year. The impact of a weakening US dollar provided growth from foreign currency denominated sales of less than 1% for the full year. Overall growth for Bio-Rad exceeded 11% on a currency neutral basis when adjusted for the spectroscopy product line divestiture.

The Life Science segment had sales growth of 13% in 2002, benefiting 1% due to foreign exchange. The majority of growth was provided by consumables. Modest growth was achieved by apparatus, and instrument sales declined year over year.

The Clinical Diagnostics segment achieved sales growth of 9% in 2002, again benefiting 1% due to foreign exchange. Contributing product lines included diabetes, autoimmune, quality control products, and blood virus products.

The 2003 consolidated gross margins declined to 56.3% from 57.1% in the prior year. The decline in gross margin for the Life Science segment accounted for the entire decline for the Company as a whole. The food safety product line accounted for the majority of the decline as average selling price declined and costs to automate customer testing procedures were not recovered in an attempt to protect the Company's existing market share. Life Science manufacturing overhead costs also increased as planned spending levels exceeded the planned activity levels resulting in less efficient overhead absorption. Life Science management plans to limit the growth in overhead costs in the near term, but during early 2004 may incur some additional costs involved in both the relocation of facilities and installation of new manufacturing systems. Clinical Diagnostic gross margins improved by approximately one-half of one percent. Spending increases below the rate of sales growth have generally aided the small improvement in Clinical Diagnostic margins.

The 2002 consolidated gross margins improved to 57.1% from 55.7% in the prior year. Life Science gross margins improved over 2001 approximately 0.3% based largely on sales mix as consumables and apparatus with higher margins than instruments comprised a greater portion of the total sales volume. Clinical Diagnostics gross margins improved over 2001 from lower manufacturing overhead spending and a decrease in provisions for obsolete inventory. The divestiture of the spectroscopy product line also helped contribute as it historically operated at a much lower gross margin than the Company as a whole.

Consolidated selling, general and administrative (SG&A) expense increased in line with the rate of sales growth, to end the year at 32.4% of sales, the same percentage as for the years ended 2002 and 2001. The Life Science segment added expenses at a rate of growth higher than sales. Areas of emphasis were selling and marketing efforts in the segment's protein function, protein separation and gene expression product lines. SG&A expenses were not reduced in food safety as a means to respond in the short term to competitive pressures maintaining Bio-Rad's market leading position. The Clinical Diagnostics segment grew SG&A at a lower rate than sales growth and accounts in large part for their improved segment profitability. The Company also made investments in financial and tax compliance to improve future profitability. The Company anticipates some additional expenses related to Financial Reporting and its annual audits as 2004 will be the first year of mandatory external auditor certification for compliance with Section 404 of the Sarbanes-Oxley Act.

In 2002, consolidated selling, general and administrative expense remained unchanged from the prior year at 32.4% of sales. Spending increased in absolute dollars in both Life Science and Clinical Diagnostics. The areas where increases were the largest were in Europe to support the growth that began in 2001 through the current year. The Company also increased its involvement in Eastern Europe. Asia, excluding Japan, was a second area of emphasis in 2002 for Bio-Rad. The Company sees an opportunity to increase sales through greater penetration and increasing its direct involvement with the customer.

Product research and development expense (R&D) in 2003 rose to 9.4% of sales. In absolute dollars each segment had growth with Life Science increasing slightly more than Clinical Diagnostics. Increased efforts in Life Science concentrated on proteomics, process chromatography, food testing and microarray technology. Clinical Diagnostics efforts are concentrating on automation for the serology, autoimmune and blood virus product lines as well as the expansion and enhancement of the segment's quality control products and blood virus diagnostic tests. Bio-Rad plans to reinvest between 9% and 10% of sales in research and development annually to support continued sales growth.

Product research and development expense in 2002 increased by 8.4% just below the rate of sales (9.2%). The majority of the increase in absolute dollar spending was in the Life Science segment to support development activities in the areas of proteomics, amplification, food testing, microarray technology and process chromatography.

In 2002, Clinical Diagnostics R&D remained unchanged. Areas of emphasis for Clinical Diagnostics included blood screening, autoimmune testing, genetic disorders and expanded offerings for the quality control product line.

CORPORATE RESULTS — NON-OPERATING ITEMS

Interest expense increased to $31.0 million in the year 2003. Included in the current year's interest cost is $14.6 million for the open market repurchase and tendering of $106.0 million of Bio-Rad's 11 5/8% Senior Subordinated Notes due 2007 and the refinancing of the Company's primary credit facility. These costs include a premium to repurchase the notes, and the expensing of unamortized debt issue costs and original issue discount.

When compared to 2001, interest expense increased to $28.2 million in 2002 and included $6.9 million of costs associated with the open market repurchase of $43.9 million of the Company's Senior Subordinated Notes.

Over the two year period Bio-Rad has seen a decline in borrowing rates on its variable rate debt. During the period January 2002 through August 2003, Bio-Rad had a consistent general decline in borrowed funds as it repaid debt that originated from its acquisition of Pasteur Sanofi Diagnostics in October 1999.

Foreign exchange losses for 2003 decreased by $1.4 million when compared to the year 2002. During 2002 Bio-Rad had atypical currency losses on unhedged intercompany receivables from Brazil and Russia. For the full year 2003 Bio-Rad hedged a substantial portion of its Brazilian intercompany receivable which successfully avoided exposure to currency changes. As a result, the additional cost of hedging was greater than 2002, offsetting a significant portion of the improvement. All years include the net cost of Bio-Rad's hedging program for the established European, Asian and North America currencies.

Bio-Rad's consolidated effective tax rate was 33%, 35% and 32% in 2003, 2002 and 2001, respectively. The tax rate for all years reflects the utilization of loss carryforwards, foreign sales corporation benefits, and foreign tax credits. The effective tax rate declined in 2003, primarily as a result of the utilization of unbenefited tax loss carryforwards, most notably in Brazil.

FINANCIAL CONDITION

Historically, the Company's principal capital requirement was for working capital to fund its internal growth. As a result of the obligations undertaken in relation to the acquisition of Pasteur Sanofi Diagnostics, the Company became highly leveraged with a debt to equity ratio at year-end 1999 of 119%. Since that time and up to Bio-Rad's decision in August 2003 to secure $225 million in long-term capital in the form of 7.5% debentures, the Company had improved its overall liquidity reducing its debt to equity ratio at July 31, 2003 to 22%.

At December 31, 2003, the Company had available $148.6 million in cash and cash equivalents, $30.2 million under the international lines of credit and $150.0 million under the restated and amended Revolving Credit Facility signed September 5, 2003. Management believes that this availability, together with cash flow from operations, will be adequate to meet the Company's current objectives for operations, research and development, capital additions for plant, equipment and systems and an acquisition or acquisitions with an accumulated value of approximately $200 million.

CASH FLOW FROM OPERATIONS

Net cash provided by operations was $127.6 million, $105.8 million and $99.5 million in 2003, 2002 and 2001 respectively. The integration of the Pasteur Sanofi Diagnostics acquisition, the introduction of new products (most notable the BSE test) and improved profitability in the Clinical Diagnostics segment have all contributed to the improved cash flow from operations for the Company.

Consolidated net accounts receivable increased by $24.8 million or 11.9% over 2002. The impact of strengthening foreign currencies, in particular, the Euro versus the U.S. dollar, accounts for the majority of the increase. From December 31, 2002 to December 31, 2003 the Euro strengthened approximately 20%. European accounts receivable approximated 59% of the Company's year-end 2003 balance of total receivables. Overall, the Company experienced better collections as the number of days sales outstanding dropped slightly. Bio-Rad's management regularly reviews the allowance for uncollectable accounts receivable and believes net accounts receivable are fully realizable.

Consolidated net inventory increased $23.9 million or 14.4% over 2002. Again, strengthening foreign currencies accounted for a majority ($15.2 million) of the increase in inventory value. Inventory growth in 2003 over 2002, unrelated to the foreign currency increase, was principally the result of inventory builds associated with a product distribution agreement starting more slowly than anticipated, a facility relocation completed in January 2004 and a purchase commitment for certain automated equipment which should begin shipping to customers in the second quarter of 2004. Inventory in the quality controls and process chromatography area are characterized by large batch sizes to meet customer specifications and pose an increased risk should either manufacturing processes or customer commitments change. Management routinely reviews the impact of obsolescence and market prices on current inventory caused by the introduction of new products, technologies and various pricing regulations.

CASH FLOW FROM INVESTING ACTIVITIES

Net capital expenditures in 2003 totaled $69.0 million compared to $42.2 million and $43.2 million in 2002 and 2001, respectively. The Company completed construction in January 2004 of the new facilities for manufacturing, laboratory, and general office use on Company owned land in the business park where Corporate headquarters, Life Science and Clinical Diagnostics group operations are now located. The estimated current cost of the facility is $25 million and complete occupancy will occur by the end of the first quarter of 2004. To December 31, 2003, approximately $24.8 million has been capitalized on this project of which $23.1 million was capitalized in the current year. A principal expenditure in all years was clinical diagnostic equipment placed with customers to be used with the Company's diagnostic reagents. For 2003 the amount represents $14.5 million of capital additions. The Company continues to invest in business systems to standardize distribution software and enhance data communication. Other expenditures were made for the replacement and improvement of production equipment and facilities to meet the necessary Good Manufacturing Practices, (GMP) mandated by the Food and Drug Administration (FDA) for Clinical Diagnostics and other regulatory bodies as well as many customers of the Life Science group. It is anticipated that the European In Vitro Diagnostic Directive will increase the burden of compliance for the Company in Europe and will necessitate continued compliance expenditures of a capital nature.

CASH FLOW FROM FINANCING ACTIVITIES

The Company completed three significant financing transactions during 2003. These transactions were the completion of a new $150.0 million revolving credit facility, the placement of $225.0 million aggregate principal amount of Senior Subordinated Notes in a private offering and completion of a cash tender offer to retire all of its outstanding 11 5/8% Senior Subordinated Notes due in 2007.

The new $150.0 million revolving credit facility is secured by substantially all of the Company's personal property assets and the assets of its domestic subsidiaries and 65% of the capital stock of certain foreign subsidiaries, and is guaranteed by all of its existing and future domestic subsidiaries (other than immaterial domestic subsidiaries as defined for purposes of the new credit facility). The Company terminated its existing $100.0 million revolving credit facility prior to the closing of the new revolving credit facility. The interest rate varies due to a number of factors including the duration of the specific borrowing and is based upon either the Eurodollar, the Federal Funds effective or the Company corporate based rate. The Company will pay a commitment fee annually on the daily unused portion of the revolving credit facility.

On August 11, 2003 the Company completed the sale of $225 million aggregate principal amount of its 7.5% Senior Subordinated Notes due 2013 in a private offering. The Company used $98.2 million of the net proceeds from this offering to fund the purchase of the outstanding 11 5/8% Senior Subordinated Notes due 2007 pursuant to a tender offer completed on September 30, 2003 with the remainder available for general corporate purposes, which may include acquisitions.

The new Senior Subordinated Notes have been exchanged for the new 7.5% Exchange Notes that have been registered under the Securities Act of 1933, as amended, or applicable state securities laws. This transaction was completed on October 30, 2003, with the new Exchange Notes being virtually identical in all material respects to the 7.5% Senior Subordinated Notes originally issued only to qualified institutional buyers in reliance of Rule 144A and in offshore transactions pursuant to Regulation S under the Securities Act as amended.

The Company completed a cash tender and consent solicitation for all of its outstanding 11 5/8% Senior Subordinated Notes due 2007. Holders received consideration of 110.625% of the principal amount of notes, which included a consent payment of 1.5% of the principal amount of the notes. In accordance with the terms of the indenture governing the notes, any notes not tendered were called for redemption, redeemed and the notes retired. This closes the last of the financings originally used to primarily fund the 1999 acquisition by Bio-Rad of Pasteur Sanofi Diagnostics from Sanofi Synthelabo and the Institut Pasteur.

The Company continues to review possible acquisitions to expand both its Life Science and Clinical Diagnostics segments. The Company routinely meets with the principals or brokers of the subject companies. Currently no discussions involving a material acquisition have progressed beyond the most initial phases. Should the Company make a material acquisition it would most likely require an increase in borrowed funds.

The Board of Directors has authorized the Company to repurchase up to $18 million of the Company's common stock over an indefinite period of time. Through December 31, 2003, the Company has cumulatively repurchased 1,179,272 shares of Class A Common Stock and 60,000 shares of Class B Common Stock for a total of $14.7 million. The Company's credit agreements restrict the Company's ability to repurchase its own stock. There were no share repurchases made during 2002 or 2003. The repurchase is designed to improve shareholder value and to satisfy the Company's obligations under the employee stock purchase and stock option plans.

CONTRACTUAL OBLIGATIONS

The following summarizes certain of our contractual obligations as of December 31, 2003 and the effect such obligations are expected to have on our cash flows in future periods (in millions):

Contractual Obligations	Total	Less than One Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt, including current portion[1]	**226.0**	**0.2**	**0.5**	**0.3**	**225.0**
Operating lease obligations[2]	**52.8**	**18.7**	**21.9**	**9.3**	**2.9**
Purchase obligations[3]	**10.9**	**7.3**	**1.3**	**0.8**	**1.5**
Long-term liabilities	**16.9**	**—**	**2.7**	**0.9**	**13.3**

(1) These amounts represent expected cash payments, include capital lease obligations and are included in our Consolidated Balance Sheets. See Note 6 of the Consolidated Financial Statements for additional information about our debt.

(2) Operating lease obligations are described in Note 13 of the Consolidated Financial Statements.

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

FINANCIAL RISK MANAGEMENT

Bio-Rad uses derivative financial instruments to reduce the Company's exposure to fluctuations in foreign exchange rates and, on occasion, interest rates. No derivative financial instruments are entered into for the purpose of speculating or trading. Company policy limits all derivative positions exclusively to reducing risk by hedging an underlying economic exposure. These derivative investments do not qualify for hedge accounting treatment under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." Derivative instruments used in these transactions will be valued at fair value and changes in fair value will be included in reported earnings.

Bio-Rad operates and conducts business in many countries and is exposed to movements in foreign currency exchange rates. Additionally, Bio-Rad's consolidated net equity is impacted by the conversion of the net assets of international subsidiaries for which the functional currency is not the U.S. Dollar. Foreign currency exposures are managed on a centralized basis by the Company's Treasury Department. This allows for the netting of natural offsets and lowers transaction costs and exposures. Bio-Rad currently makes more than 60% of its sales outside the United States and weakening in one currency can often be offset by strengthening in another.

Bio-Rad typically enters into forward exchange contracts to sell its foreign currency. Contracts primarily in British Sterling, Japanese Yen and the Euro, are entered into typically for 30 to 60 days. The costs are recognized in income monthly and generally are the reciprocal of the change in underlying assets. Bio-Rad does not hold any derivative contracts that hedge its foreign currency denominated net asset exposures.

Bio-Rad uses sensitivity analysis to assess the market risk associated with its foreign currency exchange risk. Market risk is the potential change in fair value of derivative positions from an adverse movement in currency exchange rates. As of December 31, 2003, the Company's market risk was not significant.

The Company's long-term debt consists mostly of fixed rate instruments. While the Company has used derivative instruments in the past, it did not hold any interest rate derivative contracts at December 31, 2003.

Notes

Corporate Information

DIRECTORS

David Schwartz
Chairman of the Board

Norman Schwartz
Director

James J. Bennett
Director

Albert J. Hillman
Director

Ruediger Naumann-Etienne
Director

Philip L. Padou
Director

Alice N. Schwartz
Director

OFFICERS

David Schwartz
Chairman of the Board

Norman Schwartz
President and
Chief Executive Officer

Brad Crutchfield
Vice President and Group Manager
Life Science

John Goetz
Vice President and Group Manager
Clinical Diagnostics

Christine A. Tsingos
Vice President and
Chief Financial Officer

Sanford S. Wadler
Vice President, General Counsel
and Secretary

Ronald W. Hutton
Treasurer

James R. Stark
Corporate Controller

OTHER EXECUTIVES

John Hertia
Group Operations Manager, U.S.
Clinical Diagnostics

Patrick Bugeon
Group Operations Manager, France
Clinical Diagnostics

Giovanni Magni
International Sales Manager

Gregory Banik
Manager, Informatics

Bruce Bartholomew
Manager, U.S. Sales and Service
Clinical Diagnostics

Steve Binder
Director, Technology Development
Clinical Diagnostics

François Capit
Manager, Food Science

Diane Dahowski
Manager, Clinical Systems

Patrice Deletoille
Manager, Blood Virus

David Forrester
Regional Manager, Northern Europe

Robyn Hawkins
Manager, Quality Systems

Ann Madden
Manager, Clinical Microbiology

Kuniaki Masuoka
Regional Manager, Japan

Paul Menter
Manager, North America Sales

Brendan Parker
Manager, Cell Science

Leonard Pulig
Manager, Protein Function

Yves Quinchard
Regional Manager, France

Wolfram Rodatz
Regional Manager, Central Europe

Angelo Scandroglio
Regional Manager, Southern Europe

Edward Stauber
Regional Manager, Asia Pacific

Annette Tumolo
Manager, Gene Expression

Gus Salem
Manager, Protein Separation

Sanjiv Suri
Regional Manager, Eastern Europe

ANNUAL MEETING

The Annual Meeting of stockholders will be held on **Tuesday, April 27, 2004** at 4:00 p.m. Pacific Time at Bio-Rad Laboratories Corporate Offices in Hercules, California.

Bio-Rad will provide without charge to each stockholder, upon written request to the Secretary, a copy of its 2003 Annual Report filed with the Securities and Exchange Commission on Form 10-K.

TRANSFER AGENT

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Mailing Address:
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Chicago, Illinois 60690

Telephone (800) 246-5761
Fax (312) 904-2236

AUDITORS

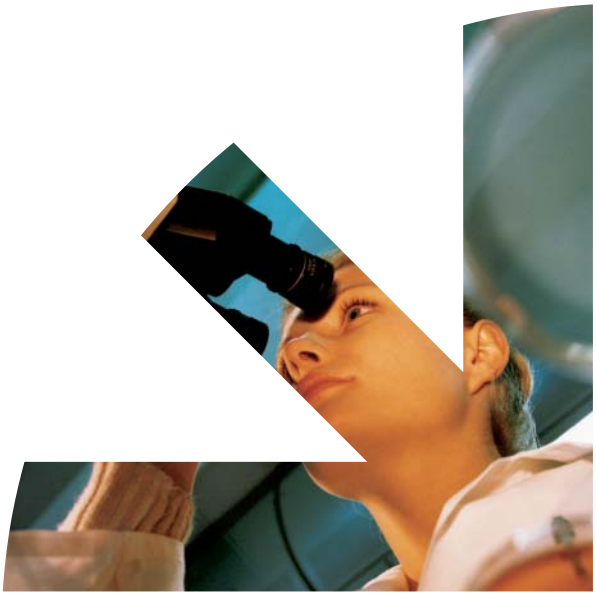
Deloitte & Touche LLP
San Francisco, California

COMMON STOCK

Traded on the American Stock Exchange

Class A Common Stock
Symbol BIO

Class B Common Stock
Symbol BIOb



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